

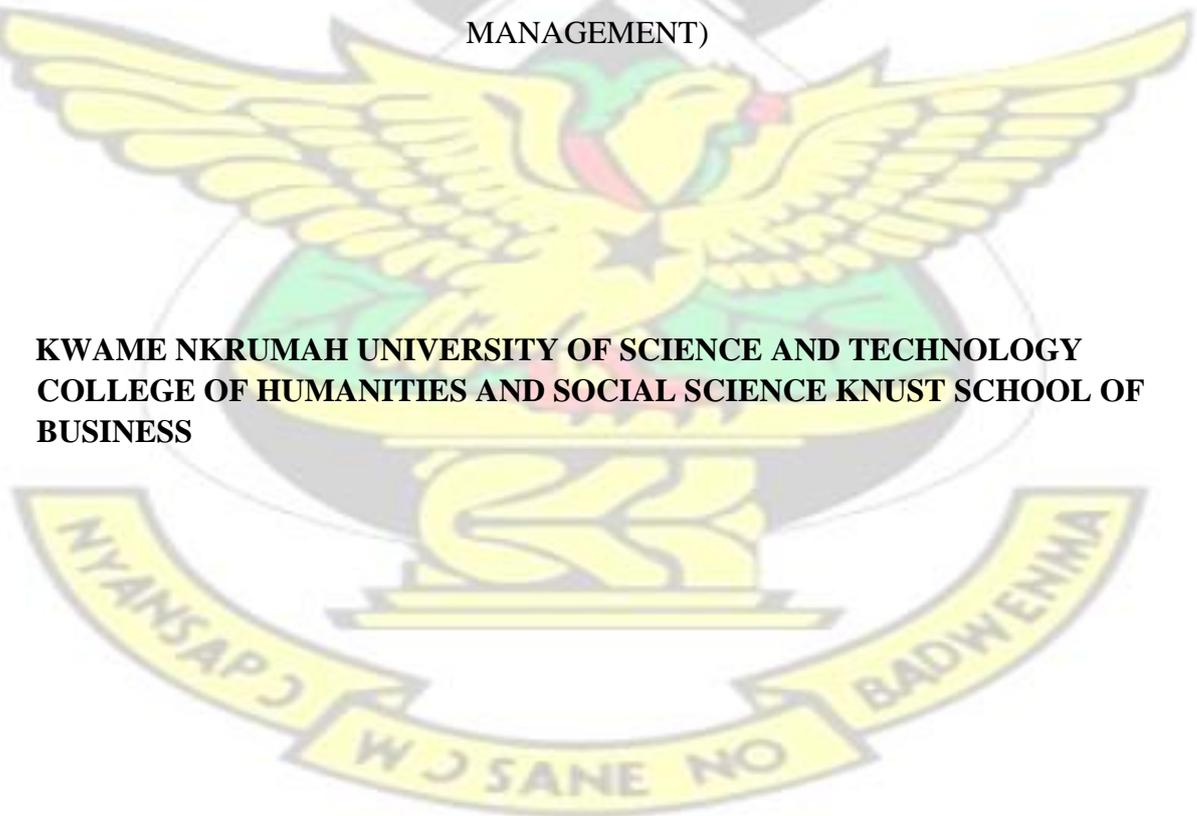
**THE IMPACT OF AMALGAMATION OF TAX AGENCIES ON REVENUE
MOBILISATION IN GHANA: A CASE OF GHANA REVENUE AUTHORITY IN
KUMASI METROPOLITAN AREA**

KNUST
BY

KWAME ASAMOAH – MENSAH (BSc. Geodetic ENG.)

A thesis submitted to the department of Marketing and Corporate Strategy, School of Business,
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**KWAME NKURUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY
COLLEGE OF HUMANITIES AND SOCIAL SCIENCE KNUST SCHOOL OF
BUSINESS**



AUGUST, 2015.

DECLARATION

I hereby declare that this submission is my own work towards the Master of Business Administration (Strategic Management) and that, to the best of my knowledge, it contains no materials previously published by another person nor material which has been accepted for the reward of any other degree of the university, except where due acknowledgement has been made in the text.

Kwame Asamoah–Mensah
(PG5772211)

.....
Signature Date

Certified by:

Dr. W. A. Owusu - Ansah
(Supervisor)

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Signature Date

Certified by:

Dr. Ahmed Agyapong
(Head of Department)

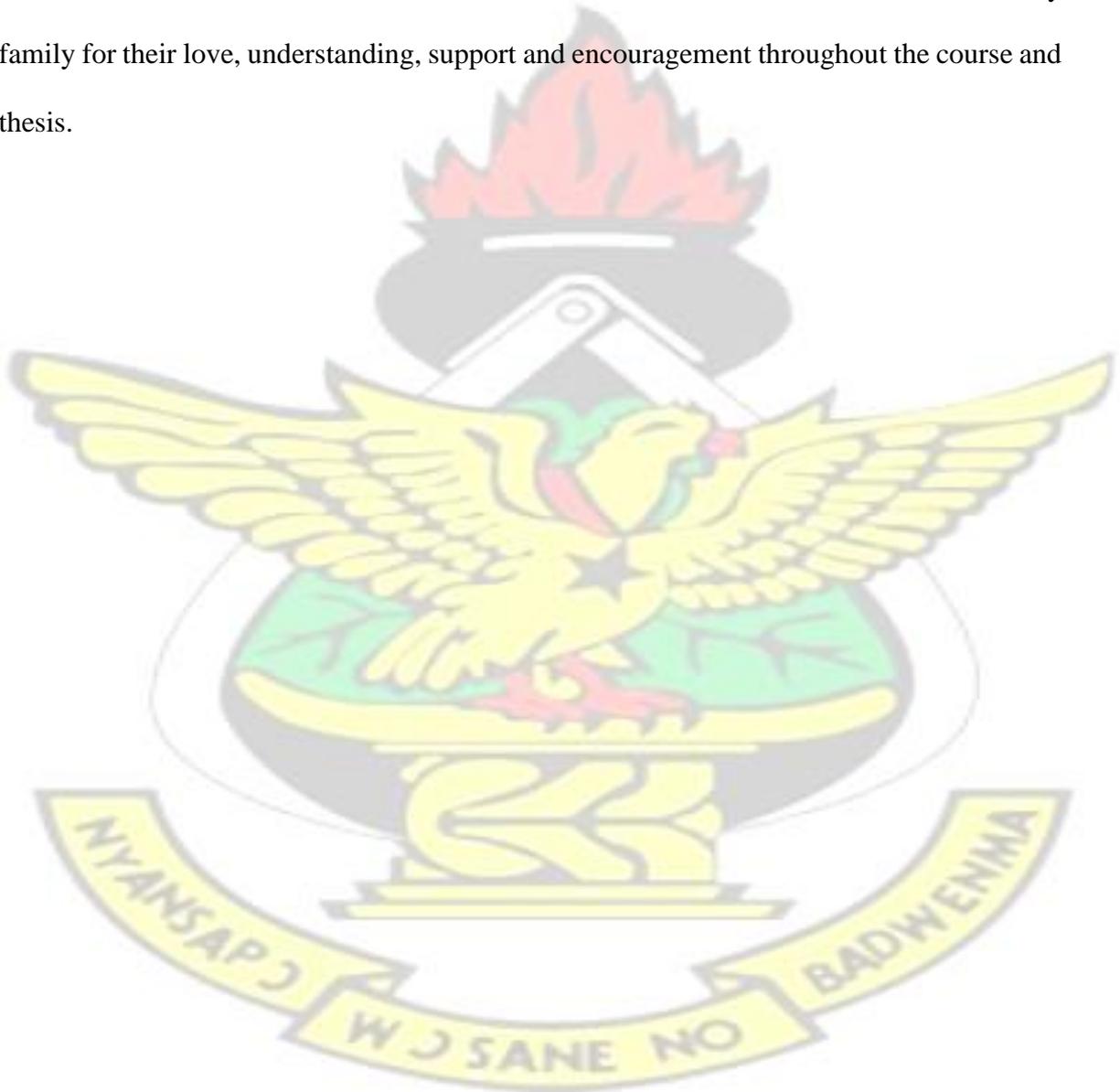
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ABSTRACT

This study examines the impact of the amalgamation of the tax agencies on revenue mobilisation in Ghana using GRA within the Kumasi Metropolis as a case study. Convenience sampling was used in selecting the respondents for the study. Data has been gathered through the use of questionnaires and an interview guide. The Statistical Package for Social Sciences (SPSS) was used in analysing the data. The findings revealed that the amalgamation of the revenue agencies has helped in ensuring that revenue mobilization procedures are effective. The findings from the study indicated that the amalgamation of the revenue agencies has helped in ensuring that budgeted tax revenue is always achieved. The findings from the study further indicated that tax payers are able to pay their taxes easily after the amalgamation. The results from the study also revealed that there has been an increment in the number of tax payers after the amalgamation of the revenue agencies compared to previous years before the amalgamation. The analysis indicated that one of the impacts of the amalgamation of the revenue agencies on tax compliance is that it has helped ensure proper bookkeeping by tax payers. The analysis shows some of the challenges facing GRA includes lacks regional office heads to coordinates the activities of the STOs and MTOs in the various regions, lack of certainty on the part of tax payers regarding the specific offices where their files have been transferred, and lack of the necessary logistics and personnel in order to operate effectively among others. The analysis also revealed that in order to ensure effective and efficient operation of GRA, certain measures should be put in place including continuous organization of workshops by GRA for its staffs in order to equip them with the necessary skills and expertise needed to carry out their activities. There is also the need for rigorous and intensive tax education for tax payers in order to let them know the benefits they will enjoy by paying their taxes regularly. In addition, proper training should be organised for GRA staffs in order to improve upon their knowledge.

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I wish to express my sincerest gratitude to the Almighty God for his abundant grace he showered on me from the beginning of this course to the end of it culminating into the writing of this project work. I would also like to express my profound gratitude to my supervisor, Dr. W. A. Owusu - Ansah for his support, advice, guidance and encouragement. His contribution to the development of this research, both in terms of intellectual insight and comments were essential for the success of this work. I am so much indebted to my family for their love, understanding, support and encouragement throughout the course and thesis.



DEDICATION

This work is dedicated to God for his guidance and protection all through the course. I also dedicate it to all my family members for their support and encouragement, which has brought me this far. I fervently pray that they live long to enjoy their blessing

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CHAPTER ONE

INTRODUCTION

1.0 BACKGROUND TO THE STUDY

Governments over the years have been associated with developments of a country and Ghana is no exception. Development projects in Ghana have been either financed by donor support or Internally Generated Funds (IGF).

According to Agyeman (2005), governments generate revenue in two main ways. These are through borrowing from external sources and using taxes and levies. Borrowing from external sources brings about debt payment which becomes a burden on the state to pay. The option of taxes and levies also come with some level of displeasure by citizens and residents.

Tax is an involuntary fee levied on corporations and individuals that is enforced by a level of government in order to finance government activities' (Investopedia, 2014). BusinessDictionary.com also defines tax as a compulsory monetary contribution to the state's revenue, assessed and imposed by a government on the activities, enjoyment, expenditure, income, occupation, privilege, property, among others of individuals and organisations' (Business Dictionary 2014).

In Ghana, amidst other challenges, corruption really cripples the tax system as a lot of revenue is lost, high poverty level and limited administrative capacity in the collection of taxes has reduced the tax base to be very small. (Agyeman, 2005).

In a study requested by the European Parliament's committee on development and which was conducted by Mascagni and Moore (2014), they stated that in recent years, tax revenue mobilisation has gained prominent role in the policy debate. Donor agencies, both

multilateral and bilateral, have increasingly recognised the central role of taxation in ensuring sustainability and ownership in the development process, amongst others. African governments and pan-African institutions on their part have given higher priority to this issue, engaging in a number of important reforms in the last decade (most notably, VAT and semi – autonomous revenue agencies have been widely implemented in African countries in recent years) and giving taxation a higher profile in the policy agenda.

Secondly, since 2008 financial and economic crisis, foreign aids have decreased indicating that the reliable way of increasing revenue generation is internally through taxes as this will help reduce depending on foreign aids. This has therefore created the need to maximize revenue from taxes and increase domestic revenues. The crises have reduced trade, aids and remittances to developing countries. A tax administration system that is professional and efficient is not a simple task in any country. In spite of this, Bird (2005) states _despite such handicaps, the experience of several countries in recent years shows that substantial improvement can be achieved with determined effort and appropriately designed strategy. Good tax policy is worth very little if it cannot be implemented effectively. Therefore, the administrative dimension of taxation cannot simply be ignored in a good tax policy design (Bird & Zolt, 2005).

For the best to be realized out of taxes, the agency in charge of its collection and administration has to be very efficient. Efficiency of tax administration is defined using costs, tax clearance time and effectiveness of revenue collection. Ghana has gone through several tax reforms through the years, with three different agencies in charge of tax collection in Ghana. These agencies were the Internal Revenue Service (IRS), the Value Added Tax Service (VATS), the Customs, Excise and Preventive Service (CEPS). These three tax agencies (the CEPS, VATS and IRS) had been operating separately until

December, 2009 when they were amalgamated into one by parliament act 791 under the then President H. E. Prof. Evans Atta Mills to be known as Ghana Revenue Authority (Ghana Revenue Authority, 2013).

The establishment of the GRA is a culmination of plans to streamline the administration of tax collection in Ghana which began in 1986. To manage tax reforms, formulate revenue policies and supervise the activities of CEPS and IRS the National Revenue Secretariat was set up. The Customs, Excise and Preventive Service (CEPS) and the Internal Revenue Service were given boards to make the semi - autonomous and self-accounting public sector institutions. In 1998, the Value Added Tax Service was established to administer VAT and other consumption taxes. The Revenue Agencies Governing Board (RAGB) also began operations in 2001 to supervise and monitor the operations of the Revenue Agencies. In 2002, the Taxpayer Identification Number was introduced to enhance information interchange and risk profiling. Then in 2001, the Large Taxpayer Unit (LTU) was set up to operate on functional lines as a pilot program for the future integration of the tax administration in Ghana as well as to serve the needs of large taxpayers as a one stop shop operation.

It is envisaged that the integration of the Revenue Agencies will bring the following benefits to taxpayers and tax administration. Reduced administrative and tax compliance cost, better service delivery, improved departmental information flow, holistic approach to domestic tax and customs administration and enhance revenue mobilisation (GRA 2013)

1.1 STATEMENT OF THE PROBLEM

Tax administration has to be performed effectively and efficiently so that taxation in a country will be equitable. In support of how important this is Gill (2000) stated to a large extent the maximization of revenues for governments depend more on the efficiency and

effectiveness of the tax administration as oppose to tax laws and policy which creates the framework for raising tax revenues.. Tax revenues being inadequate can be attributed mainly to the tax administration not being strong enough in enforcing the tax laws and policies of the country thus reducing the revenue resource of the government which affect the potential to provide a public amenities for the citizenry (Mansor 2010).

Ghana has gone through several tax reforms through the years, with three different agencies being in charge of tax collection in Ghana. These agencies were the Internal Revenue Service (IRS), the Value Added Tax Service (VATS), the Customs, Excise and Preventive Service (CEPS). These three tax agencies (the CEPS, VATS and IRS) had been operating separately until December, 2009 when they were amalgamated into one by parliamentary Act 791 under the then President H. E. Prof. Evans Atta Mills to be known as Ghana Revenue Authority (Ghana Revenue Authority, 2013). The purpose for the establishment of the GRA is to control tax collection and its administration in Ghana. From 1986, CEPS and IRS has not been part of the Civil Service with their own boards to make them semi – autonomous and thus account for itself.

Since the amalgamation of the three tax agencies in Ghana, a lot of work have being carried out in the area of taxation but none of them have tried to assess the performance of GRA after the amalgamation. It is in line with this that this work seeks to bridge this knowledge gap by trying to evaluate the performance of the GRA after the amalgamation of the three tax agencies namely CEPS, IRS and VATS.

1.2 OBJECTIVES OF THE STUDY

The research seeks to achieve the following objectives

- i. To evaluate the effect of the amalgamation of the three tax agencies on revenue mobilisation in the Kumasi Metropolitan Area

- ii. To investigate the effect of the amalgamation on tax compliance in the Kumasi Metropolitan Area
- iii. To investigate the challenges confronting the amalgamation of the tax agencies in the Kumasi Metropolitan Area.
- iv. To identify the measures that can be put in place to ensure efficient and effective operation of GRA within the Kumasi Metropolis.

1.3 RESEARCH QUESTIONS

In order to attain a practical and credible conclusion, the research study was guided by the following questions:

- i. What is the effect of the amalgamation of the revenue agencies on revenue mobilization within the Kumasi Metropolitan Area?
- ii. What is the effect of the amalgamation on tax compliance?
- iii. What are the challenges confronting the amalgamation of the tax agencies in the Kumasi Metropolitan Area?
- iv. What are the measures that can be put in place to ensure efficient and effective operation of GRA within the Kumasi Metropolis?

1.4 SIGNIFICANCE OF THE STUDY

The study would enable management of Ghana Revenue Authority (G.R.A) to know whether: employees see themselves as part of one institution i.e. G. R. A. or they still align themselves to the old agencies, whether taxpayers find it easier to pay taxes and are willing to, and also whether revenue mobilization has increased over the years G. R. A. has been instituted.

1.5 SCOPE OF THE STUDY

This research is limited to Ghana Revenue Authority offices in the Kumasi Metropolitan

Area. These offices are situated at Ashanti New Town, Kwadaso, Asokwa, Suame and Adum for the Domestic Tax Revenue Unit and Amakom for the Customs Division.

1.6 LIMITATIONS OF THE STUDY

The researcher in conducting the research faced the following challenges:

The unwillingness on the part of the staff of the Ghana Revenue to freely express they see the revenue authority model and whether it has solved our revenue administration problems.

Some stakeholders were at the beginning reluctant to answer the questionnaire that were given them and those who were having difficulty in answering some questions answered them with ease when explained to them.

Some traders were unwilling to give their information with the fear of being used against them later.

Financial constraints as the researchers could not deal with as many stakeholders as he wished.

Time constraints as the researcher was to work within a specified time period.

1.7 RESEARCH METHODOLOGY

Primary and secondary data are going to be used for this study. Questionnaires will be used to collect the primary data as well as interviews. The questionnaires will be administered to workers of Ghana Revenue Authority for information on the impact of the amalgamation in revenue mobilisation, tax compliance and corporate culture. Interviews will be conducted to augment the primary data collected with the questionnaires. Secondary data relevant to the study will be extracted from relevant textbooks, reports/articles, journals and documents.

The purposive sampling method will be used to administer the questionnaires. Due to time and resources constraints, a sample size of fifty (50) will be used for the study. The data collected will be analysed with Statistical Package for Social Scientists (SPSS) and Microsoft Excel.

1.8 ORGANIZATION OF THE STUDY

The study has been organized in five chapters.

Chapter One introduces the study giving the, background to the study, statement of the problem, research questions and significance of the study. Other items captured in the same chapter were limitations of the work as well as how the work was organized.

Chapter Two dealt with a review of literature such as the benefits of the amalgamation of the tax agencies, challenges of the tax administration, tax reforms and optimal taxation and the problems with tax reform among others. .

Chapter Three mainly covered the methodology of the study. It gave details of how research was conducted. It used such tools as research design, population and sampling techniques.

Chapter Four covered details of presentation, analysis and discussions of the data collected.

Chapter Five also dealt with the summary, the conclusion and recommendations of what came out of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

Ghana, like other countries has been using taxes as a source of revenue in its development. To help with this, different structures have been instituted to administer the collection of taxes for this development. These are all done with the idea of maximizing tax returns for both the formal and informal sectors of the economy. These structures cover both the formal and informal sectors alike in the country. To this effect, the study reviews relevant literature that discusses the concepts of taxation, the benefits and challenges related to the amalgamation of taxation in Ghana.

2.2 DEFINITION AND CONCEPT OF TAXATION

Although, Taxation is defined differently by many scholars and jurists from different backgrounds, Ascenzo (2004) defines tax as money that is compulsorily levied by the state or local authorities on individuals, property, or business. This money, he notes to be the price we pay for a civilized society. Accordingly, Abdallah (2006), also define tax as levying of compulsory contributions by public authorities having tax jurisdiction, to defray the cost of their activities with no reward gained by the tax payer. Taxation is a sovereign right of the state used to transfer resources from private to public use in order to achieve the economic and political goals of society (Bird, 1992).

Accordingly Poutziouris et al., (2000) examine taxation to be a compulsory transfer of money from private individuals, institutions or groups to the government. It can be said that taxes is a compulsory levies that are paid by both individuals and institutions for governments to raise revenues that are used to provide public goods and services. (See

Abdallah 2006). Tax policy has to do with why government collects revenue, and the ways the revenue will be used as well as the way the revenue is collected. The social as well as economic aims of governments can be mostly achieved by imposing and collecting of taxes.

The objectives of tax policy are similar to those of public policy in developing countries and overlap with the purposes of the tax system or the purpose of most governments. Allocating of resources by governments, providing social development, defining the market place, stabilizing the economy and encouraging economic growth are the purposes with which governments collect taxes (Edgar & Sandler, 2005). Of these stated, the most important are economic growth; internal and external stability and income redistribution to developing countries. It is only appropriate that a discussion of issues in tax reforms should begin with an assessment of the role of taxation as a macroeconomic tool. Tax systems are being used in most developing countries for several reasons. Some of these reasons are to help in the promotion of investments and savings. Some investments can also be made attractive by the use of taxes and such sectors will be the focus of people who save. Incomes can also be equally distributed using taxes and as a correction for externalities. Taxation was seen as a good way of either getting funds from private hands into the public coffers to be used for the good of the masses or getting the private people to toll the line and objectives of the government of the day. (Islam, 2001). Over the last three decades however, the view that has gained wide acceptance is tax systems should serve the purpose of raising revenue for government so as to meet their targets and not to complicate it with several other controls which was served by the tax system in the country (Mackenzie et al, 1997).

2.3 BENEFITS OF AMALGAMATION OF TAX AGENCIES

The Ghana Revenue Authority (GRA) was successfully integrated to oversee the tax administration of the country. This integration was aimed at benefitting both the tax payer and the tax administration. The amalgamation of the tax agencies through the 2009 reforms as a result brought an increase in the tax-to-GDP ratio. Revenues gotten from taxes grew from 3% to over 12.7% in 2010 to 15.9% in 2011 (www.gra.gov.gh). This increase was attributed to the Large Taxpayer Unit that was established in moving towards integration and merger of the tax agencies. The LTU deals with taxes and duties from the 350 largest taxpayers of the country.

Furthermore the IRS and VATS made the auditing of taxpayers and collection of information on tax liabilities more effective and accurate (Christian, 2008). Tax reforms like integration and sharing of information between customs and domestic taxes; introduction of Ghana integrated cargo clearance system; streamlined clearance on permits and streamlined tax exemptions accounted for the performance of 2011 which was 46.6% more than that of 2010. The beginning of oil production in Ghana can also be an added reason for this increase aside improving the administration of revenue. The formation of GRA had a number of achievements such as; functionally integrated pilot direct tax offices; value added tax flat rate scheme; establishment of a tax policy unit; capacity building and improvement in tax administration and tax policy among others.

Additional reasons stressed by Bodin et al. (2001) which will improve revenues for inflation high countries like Ghana are to reduce arrears in the tax system and also the speed of collection so that the present value will be maximum. . They further stressed that the merger of tax agencies on the basis of the Larger Taxpayer Unit help tax agencies with weak administrative capacity to reassess the procedure of tax administration in the economy.

Although, the final rationale for establishing the GRA has been to reduce costs associated with administrative and compliance, better delivery of service, improve departmental information flow and to enhance revenue mobilisation through a holistic approach to domestic tax and customs administration, it also boosts the confidence of investors to do business in the country because they know they will be treated with transparency and in fairness when it comes to tax payments (Andreoni, Brian and Feinstein 1998; Levy and Engberg-Pedersen 2004).

Countries noted for weak tax administration suffer in the light of direct foreign investment as these investors fear being harassed by tax officials. Accordingly, the amalgamation of the tax agencies was to cater for the inconsistencies and loopholes created by the individual tax administrations as well as rectify them to deepen the effectiveness of the tax administration in the country. Also after the merger it was realised that GRA in other to accomplish its goals benefited through re-organization from a tax to a functional structure. The use of control systems and automation has reduced the potential for corruption, strengthening of the audit function, attitudinal change of officials toward taxpayers; and reduction in paper handling through appropriate use of information technology (see Terkper 2003; Fjeldstad 2004).

Merged firms are able to cut down on administrative cost and other associated cost of doing business due to size and economies of scale they enjoy hence translate into improved service provision to their customers (Buchanan & Huczynski, 2004). Since the GRA is a merger of three tax agencies, it is able to employ the necessary technology and expertise which were not available to the individual tax agencies to undertake its duties efficiently at a lower cost as well as develop a competitive edge in terms of competent management and specialist teams at their disposal.

Accordingly, Ebrill et al., (2002) also note that a merger of institutions may not only increase the tax agencies capacity to deliver services effectively but also increase and improve their revenue mobilisation through effective distributive channels of tax management. This said, they are able to mobilise more revenue than the individual agencies on their own due to improvements in logistics and increase in operational capacity of the merged agency in terms of staff and management. Also the tax agency experiences an increase in cost efficiency as a results of the mergers. Economies of scale which comes as a result of increasing numbers from mergers reduces the cost incurred in administration of taxes. As functions are used in mergers service delivery is better and the cost incurred per unit is also reduced as repeating processes and procedures are done away with. (Chai & Goyal 2008)

2.3 CHALLENGES OF TAX ADMINISTRATION

Although tax laws are made to make governments raise revenue, the actual taxes collected depends on the tax administration and how effective it is. (Bird & Wallace, 2003). When collection systems are weak, inadequate taxes are collected. In addition to governments in developing countries being challenged with getting individuals and businesses into the tax net, insufficient staff with low skills, taxpayer's lack of education, lack of logistics and available data not being reliable amongst others contribute to the difficulty on collecting taxes (Kangave, 2005).

The lack of resources has been a constraint in the facilitation of tax operations by tax authorities in the country. Two main categories of resources can be discussed namely, human resources and physical resources. In the category of human resources, the number of available officials is not the only concern but the quality of the officials administering the tax system too. With the physical resources, its coverage is wider as in office buildings, vehicles and equipment used in the offices and for communication. The physical resources

are the aid needed by the officials to enable them work effectively and efficiently to ensure compliance with the tax laws. Most training sessions have been general instead of specialized ones that are necessary to analyse tax returns. Modern technology that are needed to facilitate the tax system, training opportunities and facilities that are not readily available has affected the effectiveness of the tax administration (Tanzi and Zee, 2000). For a long time, taxpayer data was entered into record books manually. This made keeping tax data very voluminous. Illiteracy is another thing affecting tax administration in the country. A census by GSS (2010) showed 51.5% of the adult population in the region is literate. This makes it difficult for tax returns to be properly filed as well as income and expenditure sources. Because of this the actual taxes these people are to pay are not the ones they pay to the tax authorities. (Bird, 2008).

Accordingly, Rajaraman (2013) found that although information technology was introduced at the CEPS, it was not really a reform as things were only computerised as some of the processes within CEPS were still at the discretion of the custom officers and some of the ineffective procedures were still in existence and not phased out. For the IRS as at 2008, things were still not computerised making it difficult to have proper database of taxable persons, property or other possessions. All this contribute to the difficulty in collecting taxes outside the formalized sector of the economy. Although in the VATS, the core employees had been trained, the lack of supervisors still continued. Due to this lack of staff, the offices outfield were operating with inadequate staff. Because the Value Added Tax Service (VATS) has not been given autonomy in setting and raising staff salaries, it has been difficult in recruiting and retaining highly qualified staff. Certain conditions by DPs has slowed projects as funds are not released on time to carry out these projects. Time used in decision taken on which project to support by the DPs also affects how anticipated projects

end up. These are stated in a report by the GRA Commissioner General (Sept 2011) as some of the low points in the implementation of the integration.

Having all revenue being collected by one institution may be better than different kinds of revenue in the hands of separate entities in a revenue model. For effectiveness, roles and parts to be played by the board and the revenue authority should be clear of ambiguity. Donors how has the interest in reforming tax systems and its administration should see in the light of long term exercise and getting the understanding of the tax officials as well as the tax payers of the process and its implementations can never be over emphasized. Staffing is also an important feature as competent people are needed to carry out the needed reforms.

And again insecurity on the part of taxpayers in fulfilling their tax obligations has led to so many laws and regulations done to govern taxes. These and others have contributed to various tax reforms of which the amalgamation of the three tax agencies is part. (Rossotti, 2005).

According to Kloeden, (2011), in order to achieve the Millennium Development Goals (MDG) most African countries with lower incomes will need to improve on their tax collection so as to better tax-to-GDP ratios and also achieve poverty reduction objectives. It is against this background that various revenue administration reforms have been instituted in these countries. Kloeden meant that the achievement of the MDGs is a very big motivation for African countries to enhance their tax-to-GDP ratio. No country or nation can be developed without the citizens paying taxes to the government of the day. It implies that the provision of public goods in a country can never be a reality in the absence of taxes. Raising of resources within a country has been so important to both development and growth of the economy because of the reduction in resources from external sources after the global

financial crises to compliment what is generated internally, (Zaney, 2012) Stressed the importance of good tax systems in the bid to increase generating revenue domestically.

However, (Terkper, 1999) wrote that the inability of the assigned institution to collect taxes due to their lack of tax payer accounting and business records reduces the ration of income tax to GDP thus having an effect on the tax laws and administration. Although tax payers can be punished and made to pay penalties when tax requirements are not met, these are not done as the institutions themselves can track records of the tax payer. In the USA an amount of \$1.4 trillion paid by the taxpayer and collected by the tax administration could not be traced. (Rossoti, 2005).

Dispersing taxes in several minute quantities affect revenue mobilization negatively as this becomes the breeding grounds for corrupt officials to take advantage of the system therefore reducing the amount of revenue generated (Heller, 1997). The act of granting a lot of exemptions in the tax system also reduce the amounts that can be generated. With different departments and ministries being in charge of granting the exemptions, a path is created where monies that can be collected are leaked through the system without getting to its desired destination. Tax evasion is also made easier when these exemptions are not centralised which undermines the efforts being made to increase revenue generation. (Steenekamp, 2012).

2.4 THEORETICAL ASPECTS OF TAX REFORMS

Governments that embark on tax reforms aim to achieve many goals. Raising the productivity of the tax system is one of the most important. To facilitate compliance and collection, a tax system must be administratively feasible. In other words, it should be simple for the same reason but also as an aim in itself, it must spread its burden equitably to avoid misallocation of resources. It must not also upset the pattern of production, trade,

consumption, savings and investment. This justifies the assertion that tax reforms are simply a matter of trade-offs as the aims outlined above cannot be satisfied simultaneously.

Most countries that have embarked on tax reforms have aimed at raising productivity of the tax system. So unless public expenditure is expected to grow at the same rate as national income, the government should ideally choose tax bases that will expand proportionately with spending not GDP. According to Mansfield (1972), the success of tax reforms in raising revenue productivity can be evaluated by looking at the buoyancy and elasticity of the tax system. Buoyancy measures the automatic effects of discretionary changes in the tax system to changes in income whereas elasticity is built in responsiveness of tax revenue to movements in national income abstracting from the effects of discretionary changes in tax system. Choudhry (1979) complements the work of Mansfield (1972) by suggesting that the size of buoyancy and elasticity is influenced by many factors. Firstly, the composition of bases influences the size of elasticity and buoyancy of a tax system. Some components of the tax base may be primarily responsible for lowering or raising the overall buoyancy and the elasticity of tax revenue. Secondly, the progressive elements in the tax system also influence the size of the elasticity. When per capita income rises the whole population moves up in the income scale, those who were paying taxes either directly or indirectly will pay larger taxes and some of those who were below the exemption level of income will start paying. The progressive element in the tax system also gives it some degree of built-in protection against inflation. When prices rise, money incomes increases and the tax system cause the government revenue to increase at least with national income and very rapidly if the system is sufficiently progressive. Thirdly, better tax administration and prevention of evasion and avoidance as well as elements of tax policy such as using ad-valorem rates to increase revenue as the value of the base rises, influences the size of elasticity and buoyancy.

The size of elasticity and buoyancies are believed to be affected by other factors which are not considered explicitly (Wilford & Wilford, 1978a). For instance if the government spends most of its revenue on defence or something from which the recipients does not consider he derives an income, there will no longer be income effects on tax revenue. The distribution of income also influences the size of the elasticity, for example if there is a shift of income towards higher income groups and the tax system is progressive, the size of buoyancy and elasticity will increase. In addition, the industrial origin of output influences the size of elasticity and buoyancy. As the share of manufactured output as a ratio of GDP increase tax revenue increases because it is easy manufactured output since there will be few centres (factories) to collect the tax. Inflation is also another factor that influences the size of elasticity and buoyancy because it pushes people into higher tax brackets and tends to overstate company profits and incomes of individuals.

2.5 TAX REFORM AND OPTIMAL TAXATION

The literature on tax reform has been growing rapidly suggesting the theoretical and practical importance of the subject. Interestingly most of the literature has been more descriptive than analytical. The techniques applied to evaluating success or failures of tax reforms are not well documented. Normally the analysis of tax reform has tended to focus on evaluating the objectives of those reforms: revenue adequacy, economic efficiency, equity and simplicity. According to Milton et al., (1991), the need for tax reform arises from the deficiency of the existing tax system in achieving these objectives. Revenue adequacy is the basic elementary standard that a tax system ought to achieve. The existing budget deficits in many developing countries like Ghana seem to suggest that the tax systems are not revenue productive. Some may overlook this and attribute the cause of deficits to excessive spending, or temporarily adverse economic conditions. In situation where budget deficits persist for long periods increased revenue should be the main objective of tax

reform. Obviously, this is bound to depend on the circumstances of each country. Certainly, few, if any, developing countries can afford to adopt tax reforms, no matter how desirable they might be on other grounds, if they lead to substantial revenue losses. Goode (1987) argues that it is hard to gain serious consideration for any revenue neutral reform proposal. By and large, in Africa most governments consider revenue gain as the primary motive for tax reform.

Optimal tax theory still has a significant influence on academic research in tax reform. Newberry and Stern (1987) applied a normative framework to analyse a tax reform process. The optimal taxation approach emphasizes the need to analyse the impact of tax reform and evaluate both its administrative costs and its effect on social welfare. This framework has been criticised for its inability to identify the real practical needs of tax reform in developing countries. Its first major shortcoming is that it requires substantial data, which are scarce or non-existent in many developing countries. Secondly optimal taxation has assumed the existence of perfect administration. However, recent reform experiences have revealed a serious lack of administration capacity in virtually all developing countries, showing the need for simpler administrative structures. The impact of optimal taxation on tax reform in developing countries has been small and indirect because of this deficiency (Gillis, 1990). In addition, under the optimal taxation approach the analysis of revenue productivity of a tax would be of less significance. The theories of optimal taxation are analogous to the examination of the principles of taxation, where lump-sum taxes are impossible. The analysis of optimal commodity taxation began with Ramsey (1927) but the subject expanded in the 1970s following Diamond-Mirrlees papers of 1971. The general principles of optimal taxation can be summarized as follows: Tax revenue is maximized when patronage of the goods that are taxed are not affected by the taxes levied on them. Good tax systems help with the distribution of amenities and public

goods for the usage of all. To help with distribution, taxes are levied on goods that are not used by all but rather some section or class of the populace. These are more likely to be luxury goods that patronised by the advantaged ones in the society. To handle externalities, taxes are levied on goods when it is negative or goods are subsidized when it is positive. The actual good or service that brings about the externality should be the target (Stein, 1988a). The social benefit that the tax system is expected to achieve determines how direct and indirect taxes will be designed to balance equity and efficiency. (Newbery, 1988). Reforming a tax system means changing the system of taxation that exists in the country. The whole need of a reform is to reduce the cost of administering the tax but in the same instance increase the revenue accrued from these taxes or in another scenario, the margin between the revenue accrued from taxes and the cost of administering the taxes should be improve and better in the new reform. These reforms should in the end refer in the welfare of the citizens in the country by providing public goods that can be assessed. In using the optimal tax theory as a guide in designing optimal tax systems, the technology that will be used in the collection of the taxes have to be considered with the cost of the administration and compliance. Slemrod (1990).

According Thirsk (1995),the focus of many tax reforms is about widening the tax base to get a lot of people paying the taxes as compared to burdening a few with high taxes. These seeks to reduce the distortions that are created by high rate taxes. Tax rates that have lower margins are being sought for so as not to discourage people with greater progressivity. The focus of any growth-oriented adjustment programmes being implemented in developing countries see tax reform as an indispensable tool in any structural adjustment strategy and resumption of growth. .. As Musgrave (1988) states a lot of issues are involved when dealing with tax reforms in developing countries such as the economic policies of the country and other problems that are direct to the design of the tax structure and its administration. The

primary problem is what is required to mobilize the revenue and how the revenue structure will be incorporated into the policy for national development. The effect of alternative taxes whether to encourage people from saving or investing in the economy or otherwise and how this will affect balancing of the macro economy. Secondly, the issue of the tax system being fair and equal. Specific to the tax system is how the tax has being structured and what went into the structure of the tax and its design. One problem that runs through is whether the aim of the structure is practicable and achievable within the political framework. According to Kusi (1998), in most developing countries, tax administration are too complex making its administration difficult and not in line with growth policies. The influential and well paid individuals who are to pay more to increase revenue mobilization are rather the ones who are able to take advantage of the flaws in the system leaving the low earned individuals and small businesses to pay the taxes required for national development. This makes the tax system inefficient and inequitable because people in similar circumstances tend to be treated differently by the system based on who is administering the system. Most of the revenue generated are from taxes that are levied on international trade thus making international trade uncompetitive. The fraction of the total revenue accrued from income taxes and property taxes are very small. Most of the theoretical ways of putting taxes on income from agriculture and landed properties are not easily implemented due to problems of administration or logistics., sales taxes are levied in small portions with income taxes of companies and individuals very high thereby pyramiding and in some cases, more than hundred percent full forward shifting

(Khalilzadeh-Shirazi & Shah, 1995; Bird, 1978; Shalizi & Squire, 1988).

Because of budget deficits, most governments in developing countries are reducing spending as much as possible to improve upon their budget deficits. Tax systems are also being restructured to improve on the revenues that are generated in the tax system. Some of the

ways of improving revenues have to reduce bottlenecks that have deter people from paying their taxes thereby making tax payments easier for the tax payer. Inefficient tax practices of taxation fuelled by distortionary taxation of assets and sectors so that the very poor will be excluded from the tax net to give them some relief and cushion the citizenry against inflation. (Khalilzadeh-Shirazi & Shah, 1995). This has made simplifying tax processes, creating efficiency in tax systems and equity in similar situations the agenda of tax reforms. With all these tax reforms being done along similar lines, certain issues has still not been addressed such as vertical equity and taxing international incomes. Because of the prevalence rate of evasion of taxes the idea of redistributing wealth through taxes is decreasing. Although progressive taxes are still held high by governments, the issue is being discussed to consider simplifying the brackets used for levying taxes on personal income levels. Getting equity vertically in tax systems seems to be a herculean task to accomplish making it lower in terms of the priorities of tax reforms. Recently giving tax reliefs has been greatly reduced mostly for investments, a section of economists still believe that granting some incentives like investment tax credit are needed to encourage capital formation by lowering cost of acquiring capital (Khalilzadeh-Shirazi & Shah, 1995).

2.6 EMPIRICAL LITERATURE REVIEW

The theoretical and practical importance of tax reforms attracted the attention of several researchers. This resulted in studies being carried out to examine the effect of discretionary changes on revenue productivity. A review of the empirical literature below is organized on the basis of method used in adjusting tax revenues in trying to draw lessons for the present study. Few studies have been undertaken using the Divisia Index approach. The work of Choudhry (1979) is particularly appealing as the impact of discretionary changes on revenue productivity in USA, UK, Malaysia and Kenya was his focal point of empirical inquiry. The empirical results indicate that the estimated elasticities and buoyancies differ considerably

between and within pairs of developed and developing countries. The estimates for the USA and UK were smaller than those for Malaysia and Kenya. The estimated buoyancy for USA was 1.04, UK 1.18, Malaysia 1.7 and Kenya was 1.42, also the estimates of elasticity ranges from a lowest of 1.04 for the USA to high of 1.57 for Malaysia. This suggests that developing countries, which are experiencing growth, exhibit a more growth elastic revenue base than the developed countries. The findings of this study show that the discretionary tax measures generated additional tax revenue.

Several authors have used proportional adjustment technique to adjust tax revenue. In this regard, the work by Baas and Dixon (1972) is revealing. One point that emanated from this study on U.K tax system was that although the discretionary measures reduce tax revenue, they improved the progressivity of the individual income tax system. Their statistical results indicate that individual income tax had a buoyancy of 1.02 and 1.42 for the period 1950/51-1970/71 and 1960/61-1970/71 respectively, while the elasticity estimates were 1.37 and 1.53 in the same periods. In another study, Mansfield (1972) indicates that the size of both buoyancy and elasticity were favourably influenced by relatively high base to income elasticity of major taxes. Osoro (1993) reveals in his study that discretionary changes generated additional revenue. Other authors employed the dummy variable technique. In this respect, the work by Wilford and Wilford (1978) points to the fact that tax reforms greatly influenced the tax systems of Central America. Osoro (1993) examined the revenue productivity implications of tax reforms in Tanzania for the period 1979 to 1989. In the study, the tax buoyancy was estimated using double log form equation and tax revenue elasticity using the proportional adjustment method. The result gave an overall elasticity of 0.76 with buoyancy of 1.06. The study concluded that the tax reforms in Tanzania had failed to raise tax revenues. These results were attributed to the government granting numerous tax exemptions and poor tax administration within the sample period.

In another study, Osoro (1995) used the Prest (1962) method to estimate the individual tax elasticity and that of the overall tax system in 1970-1980. He found that the elasticity of the overall tax system declined from 0.85 in 1970 to 0.782 in 1980. Income tax and Sales tax, which were elastic in 1970_s, became inelastic in the 1980_s. Import duty, which was inelastic in the 1970s, became elastic in 1980s. He attributed these changes to reduction in import duty rates and a rise in imports, rapid changes in tax base, stemming from steep exchange rate depreciation. Ariyo (1997) evaluated the productivity of the Nigerian tax system for the period 1970-1990. The aim was to devise a reasonable accurate estimation of Nigeria_s sustainable revenue profile. In the study, tax buoyancy and tax revenue elasticity were estimated using the double log form and the proportional adjustment method respectively. The slope dummy equations were used for the oil boom and Structural Adjustment Programmes. The study revealed an overall satisfactory tax productivity level but wide variations in the level of tax revenue by various tax sources. The variations were attributed to the laxity in administration of non-oil tax sources during the oil boom periods. The study further asserted that there was need to improve the tax information system to enhance the evaluation of its performance and facilitate adequate macro-economic planning and implementation. Chipeta (1998) evaluated effects of tax reforms on tax yields in Malawi for the period 1970 to 1994. The results indicated buoyancy of 0.95 and an elasticity of 0.6. The study concluded that the tax bases had grown less rapidly than GDP.

The concepts of tax buoyancy and elasticity was applied by Muriithi and Moyi (2003) to determine whether the tax reforms in Kenya achieved the objective of creating tax policies that made yield of individual taxes responsive to changes in national income. They used the double log equation to estimate the responsiveness of tax yield on income. The results showed that tax reforms had a positive impact on the overall tax structure and on individual tax handles. The study concluded that despite the positive impact, the reforms failed to make

VAT responsive to changes in income. The difficulty here that VAT had been around for eleven years only and subjecting it alone in a regression model did not make statistical sense. Milton, Marios and Moses (2005) researched on tax reforms and domestic revenue mobilization in Uganda by using the proportional adjustment method. Their findings revealed that the reforms had a positive impact on direct taxes as tax-to-income elasticity index grew from 0.706 to 2.082 after the reforms while direct taxes also moved from 1.037 to 1.306. They concluded that the reform was necessary to the economy but there was room for improvement.

The Elasticity and Buoyancy of the Tax System in Pakistan was studied by Faiz Bilquees (2004) using the Divisia Index method over the 1974/75 to 2003/04 period. The results gave a total tax buoyancy and elasticity after the reform as 0.92 and 0.88 respectively and concluded that, overall the use of discretionary tax measures has been relied upon significantly as a source of revenue augmentation in Pakistan. In Ghana, Kusi (1998) studied tax reform and revenue productivity of Ghana for the period 1970 to 1993. Results showed a pre-reform buoyancy of 0.72 and elasticity of 0.71 for the period 1970 to 1982. The period after reform, 1983 to 1993, showed increased buoyancy of 1.29 and elasticity of 1.22. The low buoyancy and elasticity during the pre-reform period was attributed to smuggling, unrecorded trade, tax evasion and laxity in tax collection. The results also showed that income tax had the lowest elasticity and therefore he recommended that authorities should move away from income based taxes in favour of consumption taxation. The study concluded that the reforms had contributed significantly to tax revenue productivity from 1983 to 1993.

The effect of import liberalization on Tariff revenue in Ghana for the period 1966 to 2003 was studied by Brafu-Insaidoo and Obeng (2008). The study adopted the Singer (1968)

approach to estimate the duty buoyancy and elasticity for the study period and the following results were obtained: for the entire period 1966-2003, buoyancy was 0.556 and elasticity was 0.282, the period before import liberalization (1965-1982), gave buoyancy of 0.33 and elasticity of 0.814, and for the period after the import liberalization (1983-2003), buoyancy was 0.313 and elasticity was 0.049. A comparison of the results indicates that duty buoyancy outweighed duty elasticity for the entire study period, meaning that discretionary tax measures (DTMs) have improved tariff revenue mobilization over the period. Overall evidence obtained however indicates that import tax is neither buoyant nor elastic in Ghana, so the study suggested that a lot needs to be done to improve efficiency in the customs collection administration system.

The Dummy Variables Approach to correct for the effects of Discretionary Tax Measures was adopted by Twerefou and Fumey (2010). Their findings revealed that the overall tax system in Ghana was buoyant and elastic in the long run and buoyancy exceeded the elasticity, but in the short run the reverse was the case. They observed an improvement in both buoyancy and elasticity over the reform period (1985-2007) as evidenced in prereform buoyancy and elasticity coefficient which were generally less than unity but became greater than one after the reform. Overall tax elasticity was estimated to be about 1.03, suggesting that the responsiveness of the tax system to a unit change in GDP was more than unity. This study differs from the previous studies conducted in Ghana in the sense that all the earlier studies considered nationwide revenue productivity of the tax system. This study seeks to measure the revenue productivity of a specific sector in the country. Elsewhere, this study uses the dummy variable approach to measuring the tax buoyancy and elasticity of the mining tax system.

2.7 PROBLEMS WITH TAX REFORM

One problem of tax reform derives from the existence of an initial allocation. Although there may be many advantages a new tax system may have over an existing one in terms of efficiency and equity, moving from one system to the other bring about difficulties by changing the distribution of resources. People who have invested in bonds that are subsidized by the state in the United States may lose some of their capital if these subsidies are taken off unexpectedly as compared to others who paid fully for these bond thus and effect on horizontal equity. (Feldstein, 1976) a social welfare function has been in place. (King, 1982). This makes it a challenge in trying to achieve successful tax reforms.

Another problem associated with tax reforms is about new direction being not so clear. Although distortions may be less compared to the existing system it does not necessarily guarantee more economic efficiency. The basic difficulty is that the initial closeness to the global optimum is very important if we want to improve matters of taxation. A related problem is if economic efficiency can be increased in bit as we take out distortions one after the other and notably this will reduce the issue of welfare as it approaches global optimum. According to Broadway and Harris (1977), the prevention of this requires extreme restrictions on preferences and production sufficiency.

2.8 LESSONS FOR TAX REFORM

Tax reform experience to date offers some important insights into useful tax policy design and institutional development. A detailed discussion of this issue is provided in Khalilzadeh-Shirazi and Shah, (1995). A brief summary is presented below:

Developing countries seeking to reform sales tax should consider Value Added Tax (VAT) as a good substitute. In over fifty (50) years of existence of VAT according to Harberger (1990), the wave have swept through most parts of the world making it preferred

by many countries including developing countries. More revenue has been raised through VAT due to advantages like economic efficiency and to some extent vertical equity (Khalilzadeh-Shirazi & Shah, 1995).

The tax net for taxes that are already in existence should be widened to include more people than it is during tax administration reforms. Tax revenues can therefore be increased by bringing neutrality and equity through that into the tax system which will in turn increase revenue (Khalilzadeh-Shirazi & Shah, 1995).

The provision of incentives in the tax system should be a critical subject for consideration as it reduces the amount of revenue that are generated in the system. Some of the revenue are even diverted to support these preferences which takes away resources that can be used for other activities (Khalilzadeh-Shirazi & Shah, 1995).

In developing countries home conditions are that of abroad should be factored in the reform. This is because the tax system in such countries are affected by the tax structures existing in countries from which capital is derived. Considering the situation existing in the country may not be enough to provide a good tax system. In real sense, designing a totally new tax system different from the one existing would face transition problems in its implementation (Khalilzadeh-Shirazi & Shah, 1995).

The design of new tax systems should be given a lot of attention than are mostly done in developing countries. With consultations done well in advance before implementation of these systems, it helps in analysing the systems and give people the time to adjust before the new system is implemented to ensure consistency in the reform. The private sector needs confidence in the business environment to encourage businesses to invest in the economy and also do long term planning on their investments. A tax system regime being seen as

credible is important its success. Abrupt changes in a lot of the systems and structures can affect the credibility of a tax regime negatively (Khalilzadeh-Shirazi & Shah, 1995).

In any tax reform, the bigger picture should be the focus. A well-coordinated process will be the best so that the general effect of the reform can be quantified. Adjusting bits and pieces of the tax system may not bring about the expected outcome. Decreasing a tax component should be partnered by an increase in some aspects in the tax system to compensate for the decrease. This is a way that fiscal deficits can be catered for. Tax reform cannot be done in isolation because to achieve improved economic performance, the tax reforms should be in accordance to structural adjustments measures (Khalilzadeh-Shirazi and Shah, 1995).

The normal direction taken by countries in its bid to reform their tax systems and increase revenue has been introduction new taxes, or adjusting the rates of taxes that are in existence. A lot of administrative measures considered are focused on blocking leakages in the system that encourages people to evade taxes and reduce tax exemptions. Other ways like encouraging more people to pay taxes by incorporating them into the tax system are also used. The Revenue authorities should be provided with the resources needed to carry out their duties effectively and efficiently. Revenue officers should be motivated by giving them incentives and also applying several penalties for evasion when detected. In general attention is drawn to reducing tax rates to encourage payments but getting more people to pay as an effective approach to address the effect of high margins in tax rates and also the evasion of tax. In tax reform the aim is to boost revenues by strengthening the taxes and making the system transparent and simple (World Bank, 1999). Changing of tax legislation with its administration as well as minimising evasion of taxes are the contributory factors to improve revenue performance (Morrisset & Izquierdo, 1993).

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CHAPTER THREE

METHODOLOGY AND ORGANIZATIONAL PROFILE

3.0 INTRODUCTION

This study sought to assess the impact of amalgamation of tax agencies on revenue mobilization in Ghana using Kumasi Metropolitan area GRA offices as case study areas. The study employs questionnaire designed to cover major aspects taxes. The researcher used both qualitative and quantitative methods in the analysis of the data gathered. This section captures the research design, population, sampling procedure, sources of data, and the method of data collection and analysis.

The methodology chapter outlines the methods that was used during the research work using the research objectives as a basis.

3.1 RESEARCH DESIGN

The research employed a descriptive research because it tries to examine and explain relationships between variables. For example, the research tries to find the relationship between the amalgamation of tax agencies and the impact it has on tax revenue mobilization in Ghana. A questionnaire which is mostly used in collecting data under explanatory or descriptive research is used to collect the data (Gill & Johnson, 2002). One set of questionnaire has been developed by the researcher and administered to staffs of GRA offices within the Kumasi Metropolis. Some interviews were conducted to also collect data. Quantitative analysis has been employed because questionnaire has been used to collect the data and also data has been analysed through the use of graphs and statistics such as frequencies and percentages.

3.2 POPULATION

The population refers to a group of individuals, objects or items having common observable characteristics from which samples are taken for measurement (Saunders et al, 2009). In this study, the population of interest is all the staffs of GRA within the Kumasi Metropolis. It is out of this population that the sample is drawn. The population of the staff of GRA within the Kumasi Metropolis is approximately three hundred and fifty (350).

3.3 SAMPLE SIZE AND SAMPLING TECHNIQUE

A sample is defined in Merriam-Webster dictionary as a representative part or a single item from a larger whole or group especially when presented for inspection or shown as evidence for quality. In view of the total population, time and resources available, an overall sample size of fifty (50) has been selected for the study. The researcher employed purposive/judgmental sampling technique in the study in selecting the respondents from the various GRA offices. This technique has been selected because it is not every staff of GRA that can provide the kind of data needed for the study and as such the researcher has purposively selected only those respondents who can provide the required data needed for the study. Purposive or judgmental sampling involves the researcher using his judgment to select cases that will best enable him to answer the research question(s) and to meet the objectives. This form of sample is often used when working with very small samples such as in case study research and when you wish to select cases that are particularly informative (Neuman, 2005).

3.4 RESPONDENTS

Respondents were selected from the various offices of the Ghana Revenue Authority in the

Kumasi Metropolis namely Suame, Ashanti New Town, Adum, Amakom, Asokwa. These staff were true representatives of the population and the data collected from them through the questionnaires and interviews is a reflection of the views of the entire population.

3.5 DATA SOURCES

In order to solve a problem, there is the need for facts to be established. The raw material base for undertaking this exercise is data. The researcher, therefore, sought for data to help attain the purpose of this study. Data has been collected mainly through the use of the questionnaire.

The study employed the use of primary data. The primary data has been obtained from the field survey mainly through questionnaires which were administered to the respondents by the researcher as well as through interview. The use of questionnaire as a means of collecting primary data was considered because it is always near its original form and relatively free from editing, alteration or any form of modification. Therefore, it tends to be free from external influence, judgment and bias of others, which often lead to unsound interpretation by the researcher.

3.6 DATA COLLECTION INSTRUMENT

The main data collection instruments used for this study were questionnaire and interview guide. The researcher opted for these instruments of data collection in order to obtain standard form of answers or responses that will give way to easy and accurate analyses. Essentially, the questionnaire technique was used because of the numerous advantages offered to the researcher. Notable among them include the fact that it is less expensive and also helped in covering a wider area than otherwise. It also offered greater anonymity which permitted more candid and objective replies/answers to be obtained for the achievement of

the research purpose. The interview also enabled the researcher to obtain other information which the questionnaire could not cover.

3.6.1 Questionnaires

Most of the questions asked in the questionnaires were closed ended where respondents are to choose whether they strongly agree, agree, not sure, disagree or strongly disagree. Some of these questions were whether the staff has sufficient knowledge on tax reforms, tax administrative procedures are followed by tax officers, revenue targets are achieved to mention a few relating to the impact of the amalgamation on tax mobilization. On tax compliance some of the questions were the frequency tax officers visit tax payers, improvement in the number of taxpayers, tax registration going for all tax aspects be it VAT, income tax and the rest, frequency of tax education and tax sensitization programs and some open ended where the respondents were given the chance to state the challenges the amalgamation is facing and their solution to these challenges. Examples of these open ended questions were what are the challenges facing the amalgamation, were the staff prepared for the amalgamation, what can be done to maximize the benefits of the amalgamation.

3.6.2 Interview

On the interviews, the interview guide was looking at the benefits of the amalgamation from the senior officers' point of view, the way and manner the amalgamation was done, and how that has influenced the amalgamation and contributed to the challenges the amalgamation is facing, does the former three entities see themselves as one entity with one corporate culture or they still see themselves as three organizations under one umbrella.

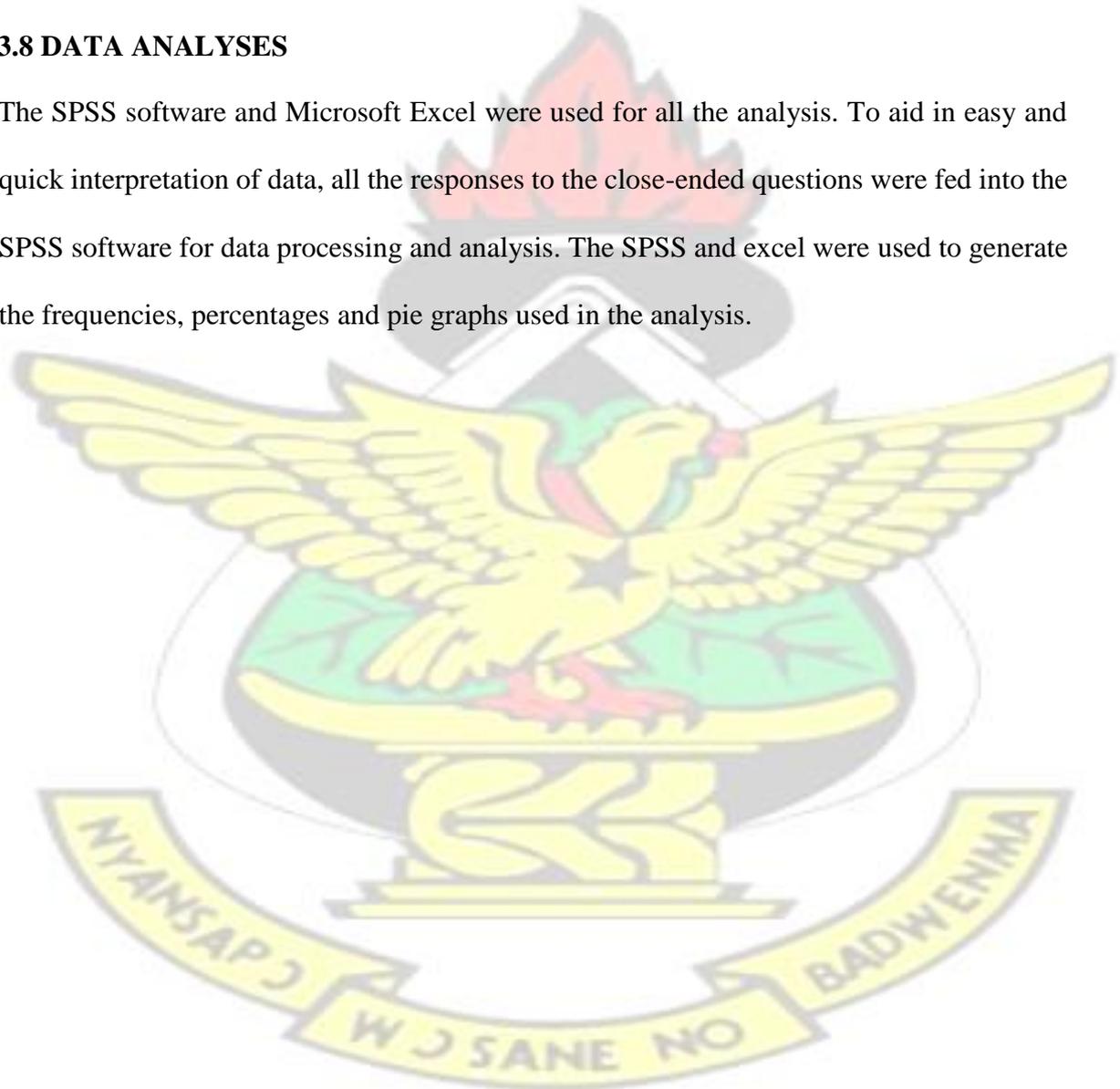
3.7 DATA COLLECTION METHODS

The questionnaires designed for the study were administered personally at the various offices of the Ghana Revenue Authority in the Kumasi Metropolitan Area. These

questionnaires were given to staff at their offices after permission was given by their superiors to provide the necessary data. Five questionnaires were pilot tested to help fine tune them before administering to the sample. The pilot test was also to assess the validity and reliability of the data collected. The respondents in the pilot test were to assess the questionnaires on whether it was addressing the issues raised as objectives of the study before it can be finally administered for data collection.

3.8 DATA ANALYSES

The SPSS software and Microsoft Excel were used for all the analysis. To aid in easy and quick interpretation of data, all the responses to the close-ended questions were fed into the SPSS software for data processing and analysis. The SPSS and excel were used to generate the frequencies, percentages and pie graphs used in the analysis.



3.9 PROFILE OF THE GHANA REVENUE AUTHORITY

The Ghana Revenue Authority (GRA) is a statutory public organization charged with the administration and mobilization of tax revenue for the state including Value Added Tax, Income Tax, Custom and Excise duties, and Communication Service Tax among others. The Authority was established in the year 2009 under the Ghana Revenue Authority Act (Act 791). It is an amalgamation of the three revenue agencies namely Value Added Tax Service, Custom Excise and Preventive Service, and Internal Revenue Service.

Prior to the setting up of the GRA, the GRA has been a culmination of years of plans to streamline the administration of tax collection in Ghana which began in 1986 when CEPS and IRS were taken out of the Civil Service and made semi- autonomous and selfaccounting public sector institutions with separate boards. The same year, the National Revenue Secretariat (NRS) was set up to formulate revenue policies, manage tax reforms and supervise the activities of CEPS and IRS. In 1998, the Value Added Tax Service was established to administer VAT and other consumption taxes. The Revenue Agencies Governing Board (RAGB) also began operations in 2001 to supervise and monitor the operations of the Revenue Agencies. In 2002, the Taxpayer Identification Number was introduced to enhance information interchange and risk profiling. Then in 2004, the Large Taxpayer Unit (LTU) was set up to operate on functional lines as a pilot programme for the future integration of tax administration in Ghana as well as to serve the needs of large taxpayers as a one stop shop operation. In 2009, final preparations were made to merge the agencies to form one revenue authority in line with the current trends the world over (see Melchor 2008). The three-winged structure designed to ensure maximum efficiency in the Authority's core business of revenue mobilization merges the management support services of finance, administration, research of the erstwhile agencies under one Support

Services Division, leaving the Customs Division and the Domestic Tax Revenue Division unencumbered by peripheral functions to focus entirely on revenue collection with Support Services Division supporting them with the required management services. According to Danquah, the purpose of taxation is to raise revenue to defray the cost of services provided by the State. In accepting the notion implies that, because of the compulsory nature of taxation compliance cannot be guaranteed to be smooth. It therefore needs tax collectors who would not compromise their work ethics for personal gains.



CHAPTER FOUR

PRESENTATION OF DATA, ANALYSIS AND DISCUSSION OF FINDINGS

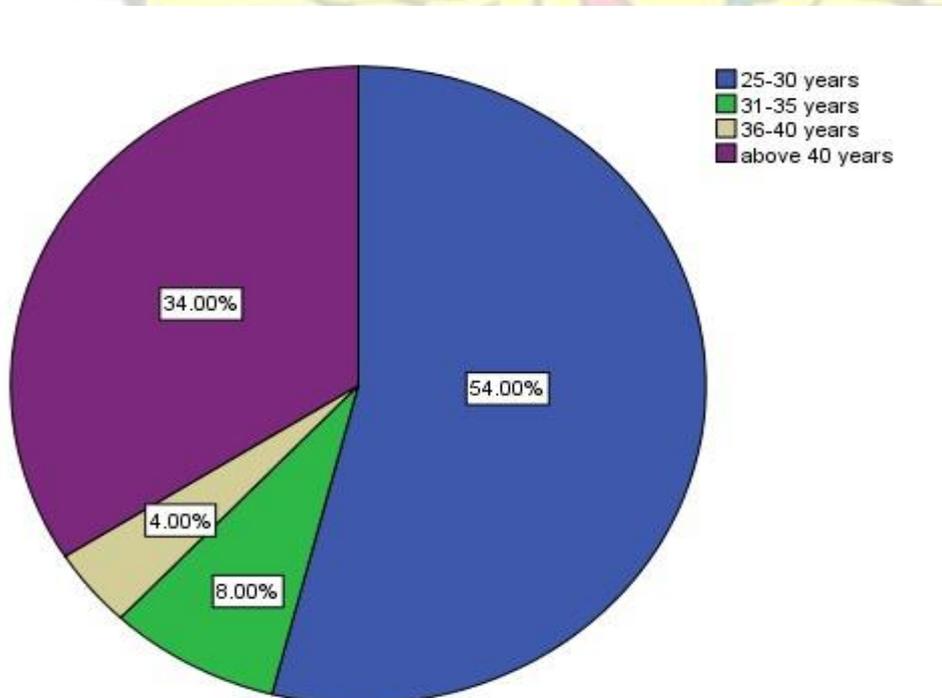
4.1 INTRODUCTION

This chapter deals with the analysis, discussions and presentation of data. It will cover among others the impact of the amalgamation of the tax agencies on revenue mobilization, the impact of the amalgamation on tax compliance, the challenges of the amalgamation of the tax agencies as well as the measures that can be put in place to ensure effective and efficient operation of GRA.

4.2 DEMOGRAPHIC CHARACTERISTICS

This section will cover the age, and the educational level of the respondents and the number of years respondent has worked with GRA.

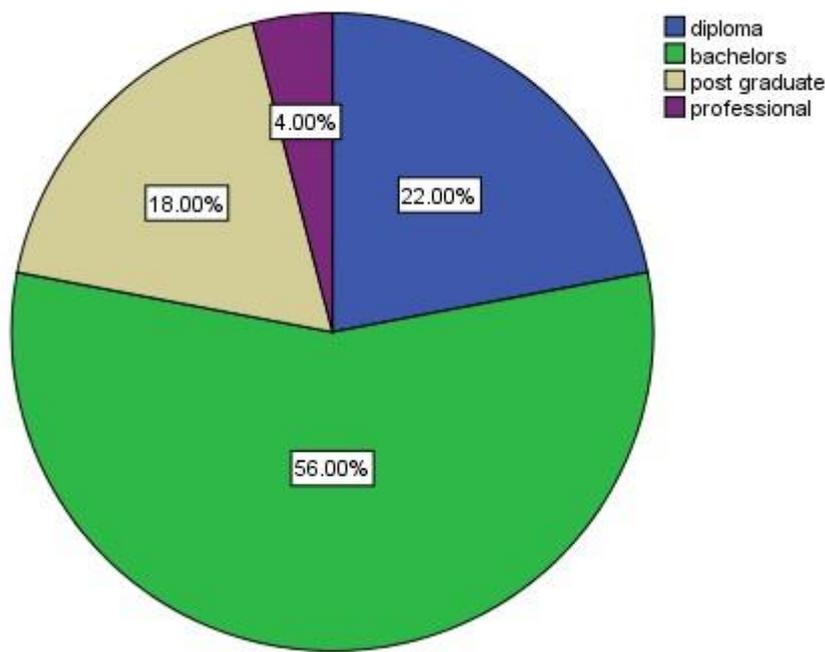
Figure 4.1 Age of respondents



Source: Field Work, July 2015

Figure 4.1 above shows the age of the respondents. As shown in the figure, 54% of the respondents are between the ages of 25 to 30 years. Also, 8% and 4% of the respondents are between the ages of 31 to 35 years and 36 to 40 years respectively. In addition, 34% of the respondents are above 40 years. The above analysis shows that most of the respondents are between 25 to 30 years.

Figure 4.2 Educational background of respondent

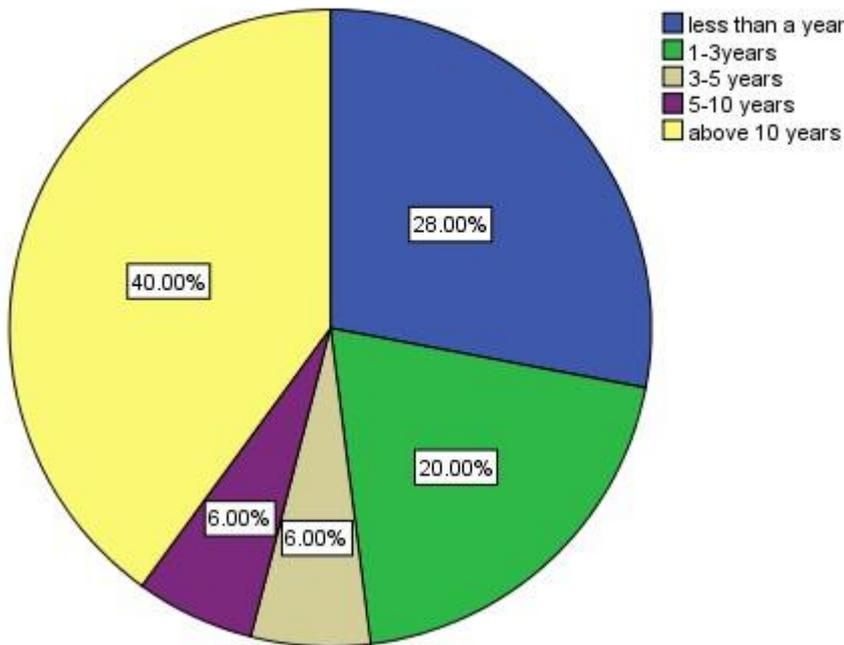


Source: Field work, July 2015

Figure 4.2 above shows the educational background of the respondents. As can be seen from the figure, 22% of the respondents have diploma certificates. Also, 56% of the respondents stated that they hold First degree. Furthermore, 18% of the respondents indicated that they hold Second degree certificates. Also, 4% of the sample respondents indicated that in addition to their degree certificates, they also hold professional certificates including ICA-G and ACCA among others. It can be seen from the above analysis that most of the staffs

of GRA within the Kumasi Metropolis have formal education up to the First degree level. They are therefore expected to give an accurate assessment of the impact of the amalgamation of the revenue agencies on revenue mobilization.

Figure 4.3 Number of year's respondent has worked with GRA



Source: Field work, July 2015

Figure 4.3 above shows the number of years respondents have worked with GRA. As can be seen from the table, 28% of the respondents stated that they have worked with GRA for less than a year now. Also, 20% of the respondents indicated that they have worked with GRA for a period of between one to three years. In addition, 6% of the respondents said they have been working with GRA for 3 to 5 years. Furthermore, 6% of the respondents indicated that they have been working with GRA for 5 to 10 years while 40% of the respondents stated that they have been working with GRA for more than 10 years now.

The above analysis shows that most respondents have been working with GRA for more than 10 years now and will therefore be able to accurately assess the impact of the amalgamation of GRA performance.

4.3 IMPACT OF AMALGAMATION ON REVENUE MOBILIZATION

This section covers the impact that the amalgamation of the revenue agencies has on the revenue mobilization ability of GRA within the Kumasi Metropolis.

Table 4.1 impact of amalgamation on revenue mobilization

	Strongly agree		Agree		Not sure		Disagree		Strongly disagree	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Staffs knowledge	11	22	16	32	13	26	8	16	2	4
Admin. Procedures	4	8	33	66	8	16	4	8	1	2
Tax education	2	4	20	40	15	30	11	22	2	4
Revenue mobilization s	5	10	28	56	9	18	7	14	1	2
Revenue targets achieved	20	40	15	30	13	26	2	4	0	0
Administrative procedures	6	12	27	54	7	14	7	14	3	6
Information flow	6	12	22	44	11	22	11	22	0	0
Tax profiling	3	6	29	58	14	28	3	6	1	2
Assessment of tax payers	5	10	15	30	16	32	12	24	2	4

Source: Field work, July 2015

4.3.1 Staffs knowledge

As shown in Table 4.1 above, 22% and 32% of the respondents strongly agreed and agreed respectively with the statement that one of the impact of the amalgamation of the revenue agencies on revenue mobilization is that it has increased staffs knowledge of all major tax reforms such as VAT, income tax act, export taxes, import duties and administrative structure. Also, 26% of the respondents were however indifferent on this matter. However, 16% and 4% of the respondents disagreed and strongly disagreed respectively with the statement that one of the impact of the amalgamation of the revenue agencies on revenue mobilization is that it has increased staffs knowledge of all major tax reforms such as VAT, income tax act, export taxes, import duties and administrative structure. It can therefore be deduced from the above analysis that there has been an improvement in staffs' knowledge of all major tax reforms such as VAT, income tax act, export taxes, import duties and administrative structure as a result of the amalgamation of the revenue agencies since the total percentage of respondents who either disagreed or strongly disagreed that staff have sufficient knowledge of all major tax reforms are in a total of 20% whilst 54% either agreed or strongly agreed that staff have knowledge on all major tax reforms.

4.3.2 Administrative Procedures

As reported in Table 4.1 above, 8% and 66% of the respondents strongly agreed and agreed respectively with the statement that the amalgamation of the revenue agencies has helped in ensuring that administrative procedures are properly followed in the tax management thereby resulting in an increment in the tax revenue usually generated. Also, 16% of the respondents were not sure whether the amalgamation has helped in ensuring that administrative procedures are properly followed in the tax management or not.

However, 8% and 2% of the respondents disagreed and strongly disagreed respectively with the statement that the amalgamation of the revenue agencies has helped in ensuring that administrative procedures are properly followed in the tax management thereby resulting in an increment in the tax revenue usually generated. In summary, it can be said that the amalgamation of the revenue agencies has helped in ensuring that administrative procedures are properly followed in the tax management thereby resulting in an increment in the tax revenue usually generated as 74% of the respondents agree or strongly agree that the amalgamation has helped in administrative procedures being followed in the tax management of the country.

4.3.3 Tax education

As reported in Table 4.1 above, 4% and 40% of the respondents strongly agreed and agreed respectively with the statement that the amalgamation of the revenue agencies has helped in ensuring that all tax payers are provided with sufficient tax education thereby creating public awareness about the need to pay taxes and this has resulted in an increase in the amount of tax revenue every year. Also, 30% of the respondents were indifferent on this matter. However, 22% and 4% of the respondents disagreed and strongly disagreed respectively with the statement that the amalgamation of the revenue agencies has helped in ensuring that all tax payers are provided with sufficient tax education thereby creating public awareness about the need to pay taxes and this has resulted in an increase in the amount of tax revenue every year. Of the total percentage of respondents 26% are the ones that either disagree or strongly disagree that the amalgamation has not improved over the years on the other hand 44% of the respondents agree and strongly agree that tax payers are provided with sufficient education on taxes that they are to pay. In summary, it can be concluded that the amalgamation of the revenue agencies has helped in ensuring that all tax payers are

provided with sufficient tax education thereby creating public awareness about the need to pay taxes and this has resulted in an increase in the amount of tax revenue every year.

4.3.4 Revenue mobilization procedures

As reported in Table 4.1 above, 10% and 56% of the respondents strongly agreed and agreed respectively with the statement that the amalgamation of the revenue agencies has helped in ensuring that revenue mobilization procedures are effective. In addition, 18% of the respondents were neutral on this matter. However, 14% and 2% of the respondents disagreed and strongly disagreed respectively with the statement that the amalgamation of the revenue agencies has helped in ensuring that revenue mobilization procedures are effective. Out of the lot 16% of the respondents are the ones who believed that revenue mobilisation procedures have not been effective with the amalgamation of the tree tax agencies. In summary, it can be concluded that the amalgamation of the revenue agencies has helped in ensuring that revenue mobilization procedures are effective.

4.3.5 Revenue targets achieved

As shown in Table 4.1 above, 40% and 30% of the respondents strongly agreed and agreed respectively with the statement that the amalgamation of the revenue agencies has helped in ensuring that budgeted tax revenue is always achieved. In addition, 26% of the respondents were neutral on this matter. However, 4% of the respondents disagreed with the statement that the amalgamation of the revenue agencies has helped in ensuring that budgeted tax revenue is always achieved giving that of all, only 4% disagreed that the amalgamation has helped achieved the revenue targets that are set. In summary, it can be concluded that the amalgamation of the revenue agencies has helped in ensuring that budgeted tax revenue is always achieved.

4.3.6 Tax administrative procedures

As indicated in Table 4.1 above, 12% and 54% of the respondents strongly agreed and agreed respectively with the statement that the amalgamation of the revenue agencies has helped in ensuring that tax administrative procedures determine the level of revenue mobilization every year. In addition, 14% of the respondents were neutral on this matter. However, 14% and 6% of the respondents disagreed and strongly disagreed respectively with the statement that the amalgamation of the revenue agencies has helped in ensuring that tax administrative procedures determine the level of revenue mobilization every year. A total of 20% of the respondents either disagree or strongly disagree that tax administrative procedures determine the level of mobilisation every year with 66% of the respondents either agreeing or strongly agreeing that tax administrative procedures determine the level of revenue mobilisation every year. In summary, it can be concluded that the amalgamation of the revenue agencies has helped in ensuring that tax administrative procedures determine the level of revenue mobilization every year.

4.3.7 Information flow between departments

As shown in Table 4.1 above, 12% and 44% of the respondents strongly agreed and agreed respectively with the statement that the amalgamation of the revenue agencies has resulted in an improvement in information flow between departments within the GRA but 22% of the respondents were not sure about this matter. However, 22% of the respondents disagreed with the statement that the amalgamation of the revenue agencies has resulted in an improvement in information flow between departments within the GRA. This shows that the total percentage who either strongly agree or agree are 56% whilst 22% of the respondents on the other hand disagree. In summary, it can be deduced from the above analysis that the amalgamation of the revenue agencies has resulted in an improvement in

information flow between departments within the GRA thereby contributing to effective decision making.

4.3.8 Improvement in Tax profiling

As reported in Table 4.1 above, 6% and 58% of the respondents strongly agreed and agreed respectively with the statement that tax profiling has improved after the amalgamation of the revenue agencies but 28% of the respondents were not sure about this matter. However, 6% and 2% of the respondents disagreed and strongly disagreed respectively with the statement that tax profiling has improved after the amalgamation of the revenue agencies. Grouping the respondents into the ones that agree and disagree that the amalgamation has helped in improving the profiling of tax payers, 64% agree that the amalgamation has improved tax profiling whilst 8% disagree. In summary, it can be deduced from the above analysis that tax profiling has improved after the amalgamation of the revenue agencies.

4.3.9 Regular assessment of tax payers

As reported in Table 4.1 above, 10% and 30% of the respondents strongly agreed and agreed respectively with the statement that there has been regular assessment of tax payers after the amalgamation but 32% of the respondents were indifferent regarding this matter. However, 24% and 4% of the respondents disagreed and strongly disagreed respectively with the statement that there has been regular assessment of tax payers after the amalgamation. 40% of the total respondents either strongly agree or agree that the amalgamation has helped assessing tax payers regularly whilst 28% on the other hand either disagree or strongly disagree that the amalgamation has promoted regular assessment of tax payers. It can therefore be deduced from the above analysis that there has being regular assessment of tax payers as a result of the amalgamation of the revenue agencies.

4.4 IMPACT OF AMALGAMAZATION ON TAX COMPLIANCE

This section of the analysis discusses the impact that the amalgamation of the revenue agencies has on tax compliance. The responses from the respondents regarding the impact of the amalgamation of the revenue agencies on tax compliance are shown in Table 4.2 below.

Table 4.2 impact of amalgamation on tax compliance

	Strongly agree		Agree		Not sure		Disagree		Strongly disagree	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Revenue targets achieved	9	18	24	48	10	20	7	14	0	0
Tax reforms	17	34	30	60	2	4	1	2	0	0
Tax reforms linked	15	30	18	36	11	22	5	10	1	2
Easy tax payment	8	16	14	28	17	34	10	20	1	2
Tax payers number	8	16	16	32	16	32	9	18	1	2
Proper bookkeeping	2	4	7	14	22	44	18	36	1	2
Tax sensitization	16	32	26	52	6	12	2	4	0	0

Source: Field work, July 2015

4.4.1 Revenue targets achieved

As reported in Table 4.2 above, 18% and 48% of the respondents strongly agreed and agreed respectively with the statement that one of the impact of the amalgamation on tax

compliance is that there has been an achievement of revenue mobilization targets as a result of appropriate tax reforms been put in place but 20% of the respondents were indifferent regarding this matter. However, 14% of the respondents disagreed with the statement that one of the impact of the amalgamation on tax compliance is that there has been an achievement of revenue mobilization targets as a result of appropriate tax reforms been put in place. With only 14% of the respondents disagreeing that the amalgamation of the three tax agencies has improved tax compliance by achieving the revenue mobilization targets, It can therefore be deduced from the above analysis that one of the impact of the amalgamation on tax compliance is that there has been an achievement of revenue mobilization targets as a result of appropriate tax reforms been put in place.

4.4.2 Effective establishment of Tax reforms

As reported in Table 4.2 above, 34% and 60% of the respondents strongly agreed and agreed respectively with the statement that there has been effective mobilization of revenue after the amalgamation due to the establishment of effective tax reforms but 4% of the respondents were indifferent regarding this matter. However, 2% of the respondents disagreed with the statement that there has been effective mobilization of revenue after the amalgamation due to the establishment of effective tax reforms. A total of 94% of the respondents strongly agree that revenue mobilization has been effective after the amalgamation or agreeing compared to 2% of respondents disagreeing, it can therefore be concluded from the above analysis that there has been effective mobilization of revenue after the amalgamation due to the establishment of effective tax reforms.

4.4.3 Tax reforms linked with revenue mobilization

As reported in Table 4.2 above, 30% and 36% of the respondents strongly agreed and agreed respectively with the statement that after the amalgamation, tax reforms are closely linked

with revenue mobilization but 22% of the respondents were not sure. However, 10% and 2% of the respondents disagreed and strongly disagreed respectively with the statement that after the amalgamation, tax reforms are closely linked with revenue mobilization. With 66% of the respondents either in agreement or strongly agreeing that tax reforms are linked with an increase in revenue mobilisation and 12% thinking otherwise, it can therefore be concluded from the above analysis that after the amalgamation, tax reforms are closely linked with revenue mobilization thereby resulting in an improvement in tax compliance.

4.4.4 Easy payment of taxes

As reported in Table 4.2 above, 16% and 28% of the respondents strongly agreed and agreed respectively with the statement that tax payers are able to pay their taxes easily after the amalgamation but 34% of the respondents were not sure. However, 20% and 2% of the respondents disagreed and strongly disagreed respectively with the statement that tax payers are able to pay their taxes easily after the amalgamation. With a total of 44% of the respondents either strongly agreeing or agreeing that the amalgamation of the tax agencies has made payment of taxes easy as against 22% of the respondents who think otherwise. It can therefore be concluded from the above analysis that tax payers are able to pay their taxes easily after the amalgamation.

4.4.5 Increment in the number of tax payers

As reported in Table 4.2 above, 16% and 32% of the respondents strongly agreed and agreed respectively with the statement that one of the impacts of the amalgamation of the revenue agencies on tax compliance is that there has been an increment in the number of tax payers compared to previous years before the amalgamation. Also, 32% of the respondents were not sure. However, 18% and 2% of the respondents disagreed and strongly disagreed respectively with the statement that one of the impacts of the amalgamation of the revenue

agencies on tax compliance is that there has been an increment in the number of tax payers compared to previous years before the amalgamation. With 20% of the respondents not in favour that the amalgamation of the tax agencies and 48% in favour, It can be concluded from the above analysis that there has been an increment in the number of tax payers after the amalgamation of the revenue agencies compared to previous years before the amalgamation.

4.4.6 Proper bookkeeping by tax payers

As shown in Table 4.2 above, 4% and 14% of the respondents strongly agreed and agreed respectively with the statement that one of the impacts of the amalgamation of the revenue agencies on tax compliance is that it has helped ensure proper bookkeeping by tax payers. Also, 44% of the respondents were not sure. However, 36% and 2% of the respondents disagreed and strongly disagreed respectively with the statement that one of the impacts of the amalgamation of the revenue agencies on tax compliance is that it has helped ensure proper bookkeeping by tax payers. It can be seen that only 18% of the respondents are in favour that tax payers are able to properly keep their books after the amalgamation as against 38% of the respondents who are not in favour. It can therefore be concluded from the above analysis that one of the impacts of the amalgamation of the revenue agencies on tax compliance is that it has not been able to help ensure proper bookkeeping by tax payers.

4.4.7 Tax sensitization programs

As shown in Table 4.2 above, 32% and 52% of the respondents strongly agreed and agreed respectively with the statement that there has been an increased in public sensitization programs after the amalgamation which has resulted in an increment in the amount of tax revenue collected every year. Also, 12% of the respondents could not tell whether they agreed with the statement or not. However, 4% of the respondents disagreed with the

statement that there has been an increased in public sensitization programs after the amalgamation which has resulted in an increment in the amount of tax revenue collected every year. Out of 100%, 84% are in agreement that tax sensitization has increased after the amalgamation against 4% of respondents who disagree. It can therefore be concluded from the above analysis that there has been an increased in public sensitization programs after the amalgamation which has resulted in an increment in the amount of tax revenue collected every year.

4.5 IMPACT OF AMALGAMAZATION ON WORKER RELATIONS

This section of the analysis discusses the impact of the amalgamation of the revenue agencies has on worker relations. The responses from the respondents regarding the impact of the amalgamation of revenue agencies on worker relations are shown in Table 4.3 below.

Table 4.3 impact of amalgamation on worker relations

	Strongly agree		Agree		Not sure		Disagree		Strongly disagree	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Data is shared faster and more flexibly between units	7	14	25	50	9	18	9	18	0	0
Tax operations has been well integrated	6	12	22	44	13	26	8	16	0	0
All GRA staff have one corporate culture	4	8	20	40	15	30	8	16	2	4

Source: Field work, July 2015

4.5.1 Data is shared faster and more flexibly between units

As reported in Table 4.3 above, 14% and 50% of the respondents strongly agreed and agreed respectively with the statement that among the impacts of the amalgamation is that data is shared faster and more flexibly between the units but 18% of the respondents were not sure whilst another 18% disagreed that the amalgamation has made it flexible and faster to share data among the tax units. A total of 64% were in favour of the statement whilst 18% were not in favour. It can be deduced that the amalgamation has allowed data to be shared faster and more flexibly between units.

4.5.2 Tax operations has been well integrated

As shown in Table 4.3 above, 12% of the respondents strongly agree that tax operations are well integrated with the amalgamation of the three tax agencies in the country. 44% also agree to that with 26% being indifferent and 16% in disagreement. Comparing the percentages of a total of 56% in favour and 16% against the statement, it will be agreed that the tax operations has been better integrated with the amalgamation of the tax agencies as compared to before the amalgamation.

4.5.3 All GRA staff have one corporate culture

With 48% of total respondents being in favour compared to 20% not in favour, it can be deduced that the amalgamation of the tax agencies has unified the corporate culture of all staff of the GRA that used to belong to the tax agencies namely Customs, Excise and Preventive Service (CEPS), Value Added Tax Service (VATS) and the Internal Revenue Service (IRS). This can be seen in table 4.3 above where 8% of respondents strongly agree, 40% agree, 30% remain indifferent, 16% disagree and 4% strongly disagree to the statement that the amalgamation of the tax agencies has given all staff of the GRA one corporate culture.

4.6 CHALLENGES CONFRONTING THE AMALGAMATION OF THE TAX AGENCIES IN THE KUMASI METROPOLITAN AREA

An interview was conducted on the respondents as well regarding the challenges facing GRA as a result of the amalgamation. According to the respondents, one of the challenges that GRA is facing is that it lacks regional office heads to coordinate the activities of the STOs and MTOs in the various regions.

The interview with the respondents further revealed that the integration or amalgamation of the revenue agencies have resulted in redundancy of workers at some offices while other offices are over-loaded with too much work.

The interview with the staffs also indicated that one of the challenges of the amalgamation of the revenue agencies is that there is lack of certainty on the part of tax payers regarding the specific offices where their files have been transferred to and also that the amalgamation has resulted in the creation of STOs and MTOs thereby resulting in power struggle among GRA staffs.

The respondents also revealed during the interview that GRA is lacking the necessary logistics and personnel in order to operate effectively. The end result is a reduction in the amount of tax revenue that can be generated every year.

The interview with the GRA staffs also revealed that one challenge that GRA is facing is that some staffs are lacking the knowledge concerning certain tax fields such as VAT or IRS. They further indicated that there is the difficulty of moving tax payers' files from one unit say MTO or STO to the most appropriate unit.

The respondents further noted that another challenge GRA is facing is that there is lack of knowledge about other department; for instance officers from the audit unit might not know about the work of TPS, CEDM or ISSU.

Another challenge according to the respondents during the interview is that there is lack of proper communication between GRA and the tax payers and within GRA itself; and that some staffs within GRA always resisting to change.

Another challenge that GRA is facing according to the respondents during the interview is that there is lack of effective supervision of GRA staffs in order to ensure that they are carrying out their activities effectively.

The respondents again noted during the interview that due to the amalgamation, some tax collectors occupying certain positions are lacking the necessary skills and knowledge needed to operate effectively and that resources are limited thereby affecting the effectiveness of the tax collectors.

The respondents further indicated that some officers fear to take risk by occupying certain positions they have not been trained for. This is because such officers are confused as to what they are required to do in those offices.

Another challenge confronting GRA after the amalgamation is that there is the problem of management of its staffs in the sense that there is lack of coordination among the various divisions within GRA.

4.7 MEASURES TO BE PUT IN PLACE TO ENSURE EFFICIENT AND EFFECTIVE OPERATION OF GRA WITHIN THE KUMASI METROPOLIS

An interview was conducted on the respondents regarding the measures that can be put in place by GRA in order to ensure effective and efficient operations. According to the

respondents there is the need for continuous organization of workshops for GRA staffs in order to equip them with the necessary skills and expertise needed to carry out their activities.

The interview further revealed that there is the need for rigorous and intensive tax education for tax payers in order to let them know the benefits they will enjoy by paying their taxes regularly.

The respondents further stated during the interview that proper training should be organised for GRA staffs in order to improve upon their knowledge. Also, there is the need for staffs to always be paired (say an IRS staff and a VAT staff) during visitation of tax payers.

The respondents also noted during the interview that there is the need for quarterly tax education of tax payers, constant and friendly visit to tax payers in order to monitor their day to day activities as well as the creation of a healthy relationship with tax payers.

The respondents further stated that technical training should be organized weekly for GRA staffs in order to help them acquired the necessary technical skills needed to carry out their activities effectively.

The respondents during the interview also indicated that GRA should provide the necessary resources needed by its staffs to carry out their daily activities effectively and that there is the need for effective supervision of GRA staffs in order to ensure that they are effectively carrying out their duties. They also noted that there is the need for proper indirect chain of command in order to ensure that certain policies are carried out effectively.

The respondents again stated that there is the need for job rotation within GRA in order to improve upon operations and also there is the need for the introduction of computerised systems in order to make jobs less demanding and less bureaucratic.

The respondents again stated that there is the need for automation of the domestic tax revenue division to ease pressure on vehicle income tax quarterly renewal and also customs operations should be linked with domestic tax division for easy clearance of goods at the port. For instance, tax clearance certificates can be verified online.

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CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATION

5.0 INTRODUCTION

The summary of the main the findings of the study are presented in this chapter. The conclusions of the study as well as the recommendations that are being made by the researcher are also covered under this chapter.

5.1 SUMMARY OF MAIN FINDINGS

This section summarises the main findings of the study. It covers among others the impact of the amalgamation of the revenue agencies on revenue mobilization and tax compliance, the challenges facing the Ghana Revenue Authority (GRA) and the measures that can be put in place in order to ensure effective and efficient operation of GRA.

5.1.1 IMPACT OF AMALGAMATION ON REVENUE MOBILIZATION

The research findings revealed that there has been an improvement in staffs' knowledge of all major tax reforms such as VAT, income tax act, export taxes, import duties and administrative structure as a result of the amalgamation of the revenue agencies. The analysis further indicated that the amalgamation of the revenue agencies has helped in ensuring that administrative procedures are properly followed in the tax management thereby resulting in an increment in the tax revenue usually generated.

The findings from the study revealed that the amalgamation of the revenue agencies has helped in ensuring that all tax payers are provided with sufficient tax education thereby creating public awareness about the need to pay taxes and this has resulted in an increase in the amount of tax revenue every year. It was further evidenced from the analysis that the

amalgamation of the revenue agencies has helped in ensuring that revenue mobilization procedures are effective.

The findings from the study indicated that the amalgamation of the revenue agencies has helped in ensuring that budgeted tax revenue is always achieved. The analysis also revealed that the amalgamation of the revenue agencies has helped in ensuring that tax administrative procedures determine the level of revenue mobilization every year.

In addition, the results from the analysis indicated that the amalgamation of the revenue agencies has resulted in an improvement in information flow between departments within the GRA thereby contributing to effective decision making. It was also noted from the analysis that tax profiling has improved after the amalgamation of the revenue agencies. The findings further indicated that there has being regular assessment of tax payers as a result of the amalgamation of the revenue agencies.

5.1.2 IMPACT OF AMALGAMAZATION ON TAX COMPLIANCE

The results from the analysis revealed that one of the impact of the amalgamation on tax compliance is that there has been an achievement of revenue mobilization targets as a result of appropriate tax reforms been put in place.

It was also concluded from the analysis that there has been effective mobilization of revenue after the amalgamation due to the establishment of effective tax reforms.

The research findings also revealed that after the amalgamation, tax reforms are closely linked with revenue mobilization thereby resulting in an improvement in tax compliance. The findings from the study further indicated that tax payers are able to pay their taxes easily after the amalgamation.

The results from the study also revealed that there has been an increment in the number of tax payers after the amalgamation of the revenue agencies compared to previous years before the amalgamation. The analysis indicated that the amalgamation of the revenue agencies on tax compliance is that it has not improved proper bookkeeping by tax payers.

In addition, findings from the study revealed that there has been an increased in public sensitization programs after the amalgamation which has resulted in an increment in the amount of tax revenue collected every year.

5.1.3 CHALLENGES CONFRONTING THE AMALGAMATION OF THE TAX AGENCIES IN THE KUMASI METROPOLITAN AREA

An interview with some of the staffs of GRA revealed that one of the challenges that GRA is facing is that it lacks regional office heads to coordinates the activities of the STOs and MTOs in the various regions. In addition, the results revealed that the integration or amalgamation of the revenue agencies have resulted in redundancy of workers at some offices while other offices are over-loaded with too much work.

The analysis also indicated that one of the challenges of the amalgamation of the revenue agencies is that there is lack of certainty on the part of tax payers regarding the specific offices where their files have been transferred to and also that the amalgamation has resulted in the creation of STOs and MTOs thereby resulting in power struggle among GRA staffs.

It was also revealed during the interview that GRA is lacking the necessary logistics and personnel in order to operate effectively. The end result is a reduction in the amount of tax revenue that can be generated every year.

The interview with the GRA staffs further indicated that one challenge that GRA is facing is that some staffs are lacking the knowledge concerning certain tax fields such as VAT or

IRS. They further indicated that there is the difficulty of moving tax payers' files from one unit say MTO or STO to the most appropriate unit.

It was further revealed during the interview that another challenge GRA is facing is that there is lack of knowledge about other department; for instance officers from the audit unit might not know about the work of TPS, CEDM or ISSU.

Another challenge facing GRA as revealed during the interview is that there is lack of proper communication between GRA and the tax payers and within GRA itself; and that some staffs within GRA always resisting to change.

Another challenge that GRA is facing according to the respondents during the interview is that there is lack of effective supervision of GRA staffs in order to ensure that they are carrying out their activities effectively.

The respondents again noted during the interview that due to the amalgamation, some tax collectors occupying certain positions are lacking the necessary skills and knowledge needed to operate effectively and that resources are limited thereby affecting the effectiveness of the tax collectors.

The respondents further indicated that some officers fear to take risk by occupying certain positions they have not been trained for. This is because such officers are confused as to what they are required to do in those offices.

The interview further revealed that another challenge confronting GRA after the amalgamation is that there is the problem of management of its staffs in the sense that there is lack of coordination among the various divisions within GRA.

5.1.4 MEASURES TO BE PUT IN PLACE TO ENSURE EFFICIENT AND EFFECTIVE OPERATION OF GRA WITHIN THE KUMASI METROPOLIS

An interview with some of the staffs of GRA revealed that there is the need for continuous organization of workshops for GRA staffs in order to equip them with the necessary skills and expertise needed to carry out their activities.

The interview further revealed that there is the need for rigorous and intensive tax education for tax payers in order to let them know the benefits they will enjoy by paying their taxes regularly. The respondents further stated during the interview that proper training should be organised for GRA staffs in order to improve upon their knowledge. Also, there is the need for staffs to always be paired (say an IRS staff and a VAT staff) during visitation of tax payers.

The respondents also noted during the interview that there is the need for quarterly tax education of tax payers, constant and friendly visit to tax payers in order to monitor their day to day activities as well as the creation of a healthy relationship with tax payers.

It was also revealed during the interview that technical training should be organized weekly for GRA staffs in order to help them acquired the necessary technical skills needed to carry out their activities effectively.

The respondents during the interview also indicated that GRA should provide the necessary resources needed by its staffs to carry out their daily activities effectively and that there is the need for effective supervision of GRA staffs in order to ensure that they are effectively carrying out their duties. They also noted that there is the need for proper indirect chain of command in order to ensure that certain policies are carried out effectively.

The respondents again stated that there is the need for job rotation within GRA in order to improve upon operations and also there is the need for the introduction of computerised systems in order to make jobs less demanding and less bureaucratic.

The respondents again stated that there is the need for automation of the domestic tax revenue division to ease pressure on vehicle income tax quarterly renewal and also customs operations should be linked with domestic tax division for easy clearance of goods at the port. For instance, tax clearance certificates can be verified online.

5.2 CONCLUSION

This study examines the impact of the amalgamation of the tax agencies on revenue mobilisation in Ghana using GRA within the Kumasi Metropolis as a case study. Convenience sampling was used in selecting the respondents for the study. Data has been gathered through the use of questionnaires and an interview guide. The Statistical Package for Social Sciences (SPSS) was used in analysing the data. The findings from the study revealed that the amalgamation of the revenue agencies has helped in ensuring that all tax payers are provided with sufficient tax education thereby creating public awareness about the need to pay taxes and this has resulted in an increase in the amount of tax revenue every year. It was further evidenced from the analysis that the amalgamation of the revenue agencies has helped in ensuring that revenue mobilization procedures are effective. The findings from the study indicated that the amalgamation of the revenue agencies has helped in ensuring that budgeted tax revenue is always achieved. The analysis also revealed that the amalgamation of the revenue agencies has helped in ensuring that tax administrative procedures determine the level of revenue mobilization every year.

The research findings also revealed that after the amalgamation, tax reforms are closely linked with revenue mobilization thereby resulting in an improvement in tax compliance. The findings from the study further indicated that tax payers are able to pay their taxes easily after the amalgamation. The results from the study also revealed that there has been an increment in the number of tax payers after the amalgamation of the revenue agencies compared to previous years before the amalgamation. The analysis indicated that one of the impacts of the amalgamation of the revenue agencies on tax compliance is that it has helped ensure proper bookkeeping by tax payers.

The analysis shows some of the challenges facing GRA includes lacks regional office heads to coordinates the activities of the STOs and MTOs in the various regions, the integration or amalgamation of the revenue agencies have resulted in redundancy of workers at some offices while other offices are over-loaded with too much work, lack of certainty on the part of tax payers regarding the specific offices where their files have been transferred to and also that the amalgamation has resulted in the creation of STOs and MTOs thereby resulting in power struggle among GRA staffs, and lack of the necessary logistics and personnel in order to operate effectively.

The analysis also revealed that in order to ensure effective and efficient operation of GRA, certain measures should be put in place including continuous organization of workshops by GRA for its staffs in order to equip them with the necessary skills and expertise needed to carry out their activities. There is also the need for rigorous and intensive tax education for tax payers in order to let them know the benefits they will enjoy by paying their taxes regularly. In addition, proper training should be organised for GRA staffs in order to improve upon their knowledge. Furthermore, there is the need for staffs to always be paired (say an IRS staff and a VAT staff) during visitation of tax payers. There is also the need for

quarterly tax education of tax payers, constant and friendly visit to tax payers in order to monitor their day to day activities as well as the creation of a healthy relationship with tax payers.

5.3 RECOMMENDATION

Technical training should be organized weekly for GRA staffs in order to help them acquired the necessary technical skills needed to carry out their activities effectively.

Government should support GRA to provide the necessary resources needed by its staffs to carry out their daily activities effectively.

There should be effective supervision of GRA staffs in order to ensure that they are effectively carrying out their duties.

There should be frequent job rotation within GRA in order to improve upon operations and also there is the need for the introduction of computerised systems in order to make jobs less demanding and less bureaucratic.

There is also the need for automation of the domestic tax revenue division to ease pressure on vehicle income tax quarterly renewal and also customs operations should be linked with domestic tax division for easy clearance of goods at the port. For instance, tax clearance certificates can be verified online.

There is the need for continuous organization of workshops for GRA staffs in order to equip them with the necessary skills and expertise needed to carry out their activities.

There should also be rigorous and intensive tax education for tax payers in order to let them know the benefits they will enjoy by paying their taxes regularly.

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APPENDIX: QUESTIONNAIRE FOR GRA WORKERS

KNUST SCHOOL OF BUSINESS (KSB) MASTERS OF BUSINESS ADMINISTRATION QUESTIONNAIRE FOR GRA WORKERS

Dear Respondent,

I am a final year MBA student of KNUST School of Business undertaking a study on the ‘The Impact of Amalgamation of Tax Agencies in Ghana; A Case Study of the Kumasi Metropolis.’ As a key stakeholder you have been selected to participate in the survey. I would be very grateful if you could complete this questionnaire by ticking (✓) in the space provided where applicable. It is purely for academic purpose and any information given will be treated as confidential. Thank you.

9. Revenue mobilization procedures are effective.					
10. Budgeted tax revenue target is always achieved.					
11. Tax administrative procedures determine the level of revenue mobilization					
12. Information flow between departments has improved greatly					
13. Tax profiling has improved after the amalgamation					
14. Taxpayers are assessed regularly					
15. Tax assessment procedures are known to all personnel					
16. There are sufficient resources to audit all taxpayers					
17. The tax officers are of high ethical standards and integrity					

SECTION C: Has Tax Compliance Improved

Question	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
18. Revenue mobilization target is achieved due to appropriate tax reforms put in place					
19. More revenue can be mobilized when effective tax reforms are established.					
20. Tax reforms and revenue mobilization are closely linked					
21. Taxes are paid easily because of the amalgamation					
22. More people are paying tax now as compared to before the amalgamation					

23. Tax registration affects all tax aspects. (VAT, Income tax, etc.					
24. Tax payers prepare their books well for taxation					
25. The most appropriate tax collection method is direct visit to taxpayers					
26. The most appropriate tax collection method is direct visit to taxpayers					
27. All tax collection personnel are well trained to perform their task					
28. Tax sensitization programs increase revenue collection					
29. Tax payers are satisfied with services provided by GRA					
30. Tax payers are satisfied with information provided by GRA					

SECTION D:

31. Were you well trained and psyched to prepare you for the amalgamation? Yes / No

32. What do you think if done would have helped make things better?

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.....

33. What are the challenges facing the amalgamation in your opinion?

.....

.....

34. What are the common problems tax payers report at the office

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THANK YOU VERY MUCH FOR YOUR COOPERATION