KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, KUMASI, GHANA

TAX COMPLIANCE AMONGST SMALL AND MEDIUM SCALE ENTERPRISES IN THE

CENTRAL BUSINESS DISTRICT ACCRA

By

Daniel Kweku Ansah

A Thesis submitted to the Department of Accounting and Finance

College of Humanities and Social Sciences

In partial fulfillment of the requirements for the degree of

MSc ACCOUNTING AND FINANCE

FEBRUARY, 2021

DECLARATION

I hereby declare that this submission is my own work towards the award of the Master of Science in Accounting and Finance and that, to the best of my knowledge, it contains no material previously by another person or any material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

Daniel Kweku Ansah   …………………….. ………………………

(PG 4778718)   Signature   Date

Certified by:

Mrs. Akua Peprah-Yeboah   …………………….. ………………………

(Supervisor's Name)   Signature   Date

Certified by:

Dr. Daniel Domeher   …………………….. ………………………

(Head of Department)   Signature   Date

ABSTRACT

The main aim of this study was to examine the level of tax compliance amongst SMEs in the central business district of Accra. The study was based on three main objectives; to explore the influence of tax awareness on voluntary tax compliance decision of tax payers; to ascertain the level of tax compliance of SMEs in Central Business District Accra; and to know the Profit Element amongst SMEs whether they should pay tax.The study was conducted amongst SMEs in the central business district in Accra. A descriptive survey technique was used for the study. The sample size for the study was three hundred and fifty-three (353) out of a population of three thousand (3000) registered SMEs in the central business district of Accra. Structured questionnaires adopted to gather primary data from the respondents. The data was analyzed using descriptive statistics. The study found that there was moderate level of influence of tax awareness on the on the voluntary tax compliance decisions of SMEs in the central business district of Accra. Again, was high level of tax compliance amongst SMEs in the central business district of Accra and the average, and the average profit of SMEs in the central business district of Accra was up to GHc 10,000. There were some recommendations to the effects that GRA officials should improve on the tax education for SMEs and organize such educational campaigns at least once a year for all SMEs in Ghana. This will go a long way to increase the tax awareness of SMEs in Ghana which may result in payment of more taxes hence generation of more revenues for the country. Again, the language used in the tax laws should be simplified to enable most of the SME owners to understand and appreciate the content of the law. Future research can be conducted in the area of tax compliance amongst petty traders (table top traders) in the Greater Accra Region. These categories of traders have not registered their business but still pay their taxes through the metropolitan assemblies.

ACKNOWLEDGEMENT

My profound gratitude is to the omnipotent, omnipresent and the almighty God, whose divine mercy provided me with the wisdom, strength and knowledge to produce this thesis. I also wish to acknowledge my wife Mrs. Rita Elorm Ansah, who having understood the essence of education provided me the platform of support decades ago as needful to complete this programme of study in the university. My special thanks to my supervisor Mrs Akua Peprah-Yeboah for her review comments. I further wish to express my deep sense of gratitude to my friends, Nobert Boamah, Isaac Kofi Apreku, and Evans Nii Aryitey alike that supported and encouraged me to put the thesis together.

DEDICATION

I sincerely wish to dedicate this work to the Almighty God for seeing me through this work. I also dedicate this work to my wife, Mrs. Rita Elorm Ansah and children, Michelle Afua Aprekua Ansah and Daniella Akua Aseda Ansah for their constant love, prayers and support.

TABLE OF CONTENT

LIST OF TABLES

LIST OF FIGURES

Figure   **Page**

CHAPTER ONE

INTRODUCTION

1.1   BACKGROUND OF THE STUDY

Musimenta et al. (2017); Hanan (2015); Ritsatos (2014); Ibrahim, Musah & Abdul- Armah-Attoh & Awal (2013); Gohou & Soumare (2012) Cerqueti & Coppier (2009); Andreoni et al. (1998) posit that tax compliance is censorious for country's everywhere in the world since governments' irresistible hunt for income to increase facility distribution.

Nkundabanyanga et al. (2017); Ibrahim et al., (2015); OECD (2010) stated that the governments are been provided with tax revenues as a fund which is needed to be able to invest in development, which is able to eradicate poverty, provide public facilities or amenities then build the physical and societal structure for lengthy tenure development. Huber, Shubik, & Sunder (2013) said that from one country to another governments use levy money to deliver mutual public goods and services which are not provided by private industries. Similarly, Bird (2003) specifies that tax return certifies the accomplishment of fiscal AIMS through apportionment of funds.

Additionally, Mukasa (2011) claims the national budget remains financed by the government using the tax revenue and are also used to regulate the economy and defense of local businesses. In the world, tax system has remained beneficial to many nations. Palil (2010) posit that the tax administration creates tax income intended for public spending, assist in dropping imbalances through a plan of reallocation of income. Levies collected and gathered from the citizens are used to maintain good roads, provide public libraries, running the emergencies services like the

fire department. Levies form the general publics are also used to fund several government lineups that benefits the deprieved, for instance basic education and health care.McGee (2004) argued that utmost highly; a nation's protection, safety, and security services are funded mainly by tax money.

Joumard, Pisu, & Bloch (2013) pin point that, in adding to funding government spending, taxation is used to reallocate wealth amongst citizens and as a fiscal tool. Kirchler (2007) posit that, compliance of tax is the taxpayer's readiness to settle their tax responsibility as per tax laws and principles. Andreoni, Erard & Feinstein (1998) argued that, conforming to the tax rules in addition with the principles mean recording of the precise levy bases, appropriate returns yields filing, settlement of any arrears due to concerned tax authorities' also accurate purpose of the tax load. Under the tax law, both advanced and advancing nations attaining great stages of voluntary compliance of tax are the arena of anxiety. According to Goradichenko & Martinez-Vanzquez (2009); Vela (2007); Tanzi&Shome (1993) stated that tax elusion is a general and rising issue. Investigation evidence which exist shows that the hitches of tax elusion run across the world from advancing nations to advanced nations. For example, Embaye (2007) stated that elusion remains significant in United State of America with around 16% overall non-compliance for different income tax. Nevertheless, Sandmo (2005) &Arogundade (2005) claim that there is theoretical difference amongst tax avoidance and tax evasion. The difference amongst these two perceptions pivots on the authenticity of taxpayer's activities. Arogundade (2005) suggest the comparisons of mutually perceptions are, they lead to escapes in tax income. Sandomo (2005) indicates the two perceptions from legal viewpoint. He indicated that tax elusion or evasion is carried out in ruin of the regulation, consequently remains prohibited whereas tax avoidance is

accepted in the scope the lawful structure of the tax rule in other to decrease an individual tax burden, so tax avoidance is permissible or lawful.

What is been needed is to comprehend the significance, and explanation also experiences a modification as the countries incline to progress and arrive into diverse evolution phases. According to Atawodi & Ojeka (2012) claim that is a familiar reality that the revenue gathered after the personalities in addition industries are very crucial flows of income for tax administration. Birds (2003 p.147) propose that "Not aperson enjoys taxes; individuals never enjoyed paying them and authoritiesneverfancy enforcing them". Mukasa (2011) states that, taxes stand essential towards finance anticipated general expenditure to certify the load of forfeiting for such expenditure is justly circulated. In assessment of the importance of tax income to governments, tax rules are very significant to compliance within creating the obligatory income. Levy conformity is a taxpayer's capability and readiness to conform to the regulations of tax, indicating the exact income gotten with appropriate filing of returns, requesting for proper relief and refunds and paying entirely taxes outstanding on point.

To ensure tax revenue generation numerous efforts and procedures are put in place. Mukasa (2011) claims that constant education on tax and making availability resources to the tax agencies are procedures the governments implement to safeguard growth of tax revenues through obedience.

OECD (2000) also claims that implementing of penalties, interests, levy deductibility beneficial impact and revenue beneficial impact are procedures government will partake to put in place to encourage obedience with tax rules and guidelines, henceforth, creating extra tax income.

Ghana Revenue Authority (2013) one way or the other correspondingly announced the subjective evaluation structure on industry establishments to expand tax compliance. Mikesell &Birskyte (2007, P.189), claims that "legislative authorities and investigators never comprehend taxpayer's obedience shredtowards the economic basis of administration by intimidating equity, effectiveness, proficiency and revenue of the levy scheme likewise there are no integrated method of creating the essential maintenances". After revising general tax obligation, the comfort uponwhoever taxpayers conform to their lawful requirement to pay tax is a thoughtful reason. Wang (2010) said that, tax compliance in the commercial segment in South Africa, discloses that taxpayer' decisions to conform otherwise never to fulfill are strong-minded by the complication of the tax structure and taxpayers" assurance in administration generally. Mukasa (2011) indicates taxpayers' insight concerning the objectivity of the complete tax scheme, the social setting and societal customs in addition the efficacy of tax consultants in the discovery as well as chastisement of non-compliance with the tax regulations regulate taxpayers" choice to conform or never to conform. According to Abdallah (2014) indicates that generating revenue is the focal fundamental of the state through taxation. Nevertheless, the important information and the stage of submission with laws of tax and guidelines govern whether the tax administration would be able to attain the projected tax income for a specific time.

Ministry of Finance (2013) in his statement said that tax income is crucial to the growth of the country since it establishes a huge amount of the entire income of the country. Controller & Accountant General (2012) stated that tax income signified 80% of the whole income in 2011, and in 2012 increased to 84%.Ministry of Finance (2014) stated that with the increase expenses of the government and growing of government borrowings, the Ministry need to progress the competence or productivity of accumulating tax income in the nation is essential to finance these

4

expenses of the government and limit the public debt. Abdallah (2014) posit that direct taxes and indirect taxes are the sources of tax revenue in Ghana.

Agyeman (2005) states that the capital gain tax, income tax, gift tax, corporate tax are direct taxes which are levied on wealth and incomes of tax payer.Abdallah (2014) posit that the for example, communication service tax, import and export duty and value added tax are indirect taxes which are forced on consumption expenditure. Young (2011) said that SMEs show an essential portion in the growth of a nation's economy, in relations of occupation and income generation. Registrar General (2013); GRA (2012) stated that, SMEs in Ghana institute the major commercial segment in the nation, and itsmobilizationof tax income from businesses formjust 25.6%. The largest number of businesses in the nation is SMEs, since their submission of tax rules and guidelines would add up to the rise in government income. The SMEs is the prime number of business units in the Central Business District Accra. Professional accountants for proper book keeping are not typically hired by the SMEs and are frequently in the form of one-man businesses. The tax compliance of SMEs is solely depending on information of the tax laws by directors of SMEs. It is consequently applicable to recognize features funding to tax compliance conduct of SMEs in the Central Business District Accra of an opinion to notifying strategyguidance to increase tax compliance.

1.2   STATEMENT OF THE PROBLEM

The key obstacles of fulfilling government plans and actions are the generation of the essential tax income for the nation. In other to attain this needs compliance with the tax regulation and guidelines. Asante &Seidu (2011) stated about the subject of tax amenability is as longstanding

as tax itself. Revenue generated from tax is the main pillar of the government to finance public expenditure. These taxes are been paid by residents as a requirement without expecting any direct benefit in turn. Amina & Sniy (2015) posit that even if tax is the base for the existence of the nation, majority of taxpayers become reluctant to pay their tax responsibilities due to the presence of undesirable voluntary compliance behavior. Non-compliant taxpayers take varies of activities to decrease their tax obligation. As tax is a resilient tax, it is used by the government in accumulating income for growth and other activities; the fact that it takes an important volume of period to influence an assumption on litigation is an area of concern. According to Fuest & Huber (2002) tax competition under different tax regimes leads to tax policies that are effectual from the viewpoint of the economy as a whole. Overlaps and gaps in taxation can happen to the extent that the tax system includes definition of taxable revenue and managerial practices, particularly in esteems to allowable deductions that are reciprocally consistent. Trividi, Shehata & Mestlmen (2004) claims that originating from the sociological and psychological theories and economic based theory; tax compliance has been influenced by monetary reasons all the same as profit expansion as well as likelihood of discovery and penalties. This outcome, Chattopadhyay & Das-Gupta (2002) indicated that voluntary submission behavior with tax rules includes factual reporting of the taxable revenue; accurate calculation of the tax obligations; appropriate filling of returns of tax and appropriate payment of the amount outstanding as tax requirement.

Ghana, like any other advancing nation, encounters struggle in rising tax income towards the stage essential as long as the elevation of economic growth. Mostly, in Ghana the SMEs are largely located in the informal sector and proper accounting records are not maintained. Ghana Revenue Authority (2012) stated that subsequently, there are no histories or slight records that SMEs have difficulties in filing their tax returns. Though, SMEs form mainstream of industries

6

in Ghana, they addupmerely 25.6% of overall tax income from businesses 2.4% for small and 23.2% for medium enterprises. Terkper (2003) indicates that in spite of the little income segment of the informal division, the government is still focused to enlarge the bases of tax to the informal division since disregarding the sector's activities will lessen submission confidence and rise the danger of generalized non-compliance. In the informal area there are many operators who either deliberately dodge tax imbursement or are not apprehended by GRA. Young (2011) posit that a research has been indicated that non-tax compliance conducts of SMEs in New Zealand specify suchethnicalesteems of owners funded to it. This might happen because of absence of or inadequate information on tax matters. In addition, Palil (2010) did a study on determining factors of tax amenability conduct in relative to Self-Assessment System (SAS) in Malaysia. The verdicts of the research indicate that tax knowhow is a vital component of SAS in Malaysia is supposed to have confident effect on compliance behavior. Young research concentrated solitary on how society on ethnicalesteemsadds to tax non-compliance. A purposive sampling technique, interviews as instruments was used by the researcher. According to the Ministry of Finance (2014), the growing level of expenditure is been experienced by the country. World Bank (2012) stated that in opinion of this issue, Ghana in the past centuries remained dependent mainly on borrowings as well as grants to finance government events specifically capital projects leading to vast public debt. World Bank (2013) stated that 55.8% of GDP was the nation's total debt in 2013.

Again, Bank of Ghana released a new data, which was published by the Monetary Policy Committee, which in its conference indicated that in July 2017, the debt to GDP however fell from 67.4% to 65.9% in 2018. It now finds itselfbecauseof the incapability of the nations

towards widen the tax net in other to make extra tax income, particularly from SMEs, which are mostly within the informal area.

Ministry of Finance (2013 & 2014) stated that the income collectors in the nation from time to time indicates to be greater than their income goals, until now tax incomes in the nation are insufficient to cater for government events. SMEs, being yield making institutions, remain reluctant towards settling their levies. However, the significant enquiry of the day is, how much tax must they impose? Looking at the category of SMEs, each slight fund at their disposal can make a world of change. There have been numerous studies on tax compliance across the nation especially Accra. Stephen et al. (2015) randomly selected about 80 SMEs and the study restricted the tax compliance features to merely demographic variables. According to Yakubu (2015) om a study on "Helping Income Tax Compliance amongst the Self-employed in Tamale" revealed that self-employed taxpayers with no or less education are highly income tax non-compliant. The tax knowledge level of people is not the only factor of compliance conduct. In the light of the gaps that exist in the literature, a wider investigation of tax compliance of SMEs in Central Business District Accra is required.

1.3   OBJECTIVES OF THE STUDY

1. Explore the influence of tax awareness on voluntary tax compliance decision of tax payers.
2. Ascertain the level of tax compliance of SMEs in Central Business District Accra.
3. To ascertain the profit element amongst SMEs whether it qualifies them to pay tax.

1.4   RESEARCH QUESTIONS

1. What is the influence of tax awareness on voluntary tax compliance decision of tax payers?

2. How to ascertain the level of tax compliance of SMEs in Central Business District Accra?

3. What is the profit element amongst SMEs?

1.5   SIGNIFICANT OF THE STUDY

This study conducted will aid in several ways. First and foremost, it adds to the literature within the arena of tax research, particularly the study of tax compliance in a developing country and contributes towards a frame of knowledge. The study outcomes might be a beneficial basis of material for reference purposes by pupils, scholars, businesspersons, students and other concerned parties who are eager to make comprehensive conclusion once getting noticed.

And also, additional policies could remain by the government as long as any tax authorities on how to progress or increase voluntary tax compliance amongst SMEs in Ghana and Accra in particular.

Again, it offers the tax authorities the chance to find some key features contributing to tax compliance.

Lastly, the SMEs find this study beneficial, this will assist them comprehends the moral requirements behind tax payment and may support from government to enlarge their industries.

1.6   ORGANISATION OF THE STUDY

This Project is arranged in to five chapters as follows: Chapter one includes the background of the study, statementof the problem, research objectives, and significance of the study. Chapter

two covers the literature review specifically conceptual review, theoretical review matters, and empirical evidence on tax compliance. Chapter three comprises of the research methods, research design, study design, the population, sample and sampling design, instruments, data sources, and measurement of variables. Chapter four lays emphasis on results and discussions, and finally, Chapter five contain summary, conclusions and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

This Chapter of the literature critically evaluates on tax compliance and tax knowledge. It is separated into four segments. The first segment deliberates on the conceptual review in terms of the tax systems in Ghana, the classification of taxes in Ghana, the attributes of a good tax system, definitions of SMEs, characteristics of SMEs in Ghana and so on while the second segment deliberates on the theoretical review in terms of the theories of tax compliance. The third segment widely examines on the empirical evidence based on past studies of other researchers while the final segment deliberates on the conceptual framework on tax compliance and tax knowledge relationship.

2.2 CONCEPTUAL REVIEW

2.2.1 The Tax System in Ghana

This sector deliberates how tax structure and the aforementioned government in Ghana, mostly concentrating arranging how it pertain to SMEs and a brief background history of the Ghanaian Tax Administration System and the categories of taxes that relate to its economic system. Asante &Marfo-Yiadom (2010) stated that the method of taxation was as a form of Customs duty and were taxed at the proportion of 0.5% advalorem on imported goods, and directed via the primary collector stationed at Cape Coast Castle. Abdallah (2014) stated that in "1852, in the Gold Coast era the Poll Tax System was introduced and direct taxation in the form of Poll Tax (a static levy of an amount was required each from national of a nation) was announced in the Gold Coast by Governor Major S.J. Hill after consultation with the Chiefs in April, 1852".

The motives for the imposition of the Poll Tax were the provision of roads, health facilities, education; and other amenities for the community. The chiefs were to be paid wages of grants if they assisted in accumulating the levies. The proportion was 1 shilling each via all men, women not forgetting adolescent dwelling protected zones of the British. The real collection begunsince August1852 to July1853, estimated to £460,656. This test of the overview of the direct taxation failed and by 1862 collection had stopped because of the fact that promises made to the chiefs were not rewarded and the initial earnings were primarily used to enriched British officials instead of the intended purposes.

In September, 1931 the greatest effort to announce revenue tax in to the Gold Coast was through Governor Sir Ransford Slator. This became essential since the government had an economical shortfall of £400,000 and it was the poorest fiscal misery at the period the world war ended. Towards redeeming the debit, an overview of the proportion of the tax of six pence in the pound proceeding entirely revenues over £40 were projected. There was plain disapproval to the Governor's suggestions. Sir Ransford Slator evaluating the condition decided to withhold his income tax suggestions. Instead of income tax, tax on cocoa export was levied. Abdallah (2014) posits that "in Ghana, the Income Tax was initially announced in 1943. It was therefore the Gold Coast, during the 2nd World War by the British Colonial Government".
Abdallah (2014) posits that this Ordinance was established towards a huge range on the over-all values stating the Income Tax Act before in force in the United Kingdom.

Asante &Marfo-Yiadom (2010) stated that it forced the tax usually on revenues taking their sources bases in Ghana in other for the overseas source of revenue was not accountable to tax except it remained remitted in Ghana. Another distinctive factor of this Ordinance stood as the frequent individual reliefs', assumptions that it confined. The Customs, Excise and Preventive

Service (CEPS) and Internal Revenue Service (IRS) In 1986 was brush of the civil service and made semi-autonomous, self-accounting public division organizations with distinct panels. In that same time, National Revenue Secretariat (NRS) were formed towards construction of income plans, manage tax improvements, control and harmonize the actions of the CEPS and IRS. The NRS had Governmental rank. That supervisory role shifted towards the Minister of Finance & Economic Planning (MOFEP) when NRS lost its status and became a department of MOFEP. In 1998, a third revenue agency, the Value Added Tax Service (VATS) was instituted to control intake taxes through the means of broadening the scope of tax. The Revenue Agencies Governing Board (RAGB) (1998; Act 558) was approved to create a solitary panel for IRS, CEPS and VATS. It started operating in 2001. The Preservation of Part of Revenue Act (2002; Act 628) was approved towards reinforcing the semi-autonomous standing of the Income intermediaries.

The Large Tax Payers Unit (LTU) in 2004, was created to function on efficient outlines by way of an experimental programme for forthcoming combined tax administration. The RAGB Strategic Plan (2010 – 2012) suggested that efficient integration of the Revenue Intermediaries as the system advancing for actual and effective income administration. The GRA is a semi-independent public establishment recognized by Ghana Revenue Act (2009; Act 791) rule as a corporate body, to substitute IRS, VATS and CEPS for tax the administration of custom duties in Ghana. This means there has been a modification in distinctiveness for the Revenue Agencies IRS, CEPS, VATS. The 2009 Budget Statement, providing for the organisation of the GRA to assimilate the three Revenue Agencies. GRA Act (December 2009; Act 791) was approved to institute the GRA.

2.2.2   Classification of Taxes in Ghana

Abdallah (2014) posits that taxation is the imposing obligatory contributions by authorities of public taking tax expert to finance the cost of their actions with no exact recompense to the payer of tax. Asante &Marfo-Yiadom (2010) goes on to say, taxation stands to be any amount of resources that government of the nation compulsorily accumulates from the people without execution of any services or offering any goods through return for the sum generated. Also, Agyeman (2005) distinct taxation to be a mandate from the local administration or central government for an obligatory settlement of money by residents of a nation other than a payment for some precise services or as a consequence for some precise crime. Likewise, Mukasa (2011) describes taxation by way of procedures over which government imposes the tax rules and regulations in directive towards benefit from its application. Akakpo (2009) furthermore stated that, assessment is a tool of floating income for tax administration and also an instrument for administering societal justice. In Ghana taxes are broadly separated in to two categories': Direct and Indirect taxes. Abdallah (2014) posits that Direct Tax is a tax planned to be settled by the people or person or an entity on which or whom is truly taxed, the influence and occurrence being on the same person or the entity. These taxes are therefore settled or pay straight to the government as a result of revenue received or affluence possessed. It is taxed on the person receiving the income. The tax is not transferable for instance; it cannot be passed to another person. It is taxed on the individual getting the revenue. The direct taxes, in Ghana are more specify namely: tax imposing on the revenue of employees which is a form of Pay as You Earn (PAYE). It is frequently open-minded type of tax wherever more revenue payees pay huge tax than lesser revenue earners.

Furthermore, alternative method of direct tax is called corporate tax whereas the tax is levied on the proceeds of companies. Through this means, the tax proportion charged varies from one business to another, the location of the business or Organization matters. Moreover, capital gains tax is imposed on the growth in the worth of a chargeable asset amongst the period of acquisition in addition its disposal. Moreover, taxes on a gain made on disposal of chargeable assets should be an exempt amount of GH¢ 50. Gift tax is additional method of direct tax, which remains taxed on transfers of own prosperity from one individual to another. However, it is noted that some transfers are exempted; like those between spouse, transfer amongst close family relatives. This tax proportion is implemented on taxable gifts in surplus of GH¢50. Lastly, rent tax is levied on the proceeds earned by property owners (Landlords and Landladies) from the earnings gathered from lands and possessions such as farmlands as well as buildings.

Indirect tax is taxed on individual soul in the anticipation that the tax will be push on to another. Asante &Marfo-Yiadom (2010) argued that Indirect taxes remain levied on expenses acquired on goods and services, and settled only when such goods and services is purchased. Individuals and organizations pay Indirect taxes by upon utilizing of goods and services, which are liable to tax. Indirect taxes are been controlled by the CEPS and VAT division of GRA. Tax burden can pass on to another person and the final consumer pays the tax but does not see it. The central forms of indirect taxes are; Excise Duty, Custom Duty and VAT. These are termed as indirect taxes for the reason that the establishments, the Customs Division & the Domestic Tax Revenue Division, which charge the taxes on goods and services, never gather taxes from the final user but do so expansively through traders (importers), producers or other mediators. Asante &Marfo-Yiadom (2010) posits that, VAT is a consumption duty levied on the expenses acquired in purchasing

goods and services. The VAT is tax at each stage in the manufacturing and delivery chain. The Registered businesses usually collect taxes for the VAT Service and pay the VAT element to the VAT Service. The final consumer pays the tax because the registered business is allowed to subtract any input VAT paid on taxable acquisition from the Output VAT and pay the variance to VAT Service. It is renowned that approximately goods and services are relieved with some zero-rated. To sight an instance, farming foodstuffs and inputs are relieved whiles goods manufactured for exporting is zero rated. It may lead to increased cost of production – VAT charged is 12.5% and National Health Insurance Levy (NHIL) 2.5% and Get Fund Levy 2.5%, totaling 17.5% but can only claim 12.5% VAT as input tax, as the 5% is a direct levy. Moreover, Abdallah (2014) argued that import duty is a duty imposed on all importations of goods and services transported into the nation unless it is relieved by any law. The worth or size of the items imported depends on the amount of tax to be paid. Lastly, Export duty is a duty levied on goods and services departing from one nation for another nation. Approximately, some kind of goods exported is relieved from this category of indirect tax.

Other Classifications of Tax are as follows; Progressive Tax; Regressive Tax and Proportional Taxes. Progressive Tax is based on the circumstance that; the higher one receives, the higher one pays into the tax fund and the lower one receives, the lower one pays into the tax fund. In this system it guarantees fairness because the wealthy pays more than the poor. This implies that the rich should pay extra to the taxation fund than the poor. Progressive tax is one which is taxed relating to the individual's capability to pay. Income tax is assumed to be a progressive tax, since an individual with a high income does not only pay more tax, but pays at a higher rate. Regressive Tax has no equity in the form of taxation. For instance, the VAT paid is the same for

all categories of consumers. It is the reverse of progressive tax. It is one which bears more heavily on those smallest able to pay it. Example, irrespective of their income levels, excise duty on categories of smokers for all tobacco and cigarettes is the same. It is paid by poor people who are below the threshold for income tax. Proportional Taxes is one, which is neither progressive nor regressive. It is fixed at the same rate irrespective of income. Income tax and VAT satisfy this test for most people. The rate is the same as a proportion of revenue. The rate of tax is the same for all income groups for example, high and low. Though the proportion of tax is equal, the amount of duty paid by high revenue payees is more than individuals paid by small income payees Corporate Tax is for instance.

2.2.3   Attributes of a Good Tax System

Smith (1776) in his book named "The Wealth of Nations" which proposes that a tax structure is built on positive basic attributes specifically: equity, certainty, convenience & economy. Palil (2010) stated that Equity must be relational to one's revenue for instance, the higher the income the larger the tax and the lower the income the lesser the tax. Likewise, Mukasa (2011) clarifies equity as an attribute of tax system to mean that there must be fairness in the sacrifice. Moreover, Asante &Marfo-Yiadom (2010) argued that attribute of equity suggests that a decent tax structure ought to be ensured that people pay according to their ability.

Nevertheless, Abdallah (2014) defined the equity attribute that an upright tax must be just to the persons who remain obliged to pay it. This attribute solely defines the rich will have to pay respectively further of their revenue as tax compared with the deprived.

In the following considerations the attribute of equity can be achieved: Horizontal Equity and Vertical Equity. According to Palil (2005) the horizontal equity explains that payers of tax with

17

the similar revenue or wealth ought to pay the equal volume or amount of tax. In addition, Abdallah (2014) defines it as a tax structure designed for people with equal revenue level pay the similar quantum of levy. The horizontal equity attribute means that when two persons income or wealth are the same with the same reliefs applicable, then an equal amount of tax should be paid by them.

Vertical Equity explains that Individuals with higher levels of revenue ought to pay more taxes. According to Palil (2010) claims that vertical equity attribute nevertheless explains that, taxpayers with large revenue must pay greater tax. Likewise, Agyeman (2005) clarifies it is a tax structure considered in somuch that people with greater revenue stages pay extra tax than people with lesser proceeds. The vertical equity is concerned within a reasonable proportion system related on diverse sum of revenues to regulate a person's tax problem.

Palil (2010) stated that certainty means a taxpayer well informed about tax obligation, and as in at what time and location to pay the tax liability. Moreover, Abdallah (2014) describes certainty as decent taxes attribute looking for to certify that person must remain to regulate their factual tax responsibility through a reasonable degree of accurateness. The attribute pursues towards certify that taxpayers must be clear in their thoughts as to how much tax is due them and how payable it should be at any point in time and the location the payment could be made. According to Palil (2010) attribute of convenience narrates by what method individuals pay their taxes or involve with the tax structure. Lymer& Oats (2009) specify that individuals further suitably pay tax by its being subtracted at basis slightly than paying a huge sum of its yearly. Again, Abdallah (2014) enlightens attribute of convenience to mean that the tax structure should be akin that the taxpayer need not excessively hurt in order to fulfill within the tax rules as well as principles. In addition, briefly, this attribute is of the opinion that maximum of taxpayers should comprehend

the tax rules and principles, and regularly conform. The attribute of economy suggests that the cost of collection must form a slight fraction of the amount collected. The Administrative cost of collection and imposing the tax must be minimal.

2.2.4   Definitions of Small and Medium Scale Enterprises (SMEs)

According to Orobia et.al, (2013) the definition of SMEs differ from one nation to another and also from one business to another; there is no generally accepted definition. Nkuah, Tanyeh, &Gaeten (2013) state that SMEs are corporate establishments which stand primarily privately owned and functioned with a smaller number of workers in addition to comparatively small volume of turnover. SMEs are usually privately-owned industries, enterprise or sole proprietorship. Atawodi&Ojeka, (2012) also stated that, the lawful definition of SMEs subjected on each nation, ranging from lesser than 15 workforces under the Australian Fair Work Act, (2009) to less than 500 workforces in USA. Venture capital trust fund Act , (2004; Act 680) defines an SMEs as a business , plan responsibility or fiscal activity whose total worth base (without land and building) which does not surpass the Cedi equivalent of $1 million US dollars in worth. Whiles the United States Agency for International Development (USAID) describes SME as any venture with fixed assets not above US $250,000 without land and building . Ondabu , Wangui & Njeru (2014) indicated that SMEs are observed by means of the fiscal and societal growth in the African context. They indicate that a vast number of businesses in a nation are SMEs and generate abundant wealth, provide jobs and are approximately measured to be lively to a nation's keenness in terms of revenue accumulating. SMEs' varied meanings is based on various basics of dimension . Mukasa (2011) argued that SMEs could be based on the capital employed , worth of assets ,

sales revenue or number of workforces . Dalits &Quartey (2000) state that the extreme frequently used explanation of SMEs in Ghana is the numeral of workforces of the business . In applying this meaning however, there are some argument in reverence of the randomness and cut off points used by several certified records.

Nkuah et al., (2013) which was cited by the European Commission (2003) stated that Small Enterprises are considered having workforces not above 50, revenue not above €10 million and balance sheet also not above €10 million. Medium sized enterprises are considered as having personnel or workforce not above 250, revenue not above €50 million and balance sheet not above €43 million. Pelham (2000) drives on to say SMEs show a dynamic portion in reassuring mass economic development and sensible sustainable growth . Agyei-Mensah (2011) however said that, the greatest common procedures used include number of workers, yearly revenue , business, proprietorship and worth of non -current assets.

Furthermore, Mukasa (2011) which was cited by United Nations Conference on Trade & Development (2000) explains SMEs as an industry connecting one to five individuals with simple sufficient activities to be accomplished straight on a one to one basis The European Commission explanation is broken down into micro enterprises signifying organizations with one to nine workforces, small enterprises being organizations between ten to ninety-nine workforces and medium enterprises being companies with entire workforces ranging from one hundred to four hundred and ninety-nine. The most usually used meanings of SMEs in Ghana, are the number of workforces of the business . Ghana Statistical Service (2012) explains small industries as business that employs fewer than 10 people while those that employ more than 10 people are categorized as medium and large-scale enterprises.

Likewise, the National Board for Small Scale Industries (NBSSI) in Ghana used the number of employees and worth of non-current assets standards to define SMEs. Ghana Revenue Authority (2012) explains SMEs as industries with a revenues as follows; Small business GHS10,000 to GHS90,000; Medium business GHS90,000 to GHS5,000,000 and Large business GHS5,000,000 and above. This research takes the explanation of GRA. This is to certify that several enterprises, exclusively the micro businesses, are included for the study.

2.2.5   Characteristics of Small and Medium Scale Enterprises

Atawodi&Ojeka (2012) said that the SMEs are characterised by innovation, evolution, and uncertainty. Nkuah et al. (2013); Olorunshola (2003), submitted that the notion of SMEs is comparative and energetic and as indicated by SMEs in Ghana are typically small proprietor or family managed businesses contributing basic goods and services. Atawodi&Ojeka (2013) goes on to state that majority SMEs lack administrative and managing structures. Atawodi&Ojeka (2013) posits that SMEs in the town capitals are more organised and planned than the rural ones. Nkuah et al. (2013) claimed that SMEs are generally sole proprietorship or joint venture though on the interface, they might have been registered as Limited Liability Companies as such they are usually no distinct lawful firms. Olorunshola (2003) clarifies that this proprietorship stylishness has led small and medium scale business to have a modest administration edifice.. Meanwhile there is no lawful charisma amongst the small and medium scale enterprise and its proprietors; the lifecycle of the SMEs is reliant on the lifecycle of its proprietors as there are no continuous steadiness.

Moreover, Hanefah, Ariff, &Kasipillai (2002) were of the view that the manufacture procedures of SMEs are typically employment intensive and their processes being extremely reliant on raw resources obtained locally. Akinsulire (2010) argued that they too need a lesser startup capital than the larger businesses do. The choices of the bosses have an upper propensity to be particular assumed that they are accomplished and measured by the same people. The worker-manager affiliation institute in most SMEs is mostly informal. Additional significant factors of the SMEs segment in any nation is that, it is varied changing in scope from small merchandising outlets to extremely paid professionals, and substantial industrial business. In organizational SMEs are also probable to differ from sole proprietorships (with or without workforces), small establishments (public or private), professionals and partnerships. This factor typically fallouts in diverse requirements for record keeping for the business. According to Hendy (2003) the contributions made by SMEs to the economy includes being capable to remain lucrative even in 'stormy' situations since they remain comfortable of functioning in extremely fragmented and varied markets. In addition, they frequently assist a superior part in generating social capital (that is, in local communities they are often 'entrenched') additional benefit is that since they are fast, flexible, and near to their clienteles, they can be a competitive spur to great companies. Productivity development; they accomplish significant sub-contract purposes; they can achieve a vital import replacement character, whereas others remain exporters.

2.2.6   The Conception and Meanings of Tax Compliance

Tax complilance is a key concern for governments and for that matter tax authorities everywhere in the world. James & Alley (2004) submit that a the mission to convince taxpayers to conform with tax obligatory is a tough one and even tax regulations are not

continuously accurate. Alley & James (2006) stated that non-compliance does not only affect the sum of tax collected, but also the application of government policies. Palil, (2010) posits that tax compliance matters can be looked from diverse areas such as accounting, economics, law, psychology and public finance. Notionally, Brown & Mazur (2003) claim that it can be explained by taking into factors three different classes of compliance such as filing compliance, payment compliance, and reporting compliance. Silvani(1992) posits that the goal of tax authority is to stand-in voluntary tax compliance and henceforth lessen tax gap (modification amongst levies paid and owed for all taxes and all taxpayers) and "compliance gap". The precise definition of tax compliance has been explained in many forms. Instances are Alm (1991) describes tax compliance as reporting all earnings and paying entirely taxes in agreement with appropriate laws, guidelines and court verdicts. In addition, Andreoni, Erard& Feinstein (1998) posit that tax compliance ought to be distinct as taxpayers' need to conform to tax rules in order to attain the economy equilibrium of a nation. Kirchler (2007) also stated that perceives tax compliance is taxpayers' readiness to pay their taxes. McBarnet (2001) proposed that compliance of tax ought to be apparent in three categories as follows;

a) Devoted compliance - taxpayers' readiness to settle or pay taxes without grievance;

b) Capitulative compliance - unwillingly giving in and paying taxes and

c) Creative compliance - interact to decrease taxes by taking advantage of potentials to redefine revenue and subtract expenses inside the stay of tax commandments.

Spicer & Lundstedt (1976) goes on to say that apparent degrees of tax compliance as 'a unique system of betting (which might involve probability of discovery and consequences) which needs the tax authority to comprehend the features fundamental taxpayers' choice to

23

conform through tax regulations.Braithwaite (2009); In addition, Marti (2010) stated that tax compliance is a process of attaining completely the tax demands by way of indicating the law easily and solely. Singh (2003) stated tax compliance is a performance of filling the return on Revenue Tax procedure, confirming the complete taxable income fairly, in addition forfeiting completely tax necessities inside the specified period than waiting for the expert for plan of actions.

2.2.7 Tax Evasion and Avoidance

This segment also deliberates on taxavoidance and tax evasion as instance of tax non-compliance events which have an adverse effect on tax assembly then tax catalogues. James & Alley (2004) posit that non-compliance of tax remains more than tax evasion and thus comprises some procedures of tax avoidance. According to James & Alley (2004) made it clear that, tax evasion is defined as the effort to lessen tax obligation by unlawful means while tax avoidance is described as decreasing tax liability by lawful means. In the same vein, Lewis (1982) perceives tax evasion as illegal tax dodging while tax avoidance is perceived as any lawful technique of decreasing one's tax bill. Hanlon &Heitzman (2010) said that like any management jargon, tax avoidance might mean "diverse article to diverse persons" and hence the lack of a worldwide definition for the term. Desai & Dharmapala (2009) indicated that in fact, many scholars are of the opinion that tax avoidance practices are usually erroneously defined. Abdallah (2014) said that tax evasion is a lawbreaking disciplinary under the rules of Ghana whilst tax avoidance is about varying one's behaviour so as to decrease one's tax obligation which is allowed by law. Again, Kasipillai, Aripin&Amran (2003) said that perceive tax evasion as activities which result in lowering taxes that are truly owed while tax avoidance signifies the tax payer's imagination to

position his or her tax dealings in a appropriate way founded on laws and regulations so as to decrease his or her tax bill, and which is adequate in sight of the tax administration. However, Cowell, (1990); McBarnet (2001) express that tax evasion and tax avoidance have very strong comparisons, occasionally, barely to be unique. In disparity with tax compliance, Kasipillai& Jabbar (2003) defined tax non-compliance as taxpayers' fails to remit an appropriate sum of tax, possibly because of the difficulty or even inconsistencies in the tax legislature or tax management technique. Kirchler (2007) claim that non-compliance is equally supposed to be the failure of a taxpayer to report the accurate revenue, go for claims reliefs and refunds and pay the precise amount of tax liability to the authority of tax on time.

Mukasa (2011) claim that tax non-compliance occurs when taxpayers deliberately or accidentally fail to conform to their tax requirements.

In a nutshell, based on Kasipillai& Jabbar (2003), Kirchler (2007) and Mukasa (2011) meanings, tax non-compliance may be distinct for the objective of this study as letdown to conform to tax regulations, filling in accurate yields stating improper revenue, requesting for proper relief and refunds as well as filing the right amount of levy obligation at a incorrect period.

2.2.8 Tax Awareness

Jotopurnomo & Yenni (2013) claims that awareness remains the formal of knowing or thoughtful, while taxation is a substance of levies so that taxation is a formal of awareness to identify or apprehend about levies. Suyatmin (2004); Jatmiko (2006) argued that the affirmative valuation of taxpayers' community toward applying state functions signified by the government will mobilise the people to fulfill with responsibilities to pay taxes.

According to Muliari&Setiawan (2011) instituted this as a situation where a one knows, is called awareness of taxation, identifies, compliments and conforms to the appropriate tax provisions extremely and needs to justify his or her tax requirements. Whereas Nugroho (2012) outlines awareness of paying taxes as a procedure of ethical boldness which gives an influence to the government to support the growth of the nation then endeavor to fulfill with all laws set by the nation and can be forced on the taxpayer. Rantung&Priyo (2009) study three key kinds of awareness in relations of taxes payment. Firstly, tax is a procedure of contribution in helping the nation's growth. Taxpayers are willing to resolve their taxes since they are not destitute of the tax gathered. Secondly, the late taxes payment and the decrease of the tax encumbrance remain strongly hurtful to the country. Taxpayers are eager to settle their taxes as they have the fair idea that the delay in payment of taxes and the decrease of the tax burden over time decline the financial means that can lead to interruptions in the progress of the country. Thirdly, rules on tax can be mandatory. The tax compliance will pay the tax because the tax payment has a durable lawful basis and it is a whole duty of every native. Taxpayers' consciousness with respect to the insight of the taxpayers controls the conduct (the observed behavior faith) in agreement with paying taxes. Nalendro (2014) said that 'the more education on the level of consciousness of the taxpayers, the taxpayers will be capable to control their conduct better and in agreement through the necessities of assessment so taxpayers have a high compliance rate'. Muliari&Setiawan (2011) claim that the taxpayers' level of awareness will be higher to apprehend and implement tax responsibilities; the taxpayer compliance will be better.

2.2.9   Taxation of SMEs

Holban (2007) stated that economic strategy is one of the key mechanisms of macroeconomic plan and its responsibilities need to be measured or taken to consideration in a dual framework: firstly, the core of economic policy, and secondly, the steadiness with the financial strategy. In overall relations, the tax selective strategy to engage rely on the use of one or more groups of tools; the first one being the use of exceptional tax preferences and the other motivations to funding start-up and development of small industries. The enticements comprise the dropping of special tax, corporate tax rates exemptions and relieves for small companies.

Effectively, the vital determination of taxation is to raise income thoroughly through procedures that outfit each nation's situations and administrative capability. Bolnick (2004) indicates that to be able to fulfill the income purpose, a well-made tax structure ought to be well-organized in reducing the distortionary influence on reserve apportionment, and impartial in its effect on diverse classifications in society. It is vital that the nation's condition is appropriately examined before engaging any tax strategy in order to have a proper functioning tax structure. Several of the problems with the authorities of tax are the significance of poorly regarded tax rules and a lack of inevitability regarding forthcoming procedure modifications. The main focus of a tax strategy ought to be attained, gathering cost reserves while reducing the income harm, disturbance to the economy, and the inequality and unpredictability of the tax load. An economy like Ghana, the tax administration needs to be adaptable sufficient to inspire investments, encourage investment and recompense community obligation and study subsidy.

Punch (2010) state that in other to broaden the tax coast, procedure creators need not to overlook the resolution to deliver structure; form works and decrease redundancy rate in the of unemployment; enlarge the coast of the industrious areas of the system; encourage distributes out

27

the country, then considerably increase public incomes from non-oil sources. Henceforth, tax strategies ought to target at conveying entirely taxable grownups in to the tax scope with a progressed proportion that must warrant that the well-off pay their personal portion whereas the small revenue earners are given investment enhancing inducements. An operational and well-organized tax organization structure is essential to any nation's well-being, it is as a consequence of this that Baurer (2005) trusts that the tax organization need to deliver a 'smooth playing field' for corporate by certifying that all taxpayers encounter their tax returns and paying necessities. The enforcement role of the tax administration duty is to balance its educational and support role. The basis behind the entire policy of tax is reliable with two of the three main philosophies of tax that is; the Ability-to-Pay attribute and the Equal Distribution attribute. These two-attribute stress equality and fairness.

Whereas the Ability-to-Pay indicates that, people should be charged levies based on their Ability-to-Pay, the Equal Distribution attribute proposes that revenue, wealth, and contract ought to be taxed at a static fraction; that is to say, individuals who earn high and purchase a lot must pay further taxes, but will no longer pay a higher proportion of levies.

2.2.10 Awareness of Offences and Penalties

Palil (2010) goes on to say one of the features disturbing tax compliance is taxpayers' awareness of offences and penalties because it inspires payers of tax to fulfill per the tax instructions and guidelines in a way to dodge consequences as well as sanctions. Allingham &Sandmo (1972) in their hypothetical fiscal model, specify that consequences as well as possibility of being audited will have an influence on compliance of tax. This means, payers of tax would not take in tax evasion if the rate of possibility of being audited and charged with a penalty were high.

Gordon (1990); Wang & Conant (1988) &Marreh (1984) claim that empirical evidence from previous studies initiate that penalty charges have an adverse connotation with evasion. Nevertheless, Virmani (1989) argued that a penalty rate has a progressive connotation with evasion, that is to say, higher penalty rates inspire people to cheat. In conclusion, it is observed from earlier studies that penalty rate has an influence on compliance of tax. Therefore, the conception of the awareness of the offences of tax evasion and the penalties thereof might lessen taxpayers" tendency to engage in tax evasion. In view of this, tax education for taxpayers including SMEs may keep them well informed of the offences and the resulting penalties to encourage voluntary compliance.

2.2.11 Tax Procedure and Level of Voluntary Compliance amongst SMEs

Below the systematic structure of taxation small taxpayers stand distinguished in contradiction of, meanwhile the compliance requests; the tax rate and cost of compliance remain similar for both small and large businesses. Decreasing the tax rate compliance costs fluctuate the small enterprises income margin. Vasak (2008) similarly said that it raises the Government's tax income; meanwhile the basic necessities for SMEs decrease the quantum of the informal economy and the size of non-conforming registered taxpayers.

Moreover, SMEs frequently need to function in an imperious governing atmosphere with the excess of monitoring agencies, numerous taxes, burdensome introduction process and high port charges that continuously apply thoughtful load on their activities.

Masato (2009) said that an excessively multifarious monitoring structure and tax administration otherwise one impervious in its regime and implementation marks compliance of tax improperly troublesome and repeatedly have a distortionary consequence on the growth of SMEs as they are

attracted to transform into systems that bid a lesser tax load or no tax load entirely, and this end up in a tax structure that enforces high expenditures on the people. Farzbod (2000) posit a poorly performed tax scheme also leads to small effectiveness, high collection duties, time wasting for taxpayers, employees, the little amounts of expected taxes and the nonconformity of optimal apportionment of possessions. Prevailing empirical sign evidently specifies that small and medium scale industries remain affected excessively via these costs: once scaled by sales or assets, the submission costs of SMEs are higher than for large industries.

2.2.12 Tax Procedure that will Motivate Voluntary Compliance by SMEs

International Tax Dialogue (2007) stated that SMEs institute available income prospective and an irregular playing field in many nations and need to recapture by the tax scope. Nevertheless, however laws are essential controller for safety of the industry location and safety of the fiscal mediators, for instituting of the essential social safety guidelines, they might likewise obstruct compliance and the development of industry from side to side to advance incidentals then administrative hitches. Shahroodi, (2010) indicated that, for a tax scheme to be effectual, the tax rule prerequisites to be considered such that the tax proportions remain suitable and balanced, the exclusions remain lesser in amount, the tax group institute are much well-organized, the tax load of the needy people ought to be lighter and the battle in contradiction of exploitation and tax evasion must remain further powerful.

The procedures of Tax should remain restructured in system so that they ensure no straightly disturb SMEs however and also incidentally drive aiming at voluntary compliance and their development. Yaobin (2007), highlighted specified that exclusive tax administrations for SMEs might remain suitable rule tools for reducing collection cost. International Tax Dialogue (2007)

said that since awareness of the threats of insufficient assessment of SMEs takes full-grown for the reason that the likely of irregular tax implementation to cause biases of competition, voluntary compliance by greater ventures and by remuneration recipients, government interference should assistance uphold balance though ensuring that nations feat the social assistances from better competition and entrepreneurship. Kasipillai (2005) posit that tax systems of Pro-business and Pro-SME implementation should be easy, constant and anticipated ought to be lesser compliance and managerial costs, and henceforth decrease ambiguity confronted via taxpayers as well as expand the stages of voluntary compliance.

2.2.13 Tax Authority Efforts towards Improving Tax Compliance

The agencies of tax are putting the measures, programs with policies in order to entreat tax compliance of SMEs. There are slight prior studies on this, and as such empirical evidence remains limited.

2.2.13.1   Introduction of Self-Assessment System

Sarker (2003) express that the structure permit the taxpayer to evaluate his or her tax obligation using a tax reporting formula in which he or she states his or her gross income, allowable deduction and so on as well as the tax liability due. Similarly, Abdallah (2008) defines it as the structure where an individual who pays tax via installment is permitted by the commission to evaluate his or her chargeable income then tax payable thereon for a year of evaluation. James, & Alley (2004) Self-Assessment System is supposed to be enhanced than straight assessment system via several tax administrators. In conclusion, Kirchler (2007) express that taxpayers might observe a lot of load of tax assessment has been on their head and several taxpayers decide

to be less submissive. Ghana Revenue Authority (2013) however goes on to say the introduction of the system of Self-Assessment will expand the voluntary compliance.

2.2.13.2   Implementation of the Tax Rules

To achieve its income goal, the tax administration needs totighten enforcements of the tax rules. This has to do with ensuring that all those who are mandated to pay tax actually discharge their tax duty. Nevertheless, individuals who involve in tax evasion are punished strictly in accord with the tax rules to serve as deterrence. Sarker (2003) said that instituting an active structure to punish tax evaders is a significant extent to inspire compliance.

Chau & Leung (2009) argued that taxpayers are probable to conform if non-compliance may result in severe consequences. Witte & Woodbury (1985) indicates that previous studies show there are substantial associations amongst the rigorousness of unlawful penalize and compliance of tax. Hasseldine et al. (2007) argues that rigorousness of penalize takes substantial effects on compliance of tax performance. Though, Virmani (1989) states that, higher consequence proportions had a progressive relationship with tax evasion, signifying that higher penalty proportions fraction indeed inspire individuals to cheat.

In a nut-shell, indication from earlier studies proposes that if taxpayers who involve in tax evasion are harshly punished, it is more probable to rise compliance with the tax rules.

2.2.13.3   Educating and Training of Taxpayers

Palil (2010) stated that given out a provision of sufficient education and training for taxpayers improves or increases tax compliance behavior. Jackson &Milliron (1986) said that, education improves the taxpayers' ability to either conform or not to conform to the tax rules.

32

Groenland&Veldhoren (1983) stated that, education has been eminent into two characteristics; the overall degree of economic knowhow and the degree of knowledge concerning evasion chances.

Mohani (2001) proposes another way of developing voluntary compliance is through safeguarding those tax compliers to must a confident level of condition capacity and self-assurance to work out their tax obligation. Likewise, Chan et al., (2000) disclose that advanced education is straight related towards an improved probability of tax compliance. Additionally, Song & Yarbrough (1978) proposes that institute via further economic knowhow had further favorable tax beliefs marks that remain behaviors to compliance of tax. To conclude, Richardson (2008) ended by saying there is an adverse relationship amongst education and tax compliance.

In a nut shell, Richardson (2008) said that despite the inconsistent results by establishing of educating and taxpayers been trained, then mainly to scholars who remain known as upcoming taxpayers drive to support developing tax compliance.

2.3 THEORETICAL REVIEW

2.3.1 Theories of Tax Compliance

Several thoughts exist about the utmost ways to enlarge tax compliance. According to Atawodi&Ojeka (2012) stated that, industries once assumed will not pay taxes unless there is an inspiration to do so. Some trust that the utmost approach is to rise incentives and others trust in increasing penalties for non-compliance. Compliance of tax concepts can be generally grouped in to two. These are as follows: Economy based theories; Sociological and Psychology based theories.

2.3.1.1 Economy Based Theory

Becker (1968) said that in the late 1960s the attribute of economy-based theory was first revealed. The study examined unlawful behaviour by means of a fiscal outline. Becker (1968) projected a slight row which implied the limits such as possibility of discovery, consequences as well as sanctions were in the scope control of society. Allingham &Sandmo (1972) argued this philosophy can also be recognized as economic deterrence theory and it places emphasis on motivations. Trivedi et al. (2004) indicates that the philosophy suggests that payers of tax are unethical usefulness maximizers since they are inclined by economic motivations like profit maximization. By way of examining other compliance routes example whether or not to dodge levy, the probability of being noticed and the subsequent consequences and then choose the diverse that maximizes their likely afterward tax returns after correcting for risk. In a nutshell, Kirchler (2007) argued that for the reason that the inadequacies of this philosophy, some efforts have been made to familiarize the economy-based theory of tax compliance. But this has not caused in a model that efficiently pronounces and forecasts tax behaviour. In view of this, recent theories of tax compliance have stronger attention on social and psychological factors.

2.3.1.2 Sociological and Psychological Theory

The theory is built on the hypothesis that taxpayers have different opinions with reverence, observing afterward their self-interest by way of contrasting to contributing to community benefits. In this esteem the more confident a taxpayer's attitude in the direction of paying tax and working with the tax authorities is the highest level of compliance. Strumpel (1969)

said that construct a tax compliance philosophy which proclaims that inflexible implementation by the tax authorities is probable to decrease taxpayers' level of compliance with the tax rules. The philosophyhas two focal variables, "rigidity of assessment" and the "readiness to co-operate" which narrates people's behaviour and insight of the tax structure. Spicer (1974) concentrated on the perception of exchange fairness, that is, the perceived unfairness amongst levies paid in return for community goods and services supplied by government. The study looks at SMEs owners' awareness of the details of tax compliance then tax evasion. Based on the preceding, this study accepts the psychological theory since attitude, norms, perception as well as tax knowledge influence tax compliance. Spicer (1974) stated that the theory suggests that perceived factors like awareness of equity and government expenditure as well as the ethical values of the taxpayers influence voluntary compliance. Vogel (1974) argued that taxpayers' knowledge on these sociological factors might have influence on tax compliance thus; the need to measure taxpayers" knowledge also argues it.

2.4   EMPIRICAL EVIDENCE

2.4.1 Lessons Learnt, Critiques from the Empirical Evidence and Gaps

This segment deliberates the significance, in addition the character of tax knowledge, mainly in decisive taxpayers' attitude towards taxation. The literature review has brought about up-and-coming issues or lessons learnt from prior research, diverse methods, a variety of variables and results would be deliberated in this segment. Firstly, the researcher has learnt that a study on SMEs tax compliance level in advanced nations including Ghana is very limited. Some studies reviewed used stratified sampling and simple random sampling procedure as their

basis of sampling technique to choose the respondents. The basis for the use of this technique is the nature of heterogeneity of SMEs.In most of the studies purely the cross-sectional design and quantitative was mostly used.Nevertheless, a study conducted by Chebusit et al., (2014) on compliance of SMEs in Kitale-Kenya accepts a descriptive research design linking both quantitative and qualitative research methodologies.Their study also used stratified and simple random sampling together with purposive sampling techniques.Finally, multiple regressions were frequently used to do inference analysis.It is observed from the literature that there is no exceptional definition of SMEs.Every researcher defines it based on the characteristics of the various businesses in thei r respective countries.This lack of uniqueness may affect comparability of findings from different nations . Additionally, the application of only the stratified sampling technique by Mukasa (2011) may not after all be fully representative of the SMEs because, small businesses may be in the form of partnership, 'one-man business', and limitedv liability Company with the 'one-man business' controlling. Moreover, the institution of tax compliance amongst SMEs may not be accurately ascertained due to the changes in the taxation of the several groupings of the SMEs. For example, sole proprietorship and partnership business are taxed using the graduated tax table in the Ghanaian perspectivev whilst companies are taxed as a corporate entity. Finally, there is no exceptional means of assessing tax compliance. In the light of the above, further examination is required to start the tax compliance level of SMEs.

Nevertheless, Collins, Million, & Toy, (1992) gathered a study in the United States of America after a random mail survey at 700 households from telephone directories. Out of 220 usable responses, Collins et.al, found that level of tax information or awareness and the

level of education were negatively correlated about tax law. In conclusion, considering the findings from earlier research, it is clear that enlightening taxpayers' knowledge is a significant component in functioning an effective tax system mainly on SMEs taxpayers. In order to attain the income goal of government, taxpayers need to be well educated, informed on tax related issues.

2.5   CONCEPTUAL   FRAMEWORK

This research implemented a conceptual framework where factors affecting tax compliance were taken as independent variables though tax compliance was taken as dependent variable. This is demonstrated in the conceptual figure below.

Factors Affecting Tax Compliance

-   Offences & Penalties

-   Attitudes & Perception
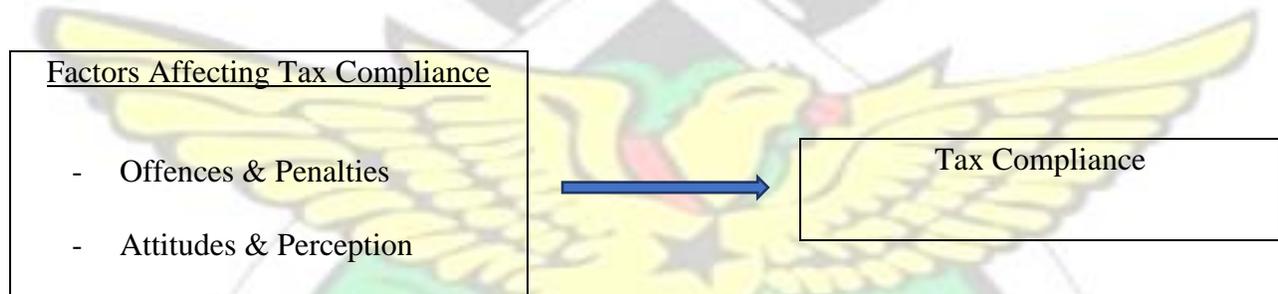
Tax Compliance

Figure 1: Conceptual Framework

In a nutshell, the conceptual framework above portrays how taxpayers' attitudes and perception affects tax compliance. It can be seen in Figure 1 how the individual ideas cumulatively result in the total taxpayers' offences and penalties which eventually affects tax compliance (dependent variable).

3.1   INTRODUCTION

This section defines the research design, population, research area and the method involved in the study. It explains the survey technique used, together with the data collection process which was employed (survey techniques, sampling frame in addition development of the questionnaire). Facts of the study background, hypotheses besides the data analysis methods are also deliberated in this chapter.

3.2   BACKGROUND OF STUDY AREA

The capital of Ghana is Accra and is the largest city, covering a range of 225.67 km^2 (87.13 sq. meters) as of 2012, with a projected town populace of 2.27 million. It is structured as follow; 10 local government districts, 9 municipal districts and the Accra Metropolitan District, which remains the solitary district within the capital to be granted city status. "Accra" typically refers to the Accra Metro Area, which functions as the capital of Ghana, whereas the district which is in the circle of jurisdiction of the Accra Metropolitan Assembly which distinct from the remaining of the capital as the City of Accra.

The central business district of Accra comprises the capital's key financial institutions and department stores, by way of a zone recognized as the Ministries, where Ghana's government administration is focused. Majority of the operational class are involved in associated economic activities in central business district of Accra includes; financial sectors, administrative plus commercial sectors, production of processed food, fishing, timber, fabrics, dress, substances like chemicals, sales, services, transport and production. Tourism is gradually flattering a flourishing

basis of trade for persons in sculptures and crafts, ancient places and native travel and excursion mediators, thus making it home to several kinds of SME"s. There has been intensification in growth in the local economy with the expansion of SMEs development that has led to a decrease in the high joblessness rates. The central business district is also home to regional branches of several financial institutions as stated above. As stated earlier, majority of the populace are engaged in the sale of second hand clothes, sandals and shoes, household appliances, jewelry, electrical appliances, and the provision of services such as the repair of bicycles, motor bikes, and vehicles, among others.

3.3   RESEARCH DESIGN

In analyzing the research, descriptive survey technique was used in data gathering and hypothesis testing to confirm the actual clarification of the data or responding study interrogations regarding the present status of the topics under research.

3.4   STUDY POPULATION

The study population comprises all SMEs registered taxpayers with GRA. There are 3,000 active registered SMEs in the Central Business District Accra with a composition of 2,036 small taxpayers and 964 medium tax payers (list obtain form both the STO and MTO of the GRA-Accra). Therefore, the target population is 3,000 SMEs.

3.5   SAMPLE SIZE

In view of the point that the research covers such a large sector, not entirely all the respondents can be comprised in the research. Fisher et al(1998) method for detecting sample size is used to

choose from a populace of 3000 tax payers, in other to arrive at a sample size from the taxpaying populace. This formulation stands as follows:

$s = n/1 + n\, e^2$

Where:

s = the desired sample size

n = the percentage of the target population that have desired characteristics

e = margin of error this is usually set at 0.05 (5%)

$s = 3000/1 + (3000)\,(0.05)^2 = 352.94$

so therefore, s = 353

The premeditated sample size (s) of 353 participants of the taxpaying remained nominated aimed at the research.

3.6   SAMPLING TECHNIQUE

The selection of respondents from the SMEs taxpaying for the research the probability technique was used. Saunders, Lewis, &Ihornhill (2007) posit that apportioning the population into a sequence of sections indicates that the sample is extra probable to remain demonstrative as it can certify that each section would be signified proportionately within the sample. After the stratification, simple snow-ball sampling was used to select the respondents from the SMEs to provide equivalent chance of being selected.

3.7   DATA SOURCE

A primary and secondary source of data was collected for the study. Administering of questionnaires and interviews forms the basis for primary data. The document from Ghana

Revenue Authority on the current size of SMEs in the Central Business District Accra was the secondary data collected.

3.8   DATA COLLECTION INSTRUMENT

Numerals of tools were available for the gathering of the data. However, interviews guides and questionnaires were used. Frankel & Wallen (1993) posit that these two instruments are almost alike, except that the former is self-administered by the respondent, while the latter is self-administered by the researcher.

Unstructured interview were also used for the gathering of qualitative data however to collect quantitative data from respondent's questionnaire was used. In the administration of questionnaire, a 5-point Likert scale was employed.

3.8.1   Questionnaire Design, Variables Development and Measurement

Arranged survey questionnaires with clear questions were used to limit and ease the study of reply deviation amongst interviewees. Numerals of question presentations were used in scheming questionnaires so as to produce suitable facts from the respondents. The questionnaire was into three (3) sections.

3.8.2   Section A: Respondents Background

This sector entailed the background variables with name of trade, business kind, industry scope, and segment of business, then the number of experience years. These variables turn into independent variables in additional study so that an association amongst these background variables and elements manipulating the level compliance of tax possibly will be analysed.

3.8.3   Section B: Tax Awareness and Tax Obligations

This sector encompassed of nine (9) questions which concentrated on the number of years the industry functioned before decided to register with GRA for tax commitments and the motives for registration. Further questions looked at the motives behind why they should keep proper bookkeeping. Finally, respondents were examined to propose policies that GRA can use to upsurge voluntary compliance. This latter question was to help in associating the policies applied by GRA to the policies that taxpayers consider appropriate.

3.8.4   Section C: Level of Tax Compliance of SMEs

This sector also covers five (5) questions. Under this sector the questions remained a five-point Likert scale. Also, a question was asked to determine or discover whether the respondent performs accounting related assignment in their organization.

3.8.5   Section D: SMEs Profit Element

The last sector of the questionnaire had two (2) questions. Questions comprised of the average turnover or sales element in the business. Also, questions were asked on which sources of fund was used to finance the operation of the business.

3.9   ETHICAL CONSIDERATIONS

The study, all the way through, deliberated all ethical issues, particularly the data collection process. The essential etiquettes and administrative progressions were duly tracked in administering the questionnaires to SMEs. Several questions on the questionnaires were revised to avoid ethical misconducts. This study required the permission of the person answering the

question and the motive of the research were openly clarified to them. All respondents were guaranteed of privacy, non-disclosure and anonymity. The respondents were given the choice to inquire additional questions about the research before and after the participation. The respondents were given the room to either decline or accept to participate.

3.10   DATA ANALYSIS PROCEDURE

Data gathered were examined by means of using tables to assembly respondents in order to form percentages of the groups and interpreting those percentages in the abstract structure. The Statistical Package for the Social Sciences (SPSS)was used in the analysis of data.
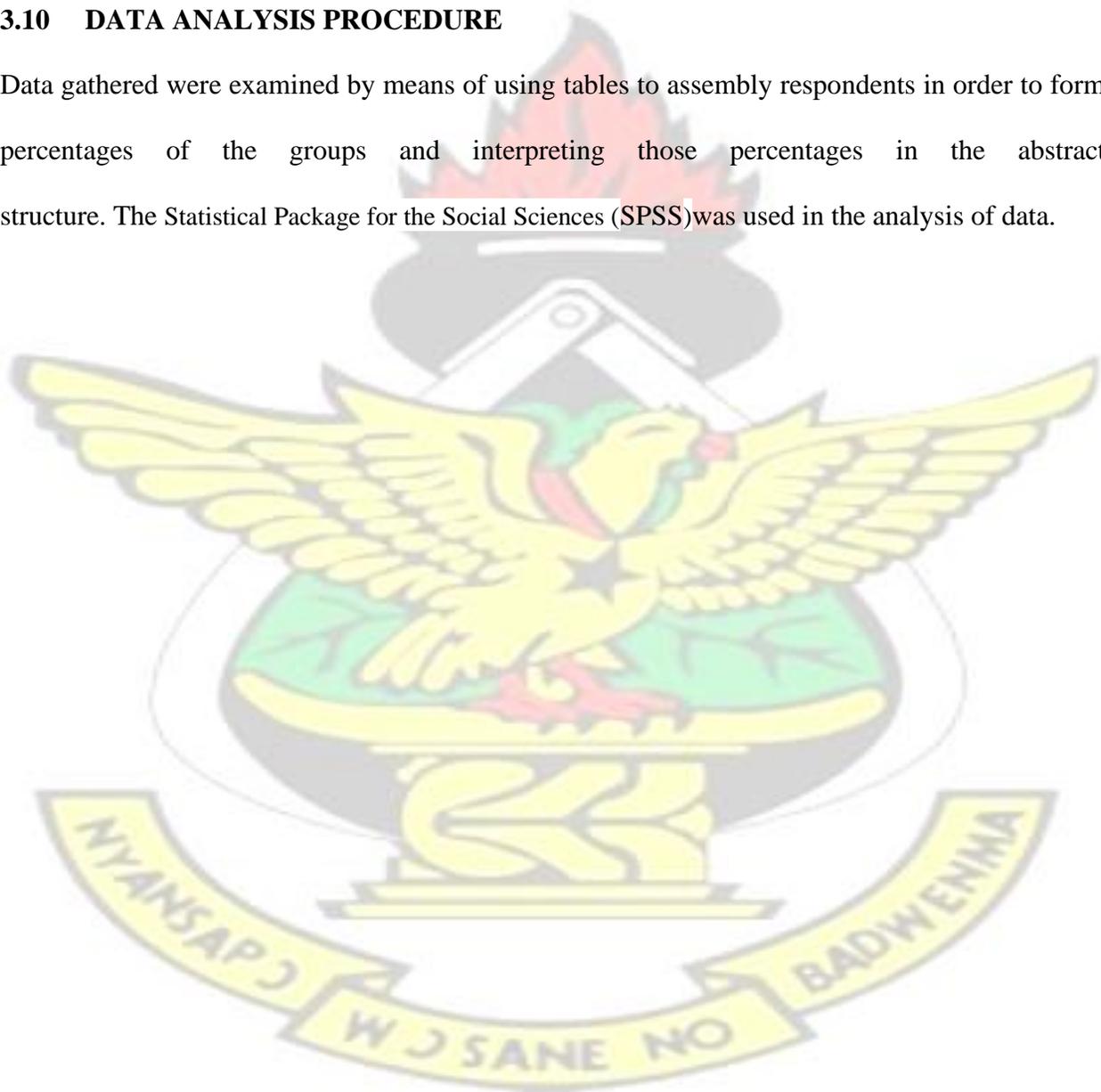
CHAPTER FOUR

DATA PRESENTATION AND DISCUSSION

4.0 INTRODUCTION

The chapter four of this study presents and discusses the data collected from the respondents. The analyses of the results of the study are presented in frequencies, percentages, and means. The chapter four is presented in four sections. The first section presents and discusses data on the background of the respondents. The background analyses of the respondents include gender, age, educational level, type of business, size of business and number of years in operation. These characteristics were considered very important in the study because they give a fair idea about the kinds of respondents being dealt with and the type of business considered for the study. The second, third, and fourth sections present and discuss data on the objectives one, two and three of the study respectively.

4.1 BACKGROUND OF RESPONDENTS

Data about the background of the respondents and their businesses were collected and include gender, age, educational level, type of business, size of business and number of years in operation. This information is necessary in order to determine whether the individuals and their businesses in this particular study are a representative sample.

4.1.1 Gender

Table 1 presents data on the gender distribution of the respondents. From Table 1, 74.2% of the respondents were males while 25.8% of the respondents were females. The implication of this data is that majority of the respondents were males giving an indication that most of the

registered SMEs in the central business of Accra were owned by men while only 25.8% of the registered SMEs were owned by women.

4.1.2 Age

The age of the respondents was another important characteristic of the respondents which needed to be factored into this study. From Table 1, 22.9% of the respondents were between the ages of 18 and 30, 47.9% of the respondents were between the ages of 31 and 40, 21.3% of the respondents were between the ages of 41 and 50, while 7.9% of the respondents were above 50. The data shows that majority of the respondents were between the ages of 31 and 50 giving an indication that majority of the SME owners were youthful.

4.1.3 Educational Level

It was important to determine the educational level of the respondents since their level of understanding on the study area is significant to the study. Data as presented in Table 1 shows that, 21.5% of the respondents had no education at all, 38.8% of the respondents had up to primary level of education, 21.5% of the respondents had their education up to the secondary level while 13.6% and 4.5% of the respondents had their educational level up to the tertiary and technical respectively. This implies that only a few of the respondents (13.6%) had had tertiary education, an educational level important determining in-depth understanding of the study area. This implies that massive civil education is needed to educate these business owners in the area of taxation.

4.1.4 Type of Business

The type of business the respondents operate is another important characteristic of the respondents relevant to the study as it determines the category of tax they are placed. From Table 1, 70% of the respondents' businesses were sole proprietorship, 20.4% if the respondents' businesses were partnership, while 9.6% of the respondents' businesses were limited liability companies. Majority of the respondents were sole proprietors which tell a story of how majority of the business owners in the central business of Accra love to own businesses alone and avoid sharing profits with anyone.

4.1.5 Size of Business

The size of business of the respondents tells whether the respondents' businesses fall within the SMEs which are the target sector for the study. From Table 1, 80.2% of the respondents' businesses were small businesses, 17.3% of the respondents' businesses were medium scale businesses while 2.5% of the respondents' businesses were large businesses. The data implies that majority of the respondents' businesses were small and medium scale enterprises which is appropriate for the study.

4.1.6 Years in Operation

From Table 1, 19.5% of the respondents' businesses had been in operation less than a year; 19.5% had been in operation between 1 to 2 years, 17.8% between 3 to 5 years while 43.2% for more than 5 years. Most of the business had been in operation for more than 5 year.

Table 1: Background of the respondents

		Frequency	Percent
I.	**Gender**		
	Male	262	74.2
	Female	91	25.8
	Total	**353**	**100.0**
II.	**Age**		
	18 –30	81	22.9
	31 –40	169	47.9
	41 –50	75	21.3
	Above 50	28	7.9
	Total	**353**	**100.0**
III.	**Educational Level**		
	None	76	21.5
	Primary	137	38.8
	Secondary	76	21.5
	Tertiary	48	13.6
	Technical	16	4.5
	Total	**353**	**100.0**
IV.	**Type of Business**		
	Sole proprietorship	247	70.0
	Partnership	72	20.4
	Limited Liability	34	9.6
	Total	**353**	**100.0**
V.	**Size of Business**		
	Small	283	80.2
	Medium	61	17.3
	Large	9	2.5
	Total	**353**	**100.0**
VI.	**Years in Operation**		
	Less than 1 year	69	19.5
	1 – 2 years	69	19.5
	3 - 5 years	63	17.8
	More than 5 years	152	43.2
	Total	**353**	**100.0**

Source: Field Survey , 2019

4.2 AWARENESS OF TAX OBLIGATION

The researcher sought to find out the tax obligation awareness and its influence on the decision of the respondents to pay their taxes. The researcher used a five point liker scale responses to produce the primary data for this analysis. The five pointlikert scale are 1 = Strongly Disagree; 2 = Disagree; 3 = Not Sure; 4 = Agree; and 5 = Strongly Agree. The researcher adopted the "Not Sure" option to dissuade the respondents from guessing.

The researcher interpreted the mean score using Aledejebi (2018) bench mark to test degree of tax obligation awareness of the respondents and the degree of influence the awareness had on their decisions to pay their taxes. The bench mark grouped the mean score into four categories; below 2 indicates very low mean score; mean values between 2 to 3 indicates low mean score; mean values between 3 to 4 indicates moderate mean score; and mean values from 4 to 5 indicates high mean score.

The reliability test of the 22-question survey measured by Cronbach alpha was 0.84 which is greater that the acceptable level of 0.70 as prescribed by Nunnally (1978). Nunnally (1978) indicated that large alpha greater than 0.70 shows that the questionnaire is reliable and further increases validity.

From Table 2, 9.6% of the respondents strongly disagree that they had registered their businesses with the Ghana Revenue Authority (GRA) for tax purposes. 18.4% disagree, 55.8% agree and 16.1% strongly agree. This implies that majority of the respondents (55.8% plus 16.1%) had registered their businesses with GRA. The mean score was 3.50 indicating that the level of response to tax registration of businesses in the central business of Accra was moderate

With regard to the level of awareness of the tax laws in Ghana, the results as presented in Table 2 show that 5.1% of the respondents strongly disagree that they were aware of the tax laws in Ghana. 6.2% of the respondents disagree, 17.8% were not sure, 55% agree while 15.9% of the respondents strongly agree that they are aware of the tax laws in Ghana. Majority of the respondents were aware of the tax laws in Ghana while only few didn't know about it and were not sure. The mean 3.7 implying that the level of awareness among SME owners in the central business of Accra is moderate. This is somehow good news for GRA officials as their job of persuading these SME owners will be minimized.

Tax education among traders and business owners is very important in helping to achieve the revenue target for the country. From Table 2, 15.9% of the respondents strongly disagree that they have received tax education for the past one year, 50.7% of the respondents disagree, 16.4% of the respondents were not sure that they have received tax education over the past one year while 14.2% and 2.8% of the respondents agree and strongly agree respectively. The data implies that majority of the respondents had not received any tax education for the past one year. The mean score of 2.37 shows that the tax education provided for the respondents over the past one year was low. The GRA, based on this data provided, has a lot of work to do with regard to tax education among SME owners.

Having access to the tax laws in Ghana is not enough as understanding it is very important. As to whether the language used in the tax laws was easy to understand, data as shown in Table 2 indicate that 39.4% and 32.9% of the respondents strongly disagree and disagree respectively that the language used in the tax laws are easy to understand. 7.1% of the respondents were not

sure while 17.3% and 3.4% of the respondents agree and strongly agree respectively that the language used in the tax laws are easy to understand. The data clearly shows that majority of the respondents did not find the language in the tax laws easy to understand and the low mean score of 2.12 also that the language used in the tax laws in Ghana are not easy to understand.

Table 2 further shows that 2.3% of the respondents strongly disagree that they were aware that payment of taxes in Ghana was compulsory; 5.7% of the respondents disagree; 3.7% of the respondents were not sure; while 88.4% of the respondents agree that they were aware that payment of taxes in Ghana was compulsory. This shows that majority of the respondents had knowledge of the fact that payment of taxes was compulsory and the moderate mean score of 3.78 also means that the level of awareness that payment of taxes in Ghana was compulsory was moderate. This result could possibly contribute to one of the reasons why business owners in the central business of Accra pay their taxes.
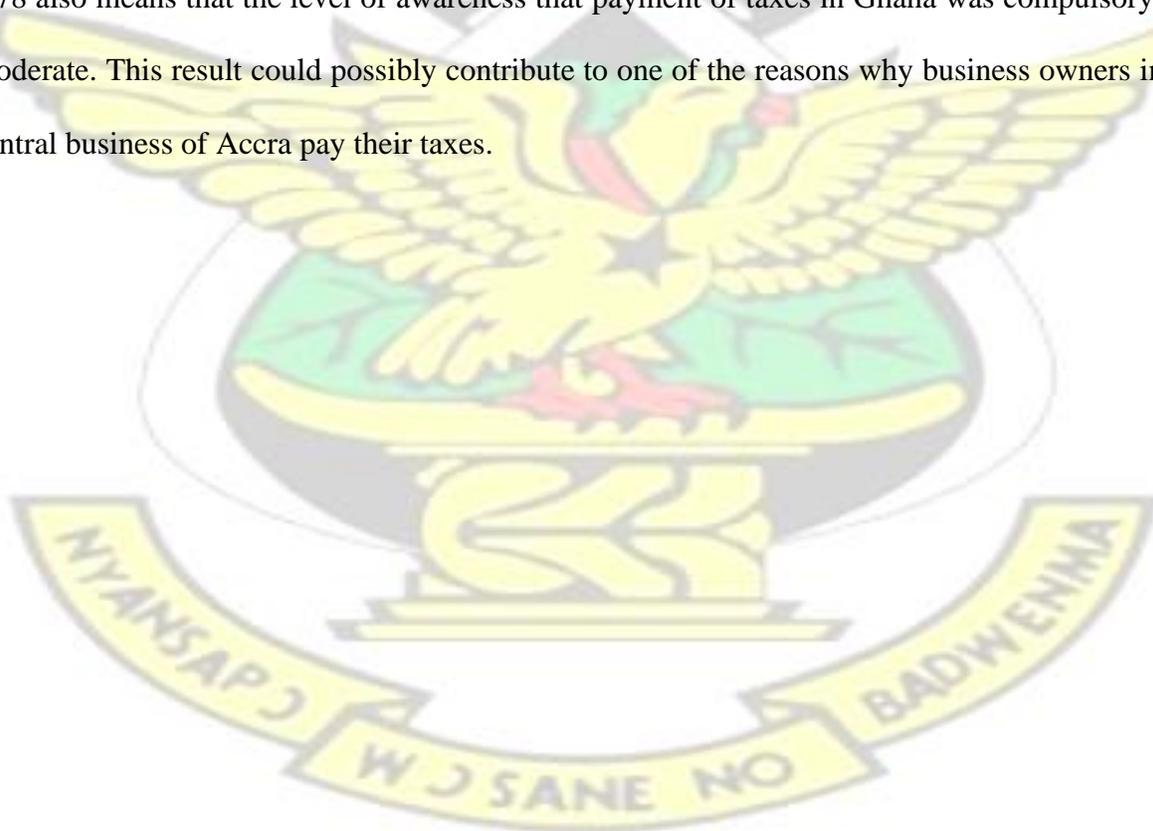
Table 2: Awareness of tax obligation

		Frequency	Percent	Mean
I.	**I have registered my business with GRA**			**3.50**
	Strongly Disagree	34	9.6	
	Disagree	65	18.4	
	Agree	197	55.8	
	Strongly Agree	57	16.1	
	Total	353	100.0	
II.	**I have heard and I am aware about the tax laws in Ghana**			**3.70**
	Strongly Disagree	18	5.1	
	Disagree	22	6.2	
	Not Sure	63	17.8	
	Agree	194	55.0	
	Strongly Agree	56	15.9	
	Total	353	100.0	
III.	**I have received tax education for the past one year**			**2.37**
	Strongly Disagree	56	15.9	
	Disagree	179	50.7	
	Not Sure	58	16.4	
	Agree	50	14.2	
	Strongly Agree	10	2.8	
	Total	353	100.0	
IV.	**The language used in the tax laws are easy to understand**			**2.12**
	Strongly Disagree	139	39.4	
	Disagree	116	32.9	
	Not Sure	25	7.1	
	Agree	61	17.3	
	Strongly Agree	12	3.4	
	Total	353	100.0	
V.	**I am aware that it is compulsory to pay tax on income earned**			**3.78**
	Strongly Disagree	8	2.3	
	Disagree	20	5.7	
	Not Sure	13	3.7	
	Agree	312	88.4	
	Total	353	100.0	

Source: Field Survey, 2019

The researcher sought to find out from the respondents why they registered their businesses for tax. Table 3 shows that 70.3% of the respondents registered their businesses for tax because it is a legal requirement or compulsory, 21.2% of the respondents said they registered their business for tax in order to avoid being sanctioned, 4.5% of the respondents registered for tax in order to get access to funds from financial institutions, while 4% of the respondents registered for tax because it was an industry requirement. The results imply that majority of SME owners register their business because it is a legal requirement. The findings is in agreement with Rantung&Priyo (2009) view that one of the reasons people pay taxes is because the tax payment has a durable lawful basis and it is a complete duty of every native. With this information, GRA must therefore stress in their tax education and campaign the legal requirement for every business owner to pay tax.

With regard to the level of influence tax awareness had on the respondents decision to pay their taxes, results from Table 3 show that 2.8% of the respondents say the level of influence tax awareness had on their decision to pay taxes was low; 42.5% of the respondents sa y the level of influence tax awareness had on their decision to pay taxes was moderate; 41.9% of the respondents say it was high while 12.7% of the respondents say it was very high. The mean score of 3.64 shows that on average the level of influence tax awareness has on SME owners to pay taxes was moderate. This goes to support the point by Nalendro (2014) that 'the more education on the level of consciousness of the taxpayers, the taxpayers will be capable to control their conduct better and in agreement through the necessities of assessment so taxpayers have a high compliance rate'

It was necessary to find out how the respondents became aware of tax compliance. From Table 3, 16.4% of the respondents became aware of tax compliance through the radio, 17.3% of the respondents became aware of tax compliance through television while 66.3% of the respondents became aware of tax compliance through GRA officials. This gives an indication that going round to collect taxes by GRA officials help in a way to create awareness about tax compliance among SMEs particularly in the central business of Accra.

Table 3: Awareness of tax obligation

		Frequency	Percent	Mean
II.	**Why did you register you business for tax**			**1.42**
	Lega l requirement	248	70.3	
	To avoid being sanctioned	75	21.2	
	To get access to funds	16	4.5	
	Industry requirement	14	4.0	
	Total	353	100.0	
III.	**Please indicate the level of influence tax awareness had on your decision**			**3.64**
	Low	10	2.8	
	Moderate	150	42.5	
	High	148	41.9	
	Very High	45	12.7	
	Total	353	100.0	
IV.	**How did you become aware of tax compliance**			**2.49**
	Radio advert	58	16.4	
	Television advert	61	17.3	
	GRA Officials	234	66.3	
	Total	353	100.0	

Source: Field Survey, 2019

4.3 LEVEL   OF TAX   COMPLIANCEOF SMEs

The level of tax compliance among SMEs in the central business of Accra was tested by asking questions related to tax compliance requirement in Ghana. From table 4, 1.1% of the respondents do not keep sales and purchase records on daily transactions, 3.4% of the respondents sometimes keep sales and purchase records on daily transactions, 36.3% of the respondents keep sales and purchases records on daily transactions most of the times, while 59.2% of the respondents keep sales and purchases records on daily transactions at all times necessary. The results give an indication that majority of the respondents keep records on their sales and purchases at all times which shows that there is good record keeping habit among SME owners in the central business of Accra. The mean score of 4.49 shows on average level of record keeping on sales and purchases was high.

With regard to annual financial statements preparation, 32.9% of the respondents do not prepare annual financial statements at all; 40.2% of the respondents sometimes prepare their annual financial statements for their businesses; 12.5% of the respondents prepare their annual financial statement most of the time while 14.4% prepare at all times. The result show that majority of the respondents do not regularly prepare their annual financial statements. The mean of 2.35 shows that the level at which SMEs in the central business of Accra prepare annual financial statements was low.

As to whether the respondents pay their taxes, Table 4 shows that 1.1% of the respondents do not pay their taxes at all, 6.8% of the respondents sometimes pay their taxes, 36% of the respondents pay their taxes most of the time, while 56.1% of the respondents pay their taxes at all time necessary. This is a clear indication that majority of the respondents pay their taxes at all times

necessary even though some of the respondents failed to pay their taxes regularly. The mean of 4.39 implies that the level of payment of taxes by the respondents was high.

Value Added Tax (VAT) Table 4 shows that 4.5% of the respondents do not pay VAT at all, 38.5% of the respondents sometimes pay VAT, 11.3% of the respondents were not sure they pay VAT, 20.1% of the respondents pay VAT most of the time while 25.5% of the respondents pay VAT at all times necessary. The mean of 3.23 shows a moderate level of VAT compliance among SMEs in the central business of Accra.

With regard to compiling the necessary documents for Pay As You Earn (PAYE), 32.9% of the respondents do not prepare PAYE at all, 39.1% of the respondents sometimes prepare PAYE, 13.3% of the respondents prepare documents for PAYE most of the time while 14.7% of the respondents prepare documents for PAYE at all times. The mean of 2.37 shows a low level of PAYE compliance among SMEs in the central business of Accra.
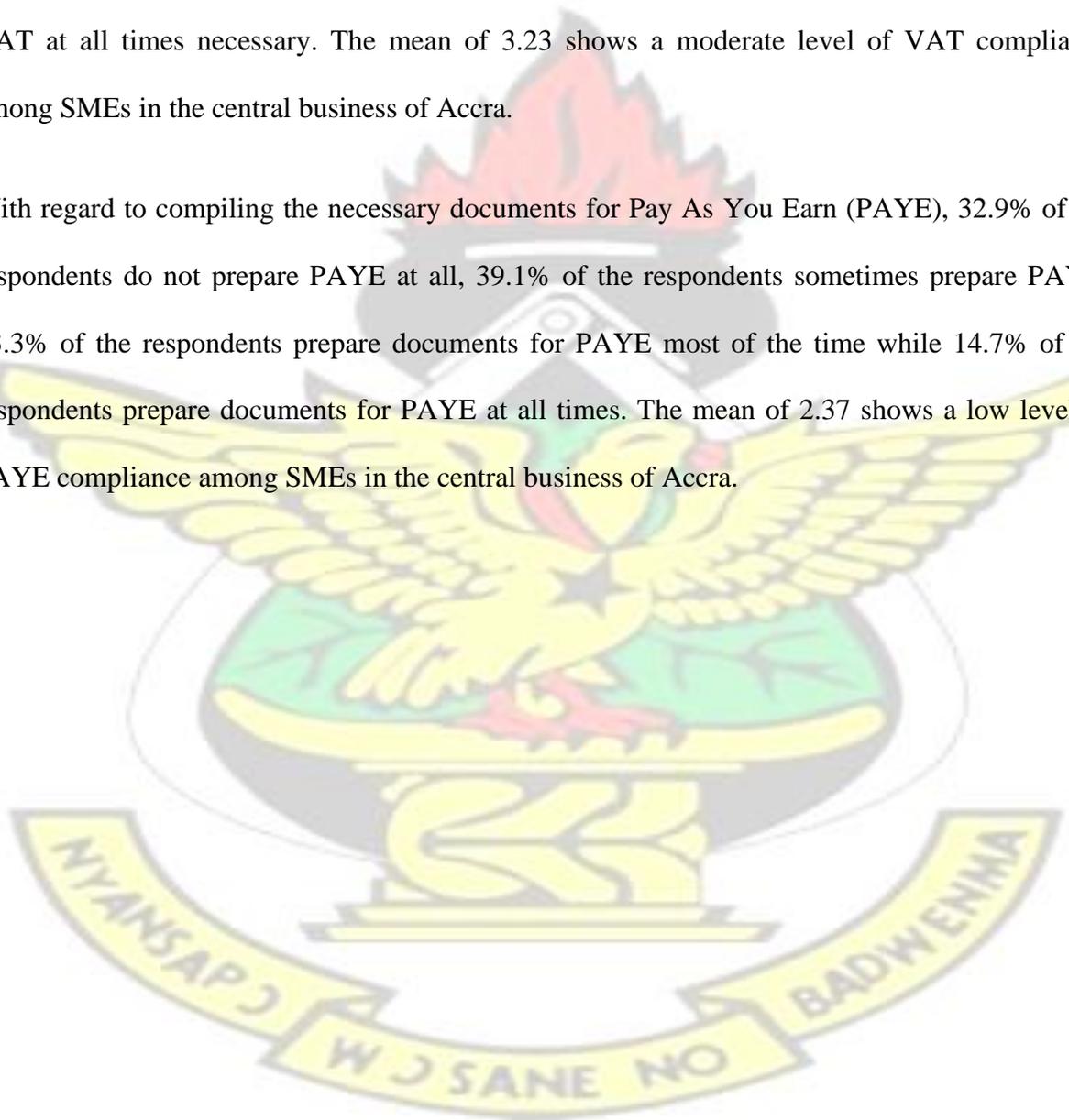
Table 4: Level of tax compliance of SMEs

		Frequency	Percent	Mean
I.	**I keep sales and purchase records on daily transactions**			**4.49**
	Not at all	4	1.1	
	Sometimes	12	3.4	
	Most of the time	128	36.3	
	At all times necessary	209	59.2	
	Total	353	100.0	
II.	**I prepare annual financial statements for my business**			**2.35**
	Not at all	116	32.9	
	Sometimes	142	40.2	
	Most of the time	44	12.5	
	At all times necessary	51	14.4	
	Total	353	100.0	
III.	**I pay my tax**			**4.39**
	Not at all	4	1.1	
	Sometimes	24	6.8	
	Most of the time	127	36.0	
	At all times necessary	198	56.1	
	Total	353	100.0	
IV.	**I file VAT returns**			**3.23**
	Not at all	16	4.5	
	Sometimes	136	38.5	
	Not Sure	40	11.3	
	Most of the time	71	20.1	
	At all times necessary	90	25.5	
	Total	353	100.0	
V.	**I compile the necessary documentation for PAYE**			**2.37**
	Not at all	116	32.9	
	Sometimes	138	39.1	
	Most of the time	47	13.3	
	At all times necessary	52	14.7	
	Total	353	100.0	

Source: Field Survey, 2019

4.4 INCOME LEVEL OF SMEs

The third objective for this study was to determine the income level of SMEs in the central business of Accra. In order to achieve this, the respondents were asked how they finance their business and the average profit of their business for the past three years. Table 5 shows that 31.2% of the respondents finance their businesses out of their personal savings; 22.1% of the respondents finance their business from family and friends; while 46.7% of the respondents finance their business from financial institutions. The results give an indication that the source of finance for most of the SMEs in the central business of Accra is financial institutions.

Table 5 further shows the profit level of SMEs in the central business of Accra. From Table 5, 19.8% of the respondents' profit level was between 0 and GHc 1,000; 15.3% of the respondents' average profit for the past three years was between GHc 1,001 and GHc 5,000; 49.9% of the respondents' record average profit level between GHc 5,001 and 10,000; 3.4% of the respondents record a three year average profit level of GHc 10,001 and 20,000; while 11.6% of the respondents record a three year average profit of GHc 20,000 and above.

Table 5: Income level of SMEs

		Frequency	Percent
I.	**How do you finance the operations of your business?**		
	Personal savings	110	31.2
	Family and friends	78	22.1
	Financial Institutions	165	46.7
	Total	353	100.0
II.	**Over the last three (3) years, what is the average profit of your business?**		
	0 - GHc 1,000	70	19.8
	GHc 1,001 – GHc 5,000	54	15.3
	GHc 5,001 – GHc 10,000	176	49.9
	GHc 10,001 – GHc 20,000	12	3.4
	GHc 20,001 and Above	41	11.6
	Total	353	100.0

Source: Field Survey, 2019

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

The chapter of this study summarizes from the research objectives, research questions, research methods, the findings and discussions. Conclusions for the study are also drawn in this chapter and workable recommendations are provided while important lessons gained from the study are highlighted as well for the purpose of informing key players in the industry.

5.2 SUMMARY

The purpose of this study was to examine tax compliance amongst Small and Medium Scale Enterprise in the Central Business District in Accra. The study had three objectives; explore the influence of tax awareness on voluntary tax compliance decision of tax payers; ascertain the level of tax compliance of SMEs in Central Business District Accra; and know the Profit Element amongst SMEs whether they should pay tax.

Previous literature relevant to the study was reviewed in areas of the tax system in Ghana, characteristics of Small and Medium Scale Enterprises, the conception and meanings of tax compliance, taxv evasion and avoidance, tax awareness, the review of some theories. A research gap was identified which was the basis for this study. A descriptive survey technique was used for the study and structured questionnaires were designed to collect primary data from the respondents.

353 structured questionnaires were distributed to the respondents and all 353 of the questionnaires were properly filled and retrieved from the respondents. It took a period of three weeks to collect the data from the respondents.

The researcher analyzed the data in line with the research objectives of this study. The analysis was presented in tables for the purpose of presenting much better explanations. The IBM SPSS software was used to generate all the tables for the analysis based on the survey data collected from the respondents.

5.3 CONCLUSIONS

The study sought to answer the research questions set at the beginning of the study. The study found that most of the SMEs in the central business district of Accra have registered with GRA for the purposes of paying their taxes. Most of the SME owners are aware of the tax laws in Ghana and are aware that payment of taxes is compulsory in Ghana. Again, the study most of the respondents had not received tax education for the past one year and the language used in the tax law were difficult to understand.

Further findings of the study conclude that most of the SME owners registered for tax because it was a legal requirement to do so and that tax awareness had moderate influence on them to pay their taxes. The study also concludes that SME owners in the central business district of Accra become aware of tax laws in Ghana through the activities of GRA officials.

Further conclusions drawn for this study is that the level of tax compliance among SMEs in the central business district of Accra was moderate as most of the SMEs keep daily sales and purchases records, prepare the necessary documents for payment of their taxes and actually pay their taxes. However, the study concludes that the SMEs in the central business district of Accra do not file for their VAT returns and do not prepare PAYE.

The study further concludes that the major source of financing for SMEs in the central business district of Accra is financial institutions. The average level of profit for the SMEs in the central business district of Accra is between GHc5000 and GHc 10,000.

In general, there was moderate level of influence of tax awareness on the decisions of SMEs to pay taxes; there was high level of tax compliance among SMEs in the central business district of Accra and the average; and the average profit of SMEs in the central business district of Accra was up to GHc 10,000.

5.4 RECOMMENDATIONS

It is important to make recommendations based on the findings of this study. The researcher therefore recommends that GRA officials should improve on the tax education for SMEs and organize such educations at least once a year for all SMEs in Ghana. This will go a long way to increase the tax awareness of SMEs in Ghana which may result in payment of more taxes hence generation of more revenues for thecountry.

Again, the language used in the tax laws should be simplified to enable most of the SME owners to understand and appreciate the content of the law. This is because, most of the SME owners in the central business district of Accra are primary and secondary school leavers per the findings of this study and therefore simplified language in the tax laws of Ghana will go a long way to help in the awareness creation among all category of people.

Moreover, future research can be conducted in the area of tax compliance among petty traders (table top traders) in the Greater Accra Region. This category of traders has not registered their business but still pay their taxes through the metropolitan assemblies.

REFERENCES

Abdallah, A. N. (2014). *Taxation in Ghana: Principles, Practice and Planning*(3rd edition). Accra: Black Mask Limited.

Abdallah, A. N. (2008). *Taxation in Ghana, Principles, Practice and Planning*. 2nd edition. (Unpublished).

Armah-Attoh, Daniel Mohammed Awal (2013). Tax Administration in Ghana: Perceived Institutional Challenges "Afrobarometer Briefing Paper No. 124.

Agyei-Mensah, B.K. (2011). Financial management practices of small firms in Ghana: an empirical study. *African Journal of Business Management*, 5(10), pp 3781-3793.

Agyeman, D. E. (2005). *Income tax, gift tax and capital gain tax withsupplementary questions*

(1st edition). Accra: EDA Publication.

Akakpo, V. I. A. (2009). *Principles concepts and practice of taxation* (3rdedition.). Accra: AMS Publication.

Akinsulire, O. (2010). *Financial management*. Lagos: Ceemol.

Amina and Sniy, (2015). tax compliance and its determinant the case of Jimma zone. International Journal of Research in Social Science, 6(2) pp, 7-21

Alley, I., & James, S. (2006). *Research into economic and behaviorapproaches in tax compliance*. In A. Sawyer (Ed.), *Taxation issues intwenty-First Century* (pp. 3-14). Christchurch: The center forCommercial and Corporate Law, School of Law

Allingham, M.G. &Sandmo, A. (1972). Income tax evasion: A theoreticalanalysis. *Journal of Public Economics*, *1*(3-4), pp 323-38.

Alm, J. (1991). A perspective on the experimental analysis of taxpayersreporting. *The Accounting Review*, *66*(3), pp 577 – 93.

Alm, J. Bahl, R. & Murray, N. Mathew, (1990). Tax Structure and Tax Compliance. *TheReview of Economics and Statistics*, 72 (4), pp. 603-613

Alm, J., Jackson, B. &Mckee, M. (1992). Institutional uncertainty andtaxpayers" compliance. *American Economic Review*, *82*(4), pp. 1018-26.

Andreoni, J., Erard, B., & Feinstein, J. (1998). Tax compliance. *Journal ofeconomic Literature*, 36(3), pp. 818 – 60.

Arogundade, J. A. (2005). *Nigerian income tax and its international dimension.* Ibadan: Spectrum Books Ltd.

Asante, S. &Marfo-Yiadom, E. (2010). *Taxation module for Centre forContinuing Education, University of Cape Coast.* Accra: MercuryPress.

Asante, S. &Seidu, A.B. (2011). Tax Compliance Among Self-Employed inGhana: Do Demographic Characteristics Matter? *InternationalBusiness and Management,3*(1), 86-91

Atawodi, O. W. &Ojeka, S. A. (2012). Factors that affect tax complianceamong small and medium enterprise in North Central Nigeria.*International Journal of Business Management*, *7*(12), 55-76.

Barrand, P., Harrison, G., and Ross, S. (2004). Integrating tax and socialsecurity contribution Collection within a unified revenueadministration: The experience of Central and Eastern EuropeanCountries. *IMF Working Paper,* 125-190

Baurer, L. I. (2005)*Tax administrations and small and medium enterprises (SMEs) in DevelopingCountries*.Retrievedfromhttp://www.ifc.org/ifcext/sme.nsf/AttachmentsBy Title/BEE+SME+Taxation/$FILE/SME+Taxation+Toolkit.pdf [1 June 2019]

Becker, G.S. (1968). Crime and Punishment: An economic Approach. *Journalof Political Economy*, *78*(2), pp. 169-217.

Beck, T., Demirguc-Kunt, A., & Levine R. (2005). *SMEs, growth, and poverty: cross country evidence.* NBER Working Paper 11224, National Bureau of Economic Research. Retrieved from http://www.nber.org/papers/w11224.pdf [22 June 2019]

Bird, R. M. 2003. *Administrative Constraint on tax policy*. Bath: Fiscalpublication.

Braithwaite, V.,Reinhart, M.& Graham, R. (2001). *Preliminary findings from the Community Hopes, Fears and Actions Survey.*

Braithwaite, V., & Ahmed, E. (2005). A Threat to Tax Morale: The Case of Australian Higher Education Policy. *Journal of Economic Psychology, 26*(4), pp. 523-540.

Bolnick, B. (2004). *Effectiveness and Economic Impact of Tax Incentives in the SADC Region.* Arlington, Virginia: Nathan Associates Inc.

Brown, R. E. & Mazur, M. J. (2003). *IRS comprehensive approach tocompliance measurement*. New York: National Tax Association.

Cerqueti, R. and Coppier, R. (2009), Tax revenues, fiscal corruption and 'shame' costs, *Economic Modelling*, 26 (1 & 2), pp. 1239-1244.

Chan, C.W., Troutman, C.S. and O'Bryan, D. (2000). An expanded model of taxpayer compliance: empirical evidence from the United States and Hong Kong, *Journal of International Accounting, Auditing and Taxation,* 9 (2) pp. 83-103.

Chattopadhyay, S. and Das-Gupta, A. (2002). The Personal Income Tax in India: Compliance Costs and Compliance Behaviour of Taxpayers. New Delhi: National Institute of Public Finance and Policy. Also available at http://www.planingcommission.nic.in/reports.

Chattopadhyay, Saumen and Arindam Das-Gupta, (2002a). The Compliance Cost Of The Personal Income Tax And Its Determinants. New Delhi: National Institute of Public Finance and Policy. Also available at http://www.planingcommission.nic.in/reports.

Chau, G., & Leung, P. (2009). A critical review of Fischer tax compliance model: A research synthesis. *Journal of accounting and taxation*, *1*(2), p 34.

Chebusit, C., Namusonge, G. S., Biraori, O. E. &Kipkoech, E. C. (2014). *Factors affecting tax compliance among small and medium enterprises in kitale town trans – Nzoia*

Chepkurui, C., Namusonge, G., Oteki, E. and Ezekiel, C. (2014).*Factors affecting tax compliance among small and medium enterprises in Kenya*, International Journal of Recent Research in Commerce, Economics and Management, 1(3), pp. 60-65.

Christian, C. & Gupta, S. (1993). New evidence on secondary evasion. *Journal of the American Taxation Association, 15*(1), pp. 72 – 93.

Chu, H. M., Kara, O., &Benzing, C. (2008). An empirical study of Nigerian entrepreneurs: success, motivations, problems, and stress. *International Journal of Business Research, 8*(2), pp. 102-116.

Clotfelter, C. T. (1983). Tax evasion and tax rates: An analysis of individual returns. *The review of Economics and statistics*, *LXV* (3), pp. 363 – 73.

Collins, J. H., Million, Y. C., and Toy, D. R. (1992). Determinants of tax compliance: A contingency approach. *The Journal of Public Economics*, 11, pp. 135 – 42.

Controller and Accountant General Department (2012). *Consolidated Accounts*, Cagd.gov.gh/Portal/files/Text- 2012-Public-Accounts. Pdf. [26 July 2019]

Cowel, F. (1990). Cheating the government. *International Journal of Recent Research in Commerce, Economics and Management*, *1*(3), pp. 60-75.

DalitsoKayanula & Peter Quartey. (2000) IDPM, University of Manchester. May 2000. ISBN: Series Editor: Further details. Published by: 1 90 2 5186 7 5 ... Institute for

Development Policy and Management, *University* of *Manchester*, ... *KayanulaDalitso* and *Quartey Peter*..... may grow from small to medium and in some cases to large.

Das-Gupta, A., & Chattopadhyay, S., (2002). The Personal Income Tax in India: Compliance Costs and Compliance Behavior of Taxpayers", National Institute of Public Finance and Policy.

Desai Mihir A &Dhammika Dharmapala, (2009). Corporate Tax Avoidance and Firm Value,The Review of Economics and Statistics, MIT Press, 91(3), pp 537-546.

Embaye, Abel(2007): *Underground economy estimates for non-OECD countries using currency demand method, pp 1984-2005.*

European Commission (2003a), Synthesis of the Annual Activity Reports and declarations of the Directors-General and Heads of Service (SAAR) COM (2003) 391.

European Commission (2003b), COM (2003) 4163 of 14th November 2003.

European Commission (2003c), COM (2003) 4334 of 18th November 2003.

Ezejiofor, R.A., P. Adigwe and F.N. Echekoba, (2015). Tax as a fiscal policy and manufacturing company's performance as an Engine for Economic Growth in Nigeria. European Journal of Business, Economics and Accountancy, 3(3): 1-12. Ferede

Fuest, C. and B. Huber (2002). Why capital income taxes survive in open economies: The role of multinational firms, International Tax and Public Finance 9, pp. 553-566.

Ghana Revenue Authority *Act*, *2009* (Act 791). ARRANGEMENTS OF SECTIONS. Sections. Establishment and governing body.

Ghana Revenue Authority, (2012). *Ghana Revenue Authority News*, *May 2012, 2*(10), 20-29

Ghana Revenue Authority, (2013). *Ghana Revenue Authority Magazine*, *May 2013*, 3(12), 40-45.

Ghana Statistical Service, (2000). *Annual report*. Retrieved August 2014, from http://www.ghana.gov.gh/index.php/about-ghana. [30 April 2019]

Ghana Statistical Service. (2010). *Annual report*. Retrieved July 2014, from http://www.statsghana.gov.gh/docfiles/2010phc/2010/PHC Regional Analytical Reports Northern. [30 July 2019]

Ghana Statistical Service. (2012). *Annual report*. Retrieved December 2015, http://www.ghana.gov.gh/index.php/about-ghana/regions. [24 May 2019]

Gohou, G. and Soumaré, I. (2012). Does Foreign Direct Investment Reduce Poverty in Africa and Are There Regional Differences? World Development, 40, pp. 75-95.

Goradnichenko, Y., J. Martinez-Vazquez and K. Peter, (2009). Myth and reality of flat tax reform: Micro estimates of tax evasion response and welfare effects in Russia. Andrew Young School of Policy Studies international conference. Altanta: Georgia State University

Gordon, J. (1990). Evading taxes by selling for cash. *Oxford Economic Papers, 42*(1), pp. 242-255.

Groenland, E., &Veldhoven, G. M. (1983). Tax evasion behavior: A psychological framework. *Journal of Economic Psychology. 3*(1), 129- 144

Hanan, N.P., Tredennick, A.T., Prihodko, L., Bucini, G.&Dohn, J.2015Analysis of stable states in global savannas: is the CART pulling the horse?*Global Ecology and Biogeography*, **23**, 259– 263.

Hanefah, M, Ariff, M &Kasipillai, J (2002), 'Compliance costs of small and medium enterprises', Journal of Australian Taxation, 4(1), pp. 73-97.

Hanlon, M. and *Heitzman*, S. *2010*. A Review of Tax Research. Journal of Accounting and Economics, 50, 127-178.

Hasseldine, J., Hite, P., James, S. &Toumi, M. (2007). Persuasive *c*ommunications: Tax compliance enforcement strategies for sole proprietors. *Contemporary Accounting Research*, *24*(1), pp. 171-94.

Hendy, P. (2003), Threats to Small and Medium sized Enterprises from Tax and other Regulations. Paperpresented at the Australian Taxation Studies Program Small Business Tax Symposium, Developing Good Tax Policies for SMEs, Sydney

Holban, 0.L. (2007). The Taxation of Small and Medium Sized Enterprise — a hindering factor influencing the European economic growth. Doctoral Dissertation, Alexandry Loan Cuza university of Lasi and Academy of Economics Studies from Bucharest Romania.

Holtmann, M. (2000), "SME Financing: Lessons from Microfinance." *SME Issue* 1(November):1-8.

Huber, J., Shubik, M., & Sunder, S. (2010a). An economy with personal currency: Theory and experimental evidence. Annals of Finance, 6, pp. 475-509.

Huber, J., Shubik, M., & Sunder, S, (2013) Sufficiency of an Outside Bank and a Default Penalty to Support the Value of Fiat Money: Experimental Evidence. Cowles Foundation

Discussion Paper No. 1675R. Available at SSRN: https://ssrn.com/abstract=2288663 or http://dx.doi.org/10.2139/ssrn.2288663[25 June 2019]

Ibrahim, M., Musah, A. and Abdul-Hanan, A. (2013), Beyond enforcement: what drives tax morale in Ghana, *Humanomics*, 31 (4), pp.399-414.

Ibrahim, M., Musah, A. and Abdul-Hanan, A. (2015), "Beyond enforcement: what drives tax morale in Ghana", *Humanomics*, Vol.31 No.4, pp.399-414

Internal Revenue Act (IRS) 2000. *Act 592*. Ghana. Retrieved July 2014, from www.gra.gov.gh/docs/info/irs-act.pdf. [20 June 2019]

International Tax Dialogue (2007). Taxation of Small and Medium Enterprises. Background paper for the International Tax Dialogue Conference, Buenos Aires.

Jackson, B. R., &Millron, V. C. (1986). Tax compliance research: Finding, problem and prospects. *Journal of Accounting Literature*, 5, 125-165.

James, S. & Alley, C. (2004). Tax compliance self-assessment and tax administration. *Journal of Finance and Management in public services 2*(2), pp. 27 – 42.

Jayawardane, D., (2016). Taxpayer attitude and tax Compliance decision in Sri Lanka. *International Journal of Arts and Commerce*, 5 (0)2, pp.124.

Jotopurnomo, Cindy dan YenniMangoting. (2013). PengaruhKesadaranWajibPajak, KualitasPelayananfiskus, SanksiPerpajakan, LingkunganWajibPajakBeradaterhadapKepatuhanWajibPajak Orang Pribadi di Surabaya". Tax & Accounting Review, 1 (1),

Joumard, I., M. Pisu and D. Bloch (2013). Less Income Inequality and More Growth – Are They Compatible? Part 3. Income Redistribution via Taxes and Transfers across OECD countries", OECD Economics Department Working Paper, No.926.

Kasipillai, J., Aripin, N. &Amran, N. A. (2003). The influence of education on tax avoidance and tax evasion. *Journal of tax research*, *1*(2), pp. 134-146

Kasipillai, J. & Jabbar, H. A. (2003). Tax compliance attitude and behavior: Gender and ethnicity differences of Malaysian Taxpayers. *Malaysian Accountant*. February, 2 – 7.

Kasipillai J. & Mustafa, M. H. (2000). *Tax professionals' views on self-assessment, Analysis*, *7*(2), pp. 234-248.

Kirchler, E. (2007). *The economic psychology of tax behavior*. Cambridge: Cambridge University Press.

Kirchler, E., Hoelzl, E. & Wahl, I. (2008). Enforced versus voluntary compliance: The "slippery slope" framework. *Journal of Economic psychology, 29*(1), 210-255.

Lewis, A. 1982. *The psychology of taxation*. Oxford: Martin Robertson.

Lymer, A. & Oats, L. (2009). *Taxation Policy and practice (*16thed.). Birmingham, Fiscal Publications.

Marrelli, M. (1984). One indirect tax evasion. *Journal of Public Economics*, *25*(1), pp. 181-96

Marti, O.L.(2010), "*Taxpayers' attitudes and tax compliance behavior in Kenya*", African Journal of Business and Management, 1 (1), pp. 112-122.

Mattesini, F., & Rossi, L. (2012). *Monetary Policy and Automatic Stabilizers: The Role of Progressive Taxation. Journal of Money, Credit and Banking, 44(5), pp. 825–862.* doi:10.1111/j.1538-4616.2012.00512.x

Masato, A. (2009). Globalization of Production and the Competitiveness of Small and Medium sized Enterprisesin Asia and the Pacific: Trends and Prospects. *Publication of United Nations Economic and SocialCommission for Asia and the Pacific (ESCAP)*, Studies in Trade and Investment Series chapter 1, pp. 1-31.

McBarnet, D. (2001). *When compliance is not the solution but the problem: From changes in law to changes to attitude.* Canberra: Australian National University, Centre for Tax System Integrity.

McGee, P., & Johnson, M. (2004). *Editorial. Health and Social Care in the Community, 12(5), 380–381.* doi:10.1111/j.1365-2524.2004.00515.x

McGee, E. (2004). *COMBATING MALNUTRITION: TIME TO ACT. Journal of Human Nutrition and Dietetics, 17(2), 161–162.* doi:10.1111/j.1365-277x.2004.00510.x

Mikesell, J. &Birskyte, L. (2007). The tax Compliance Puzzle: Evidence from theory and practice. *International Journal of Public Administration30*(10), pp 1045-1081.

Ministry of Finance (2013). *Budget statement for 2014*. Retrieved August 2015, from http: // www.pwc.com/gh/en/assets/2014 budget highlights [15 July 2019]

Ministry of Finance (2014). *Budget statement for2015*. Retrieved August 2015, from www.notep.gov.gh/? q= new/191113/2015-budget statement [15 July 2019]

Mohani, A. (2001). *Personal income tax non-compliance in Malaysia*. PhD thesis. Victoria University: Melbourne, Australia.

Mohani, A. &Sheeban, P. (2003). Estimating the extent of income tax noncompliance in Malaysia and Australia Using the gap approach (part I). *Tax National 4th quarter*. Pp. 22-34.

Mohani, A. & Sheehan, P. (2004). Estimate the extent of income tax noncompliance in Malaysia and Australia using the gap approach (Part III). *Tax National, 1st quarter*. Pp. 20 – 204.

Mukasa, J. (2011). *Tax knowledge, perceived tax fairness and tax compliance in agenda. The case of Small and medium income taxpayers in Kampala Central Division*. Master's thesis. Makerere University.

Muliari and Setiawan, N.K.and P.E.Setiawan (2011).The Influence of Perception on Tax Sanctions and Taxpayer Awareness on the Compliance of Personal Taxpayer Reporting at the East Denpasar Pratama Tax Office.Accounting journal and Business: Faculty of Economics, Udayana University, 6 (1).

Musimenta, D., Nkundabanyanga, K.S., Muhwezi, M., Akankunda, B. and Nalukenge, I. (2017).*"Taxcompliance of small and medium enterprises: a developing country perspective"*, *Journal ofFinancial Regulation and Compliance*, 25 (2) pp. 1-19.

Nalendro, Tantra Ikhlas (2014). Factors that Influence Compliance Paying Entrepreneurial Taxes with Environment as Moderation Variables.Thesis No. Published, University of Economics and Business Faculty Diponegoro

Ndekwa, G. A. (2014). Factors for Improving Tax Compliance among Small and Medium Enterprises in Tanzania, *The International Journal of Business and Management*,2 (10) pp.285-290

Nkundabanyanga, K. S., Muhwezi, M., Akankunda, B. and Nalukenge, I. (2017). "Tax compliance of small and medium enterprises: a developing country perspective", *Journal of Financial Regulation and Compliance*, 25 (2), pp.1-19.

Nkundabanyanga, S.K., Mvura, P., Nyamuyonjo, D., Opiso, J. and Nakabuye, Z. (2017). Tax compliance in a developing country: Understanding taxpayers' compliance decision by their perceptions, *Journal of Economic Studies*, 44 (6), pp.931-957

Njeru, A. W., Namusonge, G. S., &Kihoro, J. M. (2014), Size As a Determinant of Choice of Source of Entrepreneurial Finance for Small and Medium Sized Enterprises in Thika District. Kenya.

Nkuah, J. K., Tanyeh, J. P. &Gaeten, K. (2013). Financing Small and medium enterprises in Ghana. *International Journal of Research in Social sciences*, *2*(3), pp 45-87.

Olorunshola, J. A. (2003). *Problems and prospects of small and medium scale industries in Nigeria.* Paper presented at the Central Bank of Nigeria seminar on small and medium industries equity investment scheme (SMIEIS), October 2003.

Organization for Economic Co-operation and Development (OECD) (2000). *The OECD reference management services multi-country regulatory and administrative business environments in Small and Medium Enterprises.* Retrieved November 2019, from Unctad.org/en/Docs/idc2000-en.pdf.

Organization for Economic Co-operation and Development (OECD) 2010a Taxing Wages 2008-2009, OECD Publishing.

Organization for Economic Co-operation and Development (OECD) 2010b OECD Employment Outlook 2010, OECD Publishing

Orobia, L. A., Byabashaija, W., Munene, J.C., Sejjaaka, S.K., &Musinguzi, D. 2013 *"How do small business owners manage working capital in an emerging economy?*; A qualitative inquiry," Qualitative Research in Accounting & Management, 10(2): 127-143

Ondabu, I.T., Mbugua, S.K., Agnes, N. 2014 Factors Affecting the Performance of Micro and Small Enterprises in Limuru Town Market Kiambu County, Kenya. *International Journal of Scientific and Research Publications,* 4, pp 1-20.

Ondabu Ibrahim Tirimba, Jane Anne WanguiGichuki, & Agnes Njeru. (2014). Challenges facing micro and small enterprises in accessing credit facilities in Kangemi Harambee Market in Nairobi City County, Kenya. *International Journal of Scientific and Research Publications*, 4(12), 1-25

Palil, M. R. (2002). Taxpayers" knowledge: A descriptive evidence on demographic factors in Malaysia. *Journal Akuntansi and Kenangan*, *7*(1), pp. 11-21.

Palil, M. R. (2005). Does tax knowledge matters in self-assessment systems? Evidence from Malaysian tax administrative. *Journal of American Academy of Business*, *24*(1), pp. 80-84.

Palil, M. R. (2010). *Determinants of tax compliance in self-assessment system in Malaysia*. PhD. Thesis. University of Birmingham.

Palil, M. R. & Mustapha, A. F. (2011). Factors affecting tax compliance behavior in self-assessment system. *African Journal of Business Management. 5*(33), pp. 12864-12872.

Punch, A. (2010).*Projecting Ireland's Population at a Time of Major Demographic Change*, in Healy, S., B.Reynolds and M.L.Collins, Social Policy in Ireland: Principles, Practice and Problems, Dublin, Liffey Press.

Rantung, Tatiana Vanessa and Priyo Hari Adi. (2009). *The Impact of the Sunset Policy Program Against* Factors *That Influence Willingness to Pay,* Symposium Paper National Taxation II

Registrar General (Ghana) (2013). *Small and Medium Enterprises in Ghana*.https://egovonline.gegov.gov.gh/RGDPortalWeb/RGDHome/eghana [3 June 2019]

Richardson, G. (2008). The relationship between culture and tax evasion across countries; Additional evidence and extensions. *Journal of International Accounting, Auditing and Taxation, 17*(2), pp. 67-78.

Ritsatos, T. 2014, "Tax evasion and compliance; from the neo classical paradigm to behavioural economics, a review", *Journal of Accounting & Organizational Change*, 10 (2), pp. 244-262. https://doi.org/10.1108/JAOC-07-2012-0059

Sandmo*, * Agnar (2005). The *Theory* of *Tax Evasion*: A *Retrospective View*, *National Tax Journal*, 58 (4)*,* pp. *643-63*. *DOI*: *dx.doi.org/10.17310/ntj.2005.4.02*

Sarker, T. K. (2003). Improving Tax Compliance in Developing Countries Via Self-Assessment Systems – What could Bangladesh Learn from Japan? *Asia-Pacific Tax Bulletin*, 9(6).

Shahrodi, S.M.M. (2010) Investigation of the effective factors in the efficiency of tax system. *Journal of Accounting and Taxation*. 2(3): pp. 42-45.

Singh, V., (2003). *Tax compliance and ethical decision-making: A Malaysian perspective*, Pearson Malaysia.

Silvani, C.A (1992). *Improving Tax Compliance*. International Monetary Fund, Publication Service.

Silvani, C., and Baer, K., (1997). Designing a Tax Administration Reform Strategy: Experiences and Guidelines. International Monetary Funds

Singh, V. (2003). *Malaysian Tax Administration*. 6th ed. Kuala Lumpur: Longman.

Smith, A. (1776). *The wealth of nation*. London: Penguin Books.

Song, Y. D. & Yarbrough, T. E. (1978). Tax ethics and taxpayer attitudes. A survey. *Public Administration Review*, *38*(5), pp. 442-452.

Spicer, M.W. (1974). *A Behavioral model of income tax evasion*. Unpublished Ph.D. dissertation, Ohio State University.

Spicer, M. W. & Becker, L. M. (1980). Fiscal inequity and tax evasion: An experimental approach. *National Tax Journal*, *33*(2), pp. 171-175.

Spicer, M. W. & Lundstedt, S. B. (1976). Understanding tax evasion. *Public Finance*, *31*(2), pp. 295-305.

Stephen, K.A., Abdallah, M.I & Hamza, K. (2015). The effect of demographic characteristics of small and medium entrepreneurs on tax compliance 138 in Tamale metropolis, Ghana. *International Journal of Economics, Commerce and Management, 1*(1), pp 1-60

Sunder, M, Vijaya Synergies (2013). The IUP Journal of Operations Management, 12 (1), pp. 21-31. Retrieved from:https://ssrn.com/abstract=2255845 February 13, 2019

Suyatmin. (2004). Effect of taxpayer attitudes on taxpayer compliance in land and building tax payments (empirical study in the KP UN Surakarta area).Thesis.Diponegoro University

Tanzi, V. &Shome, T. (1993). Inflationary expectations, economic activity, taxes, and interest rates. *The American Economic Review*, *70*(1), pp. 12-21.

Terkper, S. (2003). Managing Small and Medium-Size Taxpayers in Developing Economies,Tax Notes International

Trivedi, V. U., Shehata, M. &Mestlmen, S. (2004). Impact on personal and situation factors on taxpayer compliance: An experimental analysis. *Journal of Business Ethics*, 47(3), pp. 175-197.

UNCTAD (2000). The Competitiveness Challenge: Transnational Corporations and Industrial Restructuring in Developing Countries (United Nations publication, sales no. E.00.II.D.35), New York and Geneva.

Vela, E. and Benhouhou, S. (2007) Evaluation of a new hotspot of plant biodiversity in the Mediterranean basin (North Africa). ComptesRendusBiologies, 330, pp 589-605. doi:10.1016/j.crvi.2007.04.006

Virmani, A. (1989). Indirect tax evasion and production efficiency. *Journal of public Economics*, *39*(1), pp. 223-237.

Vogel, J. (1974). Taxation and public opinion in Sweden: An interpretation of recent survey data. *National Tax Journal*, *28*(4), pp 499-513.

Wang, L. (2010). *A review of the determinants of voluntary compliance with Tax Laws by South African Taxpayers with particular Reference to Business in South Africa.* Unpublished Mphil: *Taxation minidissertation*University of Pretoria.

Wang, L. & Conant, J. (1988). Corporate tax evasion and output decision of the uncertain monopolists. *National tax Journal*, *41*(4), pp. 579-581.

Wittle, A. & Woodbury, D. F. (1985). What we know about the factors affecting compliance with the tax laws. In P. Sawicki (ed.), *Income Tax Compliance: a Report of the ABA Section of taxation Invitational Conference on Income Tax compliance.* pp. 133-148, American BarAssociation, Chicago.

World Bank. (2012). *Overview of Ghanaian economy*. Retrieved September 2014, from www.worldbank.org/en/country/Ghana/overview.

World Bank (2013). *Overview of Ghanaian economy*. Retrieved November 2014, from www.worldbank.org/en/country/Ghana/overview.

Yakubu, N.I. (2015). *Promoting income tax compliance among self- employed in the Tamale metropolis*. A thesis submitted to the department of Accounting and Finance, Kwame Nkrumah University of Science and Technology. Master of Business Administration (Accounting Option),2015.

Young, S. (2011). Tax compliance and small and medium enterprises operators: *An intra-cultural study in New Zealand*. (Phd) Thesis. Auckland University of Technology.

APPENDICES

Appendix 1: Research Questionnaire

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHOOL OFBUSINESS

DEPARTMENT OFACCOUNTINGANDFINANCE

RESEARCH QUESTIONNAIRE FOR SMES

Dear Sir/Madam,

This survey is part of a research work being undertaken to identify the "Tax Compliance amongst Small and Medium Scale Enterprise in the Central Business District Accra." This is done in partial fulfillment of the requirements for Master of Science in Accounting and Finance Degree in Kwame Nkrumah University of Science and Technology Business School. Your opinion is of much importance to the study and any information provided by you will be treated as confidential and for academic purposes only. Kindly assist this project by taking some time off your busy schedule to complete the questionnaire. Thank you.

SECTION A

Respondents' Background

1. Gender: Male ☐   Female ☐

2. Age: 18 –30 ☐   31 –40 ☐   41 –50 ☐   Above 50 ☐

3. Education   None ☐   Primary ☐   Secondary ☐   Tertiary ☐

4. Type of Business: Sole proprietorship ☐   Partnership ☐

   Limited Liability Company ☐   Other, please specify………………..

5. Size of Business: Small ☐   Medium ☐ Large ☐

6. Number of years in operation:Less than 1 year ☐   1 – 2 years ☐   5 years ☐

   More than 5 years ☐

74

SECTION B

Awareness of Tax Obligation

Please rate how much you agree with the following statement: 1=strongly disagree;

2 =Disagree; 3 = Do not know; 4 = Agree; 5 = Strongly Agree

	1	2	3	4	5
1. I have registered my business with the GRA					
2. I have heard and I am aware about the tax laws in Ghana					
3. I have received tax education for the past one year					
4. The language used in the tax laws are easy to understand					
5. I am aware that it is compulsory to pay tax on income earned					
6. This business operated for a while before registering for tax					

Please choose from the options for each question the one that answers the following

questions

7. Why did you register your business for tax?

a) Legal requirement ☐

b) To avoid being sanctioned ☐

c) To get access to funds ☐

d) Industry requirement ☐

e) Other, please specify………………………….

75

8. Please indicate the level of influence tax awareness had on your decision to pay your tax

   a) No influence at all

   b) Low

   c) Moderate

   d) High

   e) Very high

9. How did you become aware of tax compliance?

   Radio advert ☐   Television advert ☐   GRA officials ☐

   Other, please specify…………………………………………………..

SECTION C

Level of Tax Compliance of SMEs

Please rate how often you comply with the following statements: 1=Not at all;

2 = Sometimes; 3 = Not sure; 4 = Most of the time; 5 = At all times

	1	2	3	4	5
1. I keep sales and purchase records on daily transactions					
2. I prepare annual financial statements for my business					
3. I pay my tax					
4. I file VAT returns					
5. I compile the necessary documentation for PAYE					

SECTION D

Profit Elements of SMEs

1. How do you finance the operations of your business?

    a) Personal Savings

    b) Families & Friends

    c) Financial Institutions

    d) Other, please specify…………………………………………

2. Over the last three (3) years, what is the average profit of your business?

    a) 0 - GHc1,000   ☐

    b) GHc 1,001 – GHc 5,000   ☐

    c) GHc 5,001 – GHc 10,000   ☐

    d) GHc 10,001 – GHc20,000   ☐

    e) GHc 20,001 and Above   ☐

END OF QUESTIONNAIRE

Thank you for your time and effort.

Appendix 2: Letter to GRA

IDL-ACC/8/Vol. 1

23rd August, 2019

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

INTRODUCTORY LETTER;DANIEL KWEKU ANSAH: 20601357

The above name is student of Kwame Nkrumah University of Science and Technology-Institute of Distance Learning, KNUST-IDL, Accra Centre.

He is studying MSc. Accounting and Finance.

In partial fulfilling of the requirement for his graduation, he is to conduct a research on the topic; **'TAX COMPLIANCE AMONGST SMALL AND MEDIUM SCALE ENTERPRISES IN THE CENTRAL BUSINESS DISTRICT ACCRA'** for which he is required to gather data.

Any courtesies extended to him in this regard will be much appreciated.

Thank you.

Joy Amankwa (Mrs.)
Zonal Coordinator, southern