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COLLEGE OF HUMANITIES AND SOCIAL SCIENCES

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ASSESSING TAX COMPLIANCE LEVEL OF OPERATORS OF SMALL ENTERPRISES IN THE SUNYANI MUNICIPALITY

By

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DECLARATION

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

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DEDICATION

This study is dedicated to my Dad, Andrew Kyereh-Yeboah and my loving wife, Naomi Osei Yeboah for their support and encouragement to the successful completion of my course

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ABSTRACT

The study identifies the factors that contribute to non-compliance of their tax obligation. The study is conducted using a quantitative research approach through cross sectional survey of owners and managers of small businesses in the Sunyani Municipality. The findings of the study denote that a greater number of the participants were not aware of tax reliefs on offer and majority lacked knowledge about taxation since they either have not received any education on it or ignorant leading to non-compliance in many cases. The findings also revealed that tax education is not an obligated by the Tax authorities hence increasing the complication of tax compliance. In order to address the problems associated with the gap in the knowledge of tax obligations, the study recommends that the GRA should embark on tax education campaigns with the relevant stakeholder for small businesses in the country. Also, the government should resource the tax institutions in order to adequately discharge their duties

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CHAPTER ONE

INTRODUCTION

1.1 Background To The Study

Every economy recognises the significance of businesses since they have become the mainstay and a proven engine of economic growth (Chamberlain and Smith, 2006; Davie and Hetherington, 1999). However, its presence in Ghana exudes the potential to create wealth capable of driving growth. According to Aryeetey and Ahene (2004) argue that small businesses form the foundation on which indigenous entrepreneurship is able to generate and facilitate all kinds of investments in the country. It is therefore imperative that, developing economies like Ghana further enhances the growth of the micro-enterprises through favourable macroeconomic environment (Chu, Kara and Benzing, 2008). As noted by Evans (2003), small businesses contribute about 36.1 per cent of GDP and create employment many avenues for more than 80 per cent of labour supply in developing economies (Evans, 2003; Terkper, 2007; Grant Thornton, 2006; Smulders and Stiglingh, 2008). However, evidence from prior studies indicates that several small and medium enterprises are non-tax compliant despite reforms that have gained route in emerging economies (Ayoki, 2007; Arendse, Karlinsky, Killian and Payne, 2006). Braithwaite (2003) further note that since the small and medium enterprises are difficult for tax administrators to locate and quantify their services and production, they contribute lower than they are mandated to contribute in the country (Smatrakale 2006).

Despite these, inadequate knowledge and skills concerning tax compliance procedures have been the foremost issue associated with small and medium sector in the Ghanaian economy, as most of these businesses are presided over by incompetent people with little knowledge of proper records keeping (Aryeetey and Ahene 2004; Terkper 2007; Bertolini, Borgia and Siegel 2010; Crocker and Slemrod 2005). Consequently, the economy of Ghana is still hampered with unfavourable income tax compliance levels eminent among private sector, in spite of numerous voluntary tax compliance advocacies (Ayoki, 2007; Kangave, 2005). Various government administrations adopted series of tax compliance measures including fines and audits to enhance compliance but have significantly proved unsuccessful in gaining the necessary results (Ayoki, 2007; Ministry of Trade and Industry, 2010). Hence, tax regime in Ghana, has since independence been oriented in the direction of consumption levies other than income taxes which accounts for about 30% net revenue collections.

Consequently, on-going debate on volatility of small enterprises has spark new arguments in the media and among business practitioners. They believe that considering the nature, the little resource at the disposal of small businesses and current macroeconomic conditions, cost of compliance to taxes remains too high for the average micro and macro-businesses in the private sector. Those obliged to pay only do so due to coercion from tax authorities (Baiden, 2013). Notwithstanding, since tax obligations of small businesses are quite negligible in comparison to large establishments, tax authorities tend to give much credence to the larger corporations leading to small businesses withholding their tax obligation (Atawodi and Ojeka, 2012).

However, Njeru (2012) examines that governments could try to generally simplify tax administration for small businesses if tax compliance are to be conceived. He notes that since small and medium enterprises are at advantage of reaching all geographical spheres of a country, an ideal tax policy is essential to ensure effective and efficient voluntary compliance rather than using adverse methods that suffocates entrepreneurial initiatives of these businesses.

1.2 Statement Of The Problem

In spite of assertions stipulating that tax system and its associated compliance requirements are a stumbling block to the growth of small businesses in developing economies (Abrie and Doussy 2006; Retief 2011), research into tax compliance issues have gained impetus among academics, politicians and tax experts over the last four decades. Currently, research interest is to offer recommendable means of advancing existing knowledge on tax compliance and its repercussion on the state. Most prior studies on taxation have focussed on economic factors (Allingham and Sandmo, 1972; Alm and McKee 1998; Tran-Nam, 2003); psychological and social factors (Cullis and Lewis, 1997); social norms (Lederman, 2003; Wenzel, 2005); and demographic factors (Birch, Peters and Sawyer 2003; Loo and McKerchar, 2011; Trivedi and Shehata, 2005). However, none of these studies have looked at the apparent leakage in the tax system, thus, how small business manage to avoid taxation and the deficiency in mapping out strategies in developing countries especially Ghana. The underlying difficulties that tax administrators encounter with tax compliance in the informal sector have been attributed to two main challenges. First, the predominant use of cash in most business transactions as most of the informal sector business can conceal or manipulate

their taxable profits to avoid taxation (Ayee, 2007). Further evidence also suggests that businessmen and women in the informal sector are indifferent to proper record keeping, a requisite for effective tax administration. Absence of proper records hinders the tax administrators' effort to assess tax from the small businesses (Ayee, 2007). Therefore, the current study aims at assessing the compliant level and the factors that contribute to Small businesses non-compliance to tax obligations in Ghana as a case study of Sunyani Metropolis.

1.3 Objectives Of The Study

The study aims to assess the level of tax compliance amongst small and medium enterprise in Ghana. Specifically, it is aligned to achieve the following objectives;

1. To ascertain knowledge level of small businesses on tax obligations and compliance.
2. To ascertain knowledge of small businesses on tax reliefs and incentives.
3. To identify challenges facing small businesses in tax compliance.
4. To identify challenges of tax administrators in collecting taxes from small businesses.

1.4 Research Questions

The study seeks to provide solutions to the above objectives.

1. What is the knowledge level of small businesses on tax obligations and compliance?

2. What is the knowledge level of small businesses on tax reliefs and tax incentives?

3. What are the challenges facing small businesses in tax compliance?

4. What are the challenges facing tax officials in in collecting taxes from Small businesses?

1.5 Scope And Limitation Of The Study

The study covers all small businesses in Ghana and associated information on their tax compliance obligations. Due to time and financial constraints, the current study is limited to small and medium businesses operating in the Sunyani Metropolis. This is to provide intuitive understanding into issues hovering tax administration in the Sunyani Metropolis since it houses the third largest number of small businesses operating in Ghana.

1.6 Significance Of The Study

Due in part to current macroeconomics instabilities in Ghana, the private sector is incapable of making its obligations to the state in terms of tax compliance. Hence, policy issues in line with tax compliance in the private sector for small businesses are imperative for the short and long term economic sustainability of the country. Taxation has been the mainstream policy alternative for revenue mobilization in Ghana. Therefore, this study provides a guide to assist policy makers including tax administrators on compliance related policies that will help in overcoming current challenges in tax compliance that exist amongst small businesses in the privates sector.

This study will further serve as a scholarly material in taxation issues in Ghana. Finally, the study seeks to bridge the revenue gap through recommendation of major policies initiatives for tax administrators and benefits to small business from compliance to tax systems.

1.7 Method Of Study

The study uses all small businesses operating in Ghana as the population. However, as a result of time and resources constraints, the researcher employs sample size of 200 small and medium scale businesses operating in the Sunyani Metropolis. This study will employ questionnaire as the primary source of data to understand tax compliance issues amongst the small and medium scale enterprises in Ghana. Secondary sources including literature will be used in providing tentative inferences to the study. However, both descriptive and inferential statistics will be employed where necessary.

1.8 Organisation Of The Study

The research is structured into five chapters; the rest of the chapters are as follows;

- Chapter two reviews the extant theoretical and empirical literature on conducted studies in the area of tax compliance and cost. Further,

- Chapter three examines the research methodology employed in the study including sources and method of data collection, population and sample size, data analysis and profile of the jurisdiction from which the study is conducted.

- The fourth chapter discusses the results from the data analysis.

- Finally, chapter five highlights on the summary of main research findings and suggests possible policy implications for the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Taxation in Ghana has come a long way since its introduction in 1943. The country has relied imperatively on taxation as the major source of developmental revenue. In this regard, successive governments have instituted various tax administrations to manage and enhance the compliance of the firms operating in the real sector to the tax regime of the country. Notwithstanding, the concept of taxation is very broad and hence its issues need critical understanding. Therefore, this chapter reviews the numerous theoretical and empirical literatures on the tax compliance on small and medium enterprises in Ghana.

2.2 The Definition and Concept of Taxation

Taxation as seen in empirical literature connotes different meaning, however, most jurist and academician including Ascenzo (2004) specifically define tax as a "compulsory levy paid to the state or local authorities on property and business activities". Lymer and Hasseldine (2002) concurrently examine tax as a compulsory levy, imposed by government on income, expenditure or capital assets for which the citizen receives specifically nothing in return. Accordingly, Abdallah (2006), assesses taxation as a "sovereign right of the state used to transfer resources from private to public use in order to achieve the economic and political goals of society". In line with Abdallah's assertion, Poutziouris, Chittenden and Michaelas (1999) examine taxation as

an obligatory levy contributed by individuals, institutions or groups to the government. Therefore, it can be deduced that tax is a compulsory levy that an individual pays to the state to enable the government undertake productive activities in the form of public goods and services (see Abdallah 2006).

Thus, the aim behind the institution of tax clarifies the earnest of government to attain enough revenue, the purpose to which it will be put, as well as the appropriateness of the collection mechanism of the taxes. Thus, the collection of taxes addresses the basic policy perspective that upholds the government aim to accomplish its social and economic objectives to the benefit of its citizens. The goals are comparable to those of other government policy initiative in developing countries and significantly overlap the fundamental purposes of most governments.

Prior studies argue that taxation in developing economies are imperative due to its relation to societal consciousness, improve growth and redistribute incomes (Edgar and Sandler 2005). Consequently, Edgar and Sandler posit the objectives of taxation to encompass financing of government expenditure, promotion of savings and investment, directing investment into desirable activities as well as subjugating problem of externalities and income inequality. Hence, taxation is viewed as a powerful policy instrument that serves dual role of transferring resource from private sector to the public sector for application as well as induce the private sector to operate in conformity to planned objectives of the state (Islam, 2001). Over the last three decades however, most tax proponents have focused on the ways inducing small firms within the private sector

to comply with tax reforms and administration to help meet government revenue target while minimizing the level of associated cost created by the tax system (Nsor-Ambala 2008; Agyeman 2005; Hyman 2005).

2.3 Types of Taxes

Prior studies including Melville (2005), denote taxes under direct and indirect taxes. However, direct taxes, according to Melville (2005) are levies deducted or paid directly to the tax authority on income, profit and capital gains. The main focus of direct taxes includes taxes on income, capital gains and gifts. Indirect taxes, on the other hand, are taxes made on expenditures (i.e. charged on purchases made by individual). It was further noted that tax liabilities are to be credited to the authorities. Indirect taxes include value added tax (VAT), custom duties and excise duties levied on alcohol, tobacco and petrol. Consequently, the disparities between direct and indirect tax is that whilst the indirect taxes are levied on goods and services that of direct taxes are levied on income and earnings.

2.4 Principles of Taxation

In the *"Wealth of nations" (1776),* Adam Smith, postulates that there exists four effective principles of taxation, he noted to include equity, economy, convenience and certainty. A good tax system is one that is embedded appropriate set of principles. The tax is to differentiate between the interest of both the payee and the payer. However, the principles, based on the idea that precedents of taxation are only effective and efficient

if voluntary compliance is encouraged rather than forceful adherence (Ali-Nakyea, 2005).

2.4.1 Equity

The principle of equity in taxation, aims to accord both economic and social justice to the citizen. Accordingly, the principle recommends that taxation should depend on the abilities of the payee as well as proportional to the income earned from their respective economic activities (Ali-Nakyea 2005). Hyman (2005) also argues that widespread tax evasion experienced in developing economies is as a result of the unjustness of the tax system. This is seen as outcome of an improper system and not fault of the taxpayers.

2.4.2 Certainty

This principle emphasize on tax system without ambiguities as well as the case where tax officials don't coerce tax payers through discretionary powers to demand more than necessary from the tax payer. Thus, this principle illustrates that the amount the individual taxpayer is required to pay must be certain and not arbitrary. Also, the taxpayer should envisage the amount in advance including the time he has to make the payment of the tax. Furthermore, taxpayers are encouraged to understand their liability and how their taxes should to be paid through the appropriate authority. Also, Ali-Nakyea, (2005) examines that all responsibilities in line with tax regulations are to be communicated to the authorities and the taxpayer.

2.4.3 Convenience

Here, the mode as well as payment should be to the convenience of the taxpayer. This will motivate as well as enhance the effectiveness at which taxpayers execute their obligations. The process of collection should not inconvenience the taxpayers. However, Hyman (2005) examines that the Pay-As-You-Earn (PAYE) system of tax collection is a convenient method of tax collection where there are no cumbersome processes of collecting tax.

2.4.4 Economy

The principle postulates that economy must exist in the administration of the tax, i.e. the tax should not increase the cost factor of its collection. This will not yield any purpose if the levy is difficult to administer hence the likelihood of the cost of administration being higher than the revenue that can be generated from the tax administration. Despite this, Hyman (2005) argues that the efficiency of a tax system encompasses the cost component incurred by tax authorities in the administration and retrieval of the levies from the payer as well as compliance costs on the part of the payer.

2.5 Theoretical framework for Tax Compliance

Various theories have been formulated to assess tax non–compliance. However, these concepts are grouped under two classes including economic and psychology. These are primarily based on the fact that assuming that payment is motivated by incentives. While some are of the opinion that ensuring compliance entails increasing incentives, others advocate for increase in sanctions or punishments (see Feld and Frey, 2007).

2.5.1 Economic Based Theories

These theories can be considered deterrence theories that place more emphasis on incentives. From the perspective of this theory, taxpayers can be considered amoral utility maximizers. The theory explains that economic motive like profit maximization shapes the activities of the businessmen and women. From this perspective it is argued that for tax payers to comply or not, they would first of all analyse all the alternatives available to them and from it decide in the option that is going to assist them make more profit or economic gains (Boccard, 2010). Some of the factors that would be considered here included compliance paths that is related to payment or refusal to pay taxes, whether non-compliance will be detected or not, the repercussions that may result from non- compliance. The whole procedure of deciding whether to fulfil taxes or evade them is known as "playing the audit lottery" (Trivedi and Shehata 2005). To improve compliance, policy makers from the perspective of these theories need to improve compliance, audits and the penalties and sanctions on non-compliance.

2.5.2 Psychology Theories

From the perspective of the psychological theorist, the influence for tax compliance or non-compliance stems from a host of psychological factors. These theories make the morals and the ethics of taxpayers the issue that is worth consideration and attention. According to the proponents of this theory a taxpayer will comply with the demands associated with paying of taxes whether there are avenues of evading taxes. This phenomenon was noted to be based on the moral obligations that are supposed to fulfil their tax obligation. Comparing this to that of the economic theorists, this theory does

not talk of increasing penalties and sanctions or incentives. The final decision in this theory rests with the individual who decides based on psychological grounds whether to comply or evade taxes (Pratt and Zeckhauser, 1996).

2.6 Tax Compliance

The concept of tax compliance denotes how the taxpayers accommodate rules and regulations bordering the tax system in a country. Although, the concept of tax compliance connotes different viewpoints, Prior studies postulates that tax compliance involves the willingness of taxable entities to act in line with tax laws and administration without coercion (James and Alley 2004). Palil and Mustapha (2011) observed that compliance is the reporting and payment of all incomes in line with tax laws, regulations and court judgments. Singh (2003) also argues tax compliance to be the process of satisfying the tax system by declaring accurately taxable income as well as disbursing taxes within the given time frame without any follow-up actions from the authority. On the other hand, tax avoidance occurs when taxpayer arranges his or her tax affairs in such a way as to take advantage of weakness or ambiguity in the tax law to reduce his or her tax liabilities, without really breaking the law.

Research has identified numerous factors that influence taxpayers' compliance. Accordingly, Richardson and Sawyer (2001) note the existence of two major theories that underpin taxpayers' compliance behaviour. These they examine to be economic and psychological. The economic theory emphasizes on incentives that motivate the taxpayer to comply with tax administrators whilst the psychology-based theory

connotes attitudinal behaviours associated with compliance. Although, literature provide empirical evidence on behavioural factors that influence tax compliance, scholarly articles including Kirchler (2007) and Devos (2008) reveal that aside economic and psychological factors, social factors also pose significant problems on the way taxpayers assimilate tax reforms as well as its compliance in a country. Hence to resolve the concomitant issues associated with tax noncompliance, Kirchler (2007) illustrates that it is imperative to put into consideration major factors that influence individuals' behaviour towards their decisions to comply with tax laws. For instance, Evans (2003) examine that cases where there are sanctions to tax evasions, taxpayers readily comply without coercion from tax administrators. Further findings from Allingham and Sandmo (1972) suggest that noncompliance on the side of taxpayers' mostly emanates from their belief that tax auditing of their activities will lead to disclosure of misappropriations which will cause an imposition of severe legal penalties. Although, levies imposed generally are convenient means of meeting governments' costs, taxpayers' however, opinions appear contrary to this notion, hence, the increase in non-compliance to tax laws in developing countries (Coskun and Savasan 2009). This has generated huge global worries for officials and decision makers since evasion remains a threat to governments' ability to raise needed revenue for infrastructural development (Terkper 2007).

Accordingly, GIZ (2010) argues that high tax evasion among the private sector in the case of developing countries especially in Africa still renders developmental programmes of governments vulnerable since they cannot raise the necessary revenue to

cushion their spending hence resort to aids and grants with serious implications for the economy. In this regard, several attempts have been made by both practitioners and academicians to assess challenges on compliance level from various angles including the behaviour of the taxpayer. For instance, prior studies reiterate that the quantum revenue generated for government expenditure programmes hinges on among other things, upon the willingness of the taxpayer to observe the tax laws of the country. This willingness, according to Naomi and Joel (2009), could reconcile with attitude that taxpayers demonstrate and the purpose or what the tax seeks to achieve in the long run for the state.

2.7 Determinants of Tax compliance

Various factors have been deemed to influence tax compliance, however, factors well noted to influence the trend in compliance as noted by Mohani (2001) and Berhane (2011) include tax knowledge, ethics and attitudes towards tax compliance, awareness of offences and penalties, and tax education.

2.7.1 Tax knowledge

Accordingly, Berhane (2011) examines that tax related issues recounts individual or entities capability to comprehend taxation regulations and their readiness to oblige. However, the fundamental aspect of knowledge that communicates to amenableness is the general empathy about taxation procedures and information relating to the opportunity to evade tax. Taxation knowledge is therefore imperative to raise public

awareness especially on taxation laws and its importance for national development (Mohd, 2010). Also, it is important that taxpayers are exposed to tax issues to aid the effectiveness of tax laws and reforms in developing countries through seminars, dialogue sessions, and workshops that will foster tax compliance issues (Mohani, 2001).

2.7.1.1 Tax Reliefs and Incentives

Generally, the tax reliefs and incentives are provided by government to relief and motivate small businesses in their compliance to taxation. For instance, tax reliefs in the form of child education, old age are provided by the tax system. Most reliefs may take the form of individual or entity grants that lesson the tax burden of the SME. Three main categories of tax relief are normally applied and these include; personal reliefs which is normally awarded to achieve certain specific condition of the law.

1) The personal Reliefs are granted to individuals who satisfy one or more conditions as stated by the law such as marriage, child education, disability and aged reliefs. However, reliefs on aged dependant, individual undergoing training and life insurance are reliefs granted by the law upon filing of tax returns.

2) Relief from double taxation on the other hand take the form of foreign tax reliefs or takes reliefs emanating payments made outside the country of resident. This relief is both enjoyed by self-employed persons and entities in the country.

3) Roll over relief: here, both individuals and entities benefit as a results of disposing of an asset or property to another person or entity. The asset must be a business property with depreciable qualities.

2.7.2 Ethics and attitudes toward tax compliance

Here, the ethical nature of the system is imperative if the tax system is based largely on voluntary compliance (see Song and Yarbrough, 1978). Ethics are idiosyncratic and the level education heavily influences the individual's perception and opinions as well as behaviour to comply. It is assumed that ethics inspire persons to performance accordingly since the society may frown on things such as tax evasion. However, Ajzen (1991) examines that the intention to evade tax system may inadvertently encourage a taxpayer to behave negatively toward taxation and thus attempt to under-report income. On the other hand, attitudinal behaviours towards the tax authority are also important since these attitudes generally emanates from certain perceptions behind the use of the tax money (Song and Yarbrough, 1978).

2.7.3 Awareness of offences and penalties

Compliance in tax administration can be overcome using education as a means of influencing the taxpayer's judgement of his or her social responsibility to pay the tax. There are greater gains in assisting compliant taxpayers meet their fiscal obligations rather than spending more resources pursuing the minority of non-compliers. Assisting tax payers through information symmetry increases the taxpayers' potential to comply than being coerced (Berhane 2011). Allingham and Sandmo (1972) conclude that penalties as well as audit probability have direct effect on tax compliance, suggesting that the higher the penalty as well as audit probability the greater discouragement for potential tax evasion.

2.7.4 Education

As noted, greater education improves the extent of taxpayer's compliance. Taxpayers will higher levels of education are seen to be more mindful of their obligation as well as the sanctions to be imposed if they go contrary to the laws. Education has become more important in the quest for increasing tax compliance across countries. One of such measures, according to Mohani (2001) includes the assurance that payees have a certain level of qualifications, ability and confidence to exercise their tax responsibility. Loo and Ho (2005) further note that taxpayer must be invariably competent to comprehend the income tax law and the administrative procedures, given the complexities, uncertainties and ambiguities of the tax law, rules and administrative procedures. Hence, individuals who are less inclined to tax systems may either be under-paying or over-paying taxes. As well, the revenue authority has to provide adequate resources to meet the needs of enhancing taxpayer functional literacy elements in terms of skills and knowledge required to deal with tax matters.

Ahmed and Braithwaite (2005) reveal that small business taxpayers in one or two cases admitted to having lower levels of competence and independence in dealing with tax matters, and this has forced many of them to have tax agents who are creative and knowledgeable about aggressive tax planning. Contrary, Bertolini, Borgia and Siegel (2010), also conclude that small and medium enterprises are constrained by resources and cannot afford the services of the tax agents who are expensive hence, their failure for compliance is the resultant of lack of expertise and knowledge about the tax laws and procedures (Ayoki, Obwama and Ogwapus, 2005).

2.8 Tax Compliance and Small businesses

Empirical studies such as Loo and Ho (2005) assert that tax administrators can realise high compliance from small business when taxpayer's liability including compliance cost are correctly accounted for. They further note that taxpayer must be invariably competent to comprehend the income tax law and the administrative procedures, given the complexities, uncertainties and ambiguities of the tax law, rules and administrative procedures. Hence, individuals who are less inclined to tax systems may either be under-paying or over-paying taxes. As well, the revenue authority has to provide adequate resources to meet the needs of enhancing taxpayer functional literacy elements in terms of skills and knowledge required to deal with tax matters. However, tax administrations in developing and transitional countries are generally severely constrained in terms of resources and skills, hence likelihood of going after larger firms already in the tax net, where the potential tax revenue payback may be higher, instead of the less lucrative small and medium taxpayers who are largely outside that net (Bird and Wallace 2003).

This said, Pope and Abdul-Jabbar (2008) also argue that aspect like high compliance costs associated with taxes may lead to Small businesses avoiding taxes. Also further evidence suggests that costs associated with tax compliance invariably leads to evasion and fraud; this may restrain investment opportunities through diminishing competitiveness. However, James and Alley (2004), relates tax non-compliance to tax gap. They note that inaccurate presentation of firm revenue and expenses to achieve at the correct income, not following the right procedures for filing returns and not filing

returns at the appropriate time in accordance with applicable statute and court decisions at the period of filing leads to loss of tax revenue. Several reasons have been identified to account for income tax non-compliance. For instance, Jackson and Milliron, (1986), Richardson and Sawyer (2001), Tan and Sawyer (2003) postulate that factors including complexity of tax system, peer influence, income levels and weak enforcement of tax laws can cause non-compliance. Though sanctions have been and continue to serve as a major panacea to tax non-compliance, some researchers strongly think that dialogue and cooperation would result in much improved compliance to tax laws (Tan and Sawyer, 2003; Chau and Leung, 2009).

2.9 Sanctions and Tax Compliance

Prior studies such as Beccaria (1797), Milne (1788) and Becker (1968) are credited with the measures to tax non-compliance. These studies examined the economic implications of sanction on unacceptable behaviour in the society. They noted that rational individual weigh his actions and inactions before proceeding. However, they argue that so far as the consequence of not paying tax does not over weigh the benefits associated with its payment, tax non-compliance is criminal hence must be treated with criminal sanctions. This empirical study was refined by Allinghan and Sando (1972) in the economics of crime as a solution to tax non-compliance.

Tyler (1990) further posits that when institutions of sanctions are put in place, it will be an incentive of improving how people comply with taxes. Thus basing his argument on the situation that taxpayers will regard severe sanctions as more procedurally fair,

resulting to improved compliance with tax laws. However, Braithwaite (2003) illustrates that tax payment systems are legitimized when people are aware of the existence of regulations that characterise tax compliance and non-compliance. This they conclude to inculcate some form of confidence in the tax system as well if law guides it. Wenzel (2004) identified a positive relationship between the severity of sanctions and the level of tax compliance. Emphatically, his empirical results have underpinned the basis of tax policies and procedures in most developing economies for which Ghana is no exception. For instance, Ghana's income tax acts, Act 592, section 141 to 153 suggest some acts that accounts to non-compliance behaviour with their corresponding sanctions.

The sanctions are mostly associated with monetary or financial fines and various levels of prison sentences. Another sanction that the GRA (specifically IRS) gives out to people as a result of non-compliance is distress action. In this regard, the property or assets of those who refuse to pay their taxes are confiscated. In some instances these assets or property are sold off to people who need them to defray the indebtedness. Consequently, Murphy (2004) and Fehr and Rokenbach (2004) also reveal that instead of deterring non – compliance, sanctions rather can deepen the extent of non-compliance. Buttressing this argument, Tittle and Logan (1973) also acknowledge that sanctions do not guarantee that taxpayers will fulfil their tax obligation (Devos 2005; Braithwaite, 2003).

2.10 Challenges of Tax Administration

Accordingly, Bird (2003) examines that though, obligatory laws are enforced on taxpayers to pay their quota to the national revenues schemes, and the quantum of revenues that will get to the government hinges on the attractiveness and effectiveness of the tax processes. Consequently, the leakages eminent in the revenue collection may lead to insufficient revenue collections. However, Kangaye (2005) posit that illiteracy, lack of logistics and reliable data to match the tax paying firms in the private sector of most developing economies makes it difficult in bringing to bear individuals and firms in to the tax brackets.

Until recently, Tanzi and Zee (2000) note that inadequate resources to sustain and facilitate the operation of tax administration have constrained the process due to the increase in the size of the private sector of emerging economies. Resources for directing tax related issues are categorized into two including the human as well as the physical aspects. The human aspect, in line with prior studies, constitutes the quality and number of tax officials employed in the administration. Contrarily, the physical aspect of the resources is noted to encompass a wider range of resources including office buildings and office equipment as well as vehicles and communication systems for the tax processes. As noted, these physical resources necessitate the activities of the human resources to ensure the highest level of obligation on the side of the law. As a result of financial difficulties, tax institutions lack essential concepts including the accounting principles to facilitate and analyze tax related proceeds hence worsening the non-

compliance level. Most education and training of these officials are lacking in terms of modern technology principles to facilitate speed of processing.

The Ghana Revenue Authority until recently, have mainly depended on manual mode of capturing taxpayers relevant information through bookkeeping. However, the Ghana Statistical Service (2010), reveal that on regional bases about 51.5 percent of the adult inhabitants are literate. This illiteracy, they noted to certainly influence tax processes since they are unable to file tax returns as well as account for their income sources and expenditures adequately to the tax authorities (Bird, 2003).

Tettey (1997) affirms that the institution of modern processes including information technology facilities for the tax officials resulted in mixed results since the facilities still employ the old and ineffective system of capturing information. However, the Internal Revenue Service had no proper databases for taxable persons, property or other possessions rendering it very difficult to mobilize taxes outside formal sector.

According to Gray et al. (2001), a DFID-funded report revealed that though most employees of the VAT authorities have undergone some amount of training relevant for their positions, temporary inadequacies in terms of supervisory staff persists hence, rendering the field officers to operate with unskilled management capacity. Though difficult to recruit and retain professionals, this situation has broken the pace of

effectiveness of technical support need by the administration. A report by the GRA Commissioner General (Sept 2011) highlighted challenges faced by its implementation such as; conditionality associated with DPs support causing delays in release of funds; stringent procurement rules causing delay in project implementation by partner nations; disagreements among DPs on which project to support resulting in inefficient harmonization of projects and delay

Further evidence revealed that consolidation of the activities of the revenue authorities under one umbrella could lessen the burden of under resourcing as the role of the revenue authorities must well defined. Reforms require long term adjustment hence their ultimate implication on the stakeholders is very necessary is developing economies are to restructure their tax proceedings.

Notwithstanding, sincerity of payees in terms of their obligation has been questioned since it becomes very difficult to track down the accuracy of the information provided. This has since resulted in much reformation of the agencies (Rossotti, 2005).

Further evidence from prior studies show that in spite of positive results, progress over the two decades in tax administration in developing countries have come with mixed results since revenue mobilization as a ratio of the national income still remain below the expectation hence has render most African countries to depend on supports and

grants to support their budgetary allocations. Though, reforms have been serially conducted in some countries its outcome is yet to be envisaged (see Kloeden, 2011).

In line with Kloeden (2011) arguments most mobilization initiatives are linked to improving the proportion of tax to national income ratio as well as achieving development goals. These findings revealed that insufficient revenue mobilization influences the ability to improve welfare of the people negatively (Zaney 2012). Accordingly, Rossoti (2005) argues that on ethical and psychological grounds that revenue collection is important to enhance, improve and sustain welfare, growth and development of the economy.

Evan (2003) further reinforces the argument by concluding that cases where the institutions are obligated by law to mobilize levies, improper information as well as location of payee lead to low revenue to GDP. The Internal Revenue Service for instance is obligated to reconcile payees' financial records as well as met necessary sanction where the payees records to not meet the necessary requirements. Terkper (2007) examined that tax institutions in the United State tasked to scrutinize taxpayers' reports could not reconcile the amount of money collected each year.

Evans (2003) reiterated that such situations erode the potential for revenue mobilization and distort their impact on the efficiency of resource allocation and incentive for growth. These characteristics may encompass excessive number of multiple nominal tariff rates, significant dispersion in the rates of effective protection and numerous

exemptions. The obvious suggest that multiple incidence results in low revenue collection cases in developing countries. In line with Steenekamp (2012) deficiencies in tax policies and too many exemption avenues leads to problems of evasion hence breeds rent-seeking activities amongst irresponsible officials.

2.11 The Ghana Revenue Authority

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

Prior to the setting up of the GRA, major strategies to restructure the tax collection institutions began in 1986 from which CEPS and IRS are absorbed and made autonomous of the Civil Service. In 1986, the National Revenue Secretariat (NRS) is established to oversee revenue implementation policies and supervise the activities of the tax agencies in the country. However, the VAT Service was formalized to oversee taxes including consumption taxes in the 1998.

However, in 2001, the board formally started the supervision of the Revenue Agencies using the Taxpayer Identification Number to facilitate smooth exchange of information profiling of small and medium enterprises. Also, the Large Taxpayer Unit (LTU) came into operation in 2004 to survey on the possibility of amalgamation of tax

administration. This further served as fertile grounds to assess how the agencies could internalize cost in the tax regime practiced in the country. In 2009, final preparations were made to merge the agencies to form one revenue authority in line with the current trends the world over. The structure drawn for the tax agency was to ensure the maximum efficiency in revenue mobilization from the merger process.

According to Danquah, taxation in itself has been to appraise revenue to finance the cost of services provision. Compulsory nature of compliance cannot be guaranteed to be smooth amongst the small businesses operating in the private sector. Steenekamp (2012) argues that there is the need for tax collectors efficient enough to not compromise for personal gains.

2.12 Tax Administration in Ghana

In Ghana, there are three main agencies responsible for the administration of taxes. They are jointly known as Ghana Revenue Authority (GRA). It comprises of the Internal Revenues Service (IRS), The Customs Excise and Preventive Service (CEPS) and the Value Added Tax Service (VAT). The IRS is responsible for the assessment and collection of direct taxes on income, capital and gifts. CEPS, is also obligated to assess and mobilize indirect taxes such as excise duty, import and export duty. Lastly, VAT is also responsible for the assessment and collection of value added taxes. In Ghana, there are four main methods of assessing and collecting taxes from an eligible taxpayer as identified by Act 592.

The methods of tax assessment are Provisional assessment, Additional assessment, Self-assessment and Final Assessment (Nsor-Ambala 2008). Nsor-Ambala (2008), defined assessment as a measurement or determination of a person's liability based on the information available, using sound commercial accounting principles, established principles of taxation and methods often prescribed by Act 592. William also defined assessment as the process of Internal Revenue Service fixing the size of liability. Hyman (2005) noted that assessment is the valuation of taxable wealth by government authorities.

The definition given by Nsor-Ambala (2008) is precise and gives an idea of the processes by which tax assessment is being done. However, Nsor-Ambala (2008) infers on the justification revolving adoption of tax regimes to suits private sector business. The ensuing issue looks at the primary costs of fulfilling tax and other regulatory burdens as they inexplicably fall on businesses with less expertise and time to deal with multiple and changing rules. Thus, Nsor-Ambala concludes that special tax provisions including optimistic allowances that offer a lower rate of taxation, an exemption or an accelerated deduction; and relieving tax reductions that excuse the taxpayer from requirements can be provided to enhance compliance as measure to tax fraud and evasion in developing economies.

To facilitate the smooth process of the tax administration, the GRA employs Tax Identification Number (TIN) that enables it to accurately classify payees. Each payee holds a unique number that mandate the user in his correspondence with the authority.

The countries income tax act offers the payee a self-assessment opportunity on all liabilities. Here, the laws confer on all limited liability firms, the self-assessment processes. Outside this process, all other payees are by law required to file their returns with necessary documents to the authorities for further review. After the receipt of the necessary documentations, the officials scrutinise the information to make the necessary informed decision of the chargeable incomes due. At the end of each accounting year, the businesses are obligated to provide their returns within three months. The filed documents should hold the necessary particulars including the TIN number of the business. The tax auditors to determine the efficacy of the submitted documents to ward off any penalty examine the accuracy of the receiving returns. After this process, the assessment number is allocated and issued for payment. Payment of taxes is made on the authorisation of the tax auditors through Bank Payment Advice Form. Disbursements are either made through a bank or at the premises of the tax authorities. The consistency of the information is done through critical examinations of the tax audit. GRA's auditing staffs is made up of the simple field and desk audits to comprehensive audit staff. The authority employs audit principle, which is not predetermined; hence issues for audit depend on the compliance records of the taxpayers, the quality of taxpayers' returns, and the size of the taxpayer. Others including the field and desk audits are performed on yearly basis to facilitate the smooth process of the examination from the private sector especially reaching the small businesses.

2.13 Empirical Review

In spite of assertions stipulating that tax system and its associated compliance requirements are a stumbling block to the growth of small businesses in developing economies (Abrie and Doussy 2006; Retief 2011), research into tax compliance issues have remained inconclusive in the case of developing economies. For instance, most of these studies have focussed on economic factors (see Allingham and Sandmo, 1972; Alm and McKee 1998; Tran-Nam, 2003); psychological and social factors (see Cullis and Lewis, 1997); social norms (see Lederman, 2003; Wenzel, 2005); and demographic factors (see Birch, Peters and Sawyer 2003; Loo and McKerchar, 2011; Trivedi and Shehata, 2005). However, gaps still remain for the apparent leakage in the tax system. Thus, how small business manage to avoid taxation and the deficiency in mapping out strategies in developing countries especially Ghana. The underlying difficulties that tax administrators encounter with tax compliance in the informal sector have been attributed to two main challenges. Ayee (2007) reveals that the predominant use of cash in most business transactions aids most of the informal sector business to conceal or manipulate their taxable profits to avoid taxation. Secondly, he argued that businessmen and women in the informal sector are indifferent to proper record keeping, a requisite for effective tax administration hence hinders the tax administrators' effort to assess tax from the small businesses.

Philip Lignier and Chris Evans (2012) using cross-country data through a web-based questionnaire in 2010 show that the average cost of complying with all taxes during the income tax year was around $28,000, representing a significant increase in real dollar

terms, and in relative terms. However, further evidence from their study revealed that tax obligations was a very important reason for keeping accounting records, information from these records was also used for internal management and internal reporting purposes. A majority of respondents to the survey believed that keeping tax records might have some benefits for their business as it was an incentive to maintain a computerised accounting system producing high quality accounting information. However, the findings revealed that respondents seemed to be unaware of the eligibility rules for the various concessions, which could explain the low take-up rates. This apparent indifference was compounded by a perception that most small business tax concessions were too complex and not worth the effort.

Using a baseline approach through electronic survey, Sharon Smulders, Madeleing Stiglingh, Riel Franzsen and Lizelle Fletcher (2012) evaluate and compare the tax compliance costs affecting small business sector in South Africa. Their findings revealed that tax compliance costs as well as core accounting costs are regressive with respect to business size, with the compliance burden being heavier for smaller businesses. However, the study concluded that the perception concerning the existence of managerial benefits was consequently established for the first time. Overall, small business tax concessions were perceived as being more complex than useful. A re-evaluation of these concessions or the introduction of a truly simplified tax system for small businesses is considered desirable.

In assessing the suitability and effectiveness of addressing compensation claims of business taxpayers, John Bevacqua (2013) reveals that there are no broadly applicable judicial avenues of relief with any realistic prospects for recovery available to assist Australian business taxpayers. However, the study further show that unlike other taxpayers, Australian business taxpayers often will have no appropriate, broadly applicable avenue for recovering compensation for tax official wrongs hence recommended for clarity and certainty to entitlements to compensation and reliefs for loss caused by the wrongs of tax officials.

Simon (2012) examines the riskiness for tax non-compliance. Using theoretical approach based some assumptions of mainstream economics reveals that deviations from the standard model including the endowment effect, framing of decisions, limited attention, loss aversion and mental accounting have influenced the operation of tax system in most developing economies.

In investigating the factors that influence business tax payers' decision on whether to report income and deductions, Jo'Anne, Neil and Charmine (2012) use the theory of planned behaviour based on Ajzen and Fishbein's model of reasoned action approach. Their findings reveal that intention to comply is not always a strong predictor of compliance behaviour. The majority of taxpayers who wanted to comply, failed. As complexity and difficulty in performance increases, additional factors are required to predict compliance, such as awareness of the rules. Complexity also reduces the

predictability of behaviour. Behaviour prediction can be enhanced by quantifying environmental complexity, providing performance support, and eliminating potential obstacles. Intention can only be leveraged for compliance strategies when the tax system creates the optimal environment for taxpayers to successfully comply.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The study assesses level of tax compliance of both micro and macro-business in Ghana as a case study of Sunyani municipality. The study employs mainly primary data from questionnaires designed to cover major aspects of taxation, compliance and cost to small and medium enterprises in the municipality. Specifically, this chapter of the study captures the population, sample and sampling technique, data collection process and the method of analysis.

The rest of the chapter proceeds as follow: section 3.2 examines the research design, sections 3.3 and 3.4 look at the population, sample size and sampling technique used in the study. Section 3.5 and 3.6 discusses the data collection method and reliability of the study whilst section 3.7 provides the economic estimation techniques adopted in the data analysis. Finally, section 3.8 presents an overview of the profile of the Sunyani Municipal Area.

3.2 Research Design

There are various approaches to research design. Some of these research methods include exploratory research is a research conducted into an issue when there are very few or no earlier studies to which we can refer for information about the issue or problem. Descriptive research is conducted to describe phenomena as they exist. It is used to identify and obtain information on the characteristics of a particular problem or

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issue. Analytical or explanatory research on the other hand, goes beyond the mere description of the characteristics, to analysing and explaining why or how the phenomenon being studied is happening. Quantitative approach addresses a research questions and designs a study that involves collecting quantitative data or qualitative data that can be quantified and analysing them with statistical methods.

Qualitative approach addresses research questions and designs a study that involves collecting qualitative data and analysing those using interpretative methods.

The researcher employs exploratory, quantitative and qualitative approaches to research to understand the underlying issues in inherent in tax collection and compliance in Ghana. Thus, one advantage of exploratory study is that it helps the researcher to establish to seek new insights and well as know the position of a situation. It is specifically useful if the researcher intends to clarify the understanding of an eminent problem. The qualitative aspect of study captured the views of both the small businesses and officials on the challenges they are facing using open ended questions. Notwithstanding, to select the appropriate questions to align with the objectives of the study, quantitative technique is largely used since it helps the researcher to generate useful numerical data from questions to make informed decisions. First, the researcher collects the demographic information of the participants necessary to align with the tax compliance. Also, respondent's knowledge of benefits associated with tax compliance. Thirdly, questions related to cognitive knowledge is adapted to investigate respondents' understanding of tax education. Finally, questions were drafted to capture participants' opinions and perceptions to tax issues in Ghana. The respondents were allowed a maximum of 33 questions including 10 on demographic data, 10 on level of tax

compliance, 4 on knowledge of tax benefits, 7 questions on tax education. Finally, four questions were allotted for the respondents' perception and opinions on tax assessment as well as challenges both tax payers and officials face in Ghana. Both open-ended and close ended questions were designed for the study.

3.3 Research Population

The population of the study encompasses about 1,300.00 owners and attendants of small businesses in the Sunyani Municipality. This however, includes both male and females of all ages but they should be in the position to provide the research team with information relevant to the topic of study.

3.4 Sample Size and Sampling Technique

An overall sample size of 200 respondents including owners and attendants were selected for the study. A purposive sampling technique was used to select the location as well as the sample size for the study. This technique involves obtaining responses from specific respondents from the sample frame deemed appropriate and reliable for the study.

3.5 Sources of Data Collection

Sources of data collection look at the procedure used by the researcher to attain data relevant for the study. Thus, both primary and secondary information were used for the study.

3.5.1 Primary Data Sources

Mainly, primary source of data collection were employed through the use of questionnaires. The questionnaires contained both open and closed ended questions. The respondents were assisted in the interpretation of the questions where difficulty existed after which a week was given for collection of the responses. This method helped to reduce the inconveniences associated with unfavorable interview times and busy schedules of the participants. Before questionnaires were administered they were subjected to thorough testing and amendments before they were dispatched to respondents. The researcher further structured the questions in the forms of interview guides to ascertain subjective responses of the participants. This helps the respondents to provide other relevant information not captured in the questionnaires administered.

3.5.2 Secondary Data Sources

Also other relevant information relevant to the study was obtained from reviewed published reports from journals as well as manuscripts from Ghana Revenue Authority. Further information sources such as the university library were used to supplement the study.

3.6 Validity and reliability

Since the researcher undertook a pilot survey of the study, it was deemed that the study is valid and reliable. The questions are structure in line with studies conducted in different countries. After which the supervisor was allowed to comment and raise

possible suggestions for the researcher during the pilot testing survey. After the questions were approved, it was administered to the respondents.

3.7 Data Analysis and Presentation

To make informed decision of the subject, an exploratory approach to research was utilized to describe the findings of the results. Cross-tabulations were further used to model responses of participants to find the intuition behind their perceptions and tax compliance. Appropriate statistical technique such as probit regression model is used to test the research hypotheses. The level of compliance is proxied by registered businesses in the survey. Thus, firms that are registered with the tax authorities are assigned the value one (1), whilst those that are not registered with the tax authorities are assigned the value zero (0). This categorical variable is then employed as the dependent variable in the probit models. The regressors were based on demographic characteristics, knowledge of reliefs and incentives, level of compliance and motives and perception of the respondents on tax assessment in the study. The sign of the coefficients presented the direct effect of each subgroup compared with a reference group, which is arbitrarily selected. The probit model is presented as follows:

$P_i = P (Y = 1|X) = B_0 + B_1 (Males) + B_2 (Age) + B_3 (Education) + B_4 (Turnover) + B_5$ (Years in Business) $+ B_6$ (Incorporated) $+ B_7$ (Tax liability) $+ B_8$ (tax relief) $+ B_9$ (Tax protest) $+ B_{10}$ (Computational problems) $+ e$

Where:

Variables	Description and measurement
P_i	The probability of a compliance level
Males	Dummy variable; 1 if the respondent is male, 0 otherwise.
Age	Dummy variable 1 if the respondents 30 years and below, 0 otherwise.
Education	Dummy variable; 1 if the respondent's education is primary to secondary school level, 0 otherwise.
Years in business	Dummy variable; 1 if the participant's business has been in operations for less than five years, 0 otherwise
Incorporated	Dummy variable; 1 if the respondents business is incorporate, 0 otherwise
Tax liability	Dummy variable; 1 if the respondents are given assessment before tax liabilities are fulfilled, 0 otherwise.
Tax relief	Dummy variable; 1 if the respondents protest against tax assessment, 0 otherwise.
Computation problem	Dummy variable; 1 if the respondents encounter problems with the computation of their taxes, 0 otherwise.
E	Is the error term

3.8 The Sunyani Municipality

The Sunyani municipality has an approximated population size of 101,145 with an estimated growth rate of 3.8% in the year 2000. The municipality is made up of nine different ethnic groupings including Akans' (71.1%), Ga Dangmes' (2.1%), and Ewes' (3.2%). However, the Northern tribes constitute 19.3 percent of the population of the municipality. The economy of this municipality is predominantly agrarian in nature with approximately 48% of the inhabitants in agricultural sector, 24% are employed in the service sector, with commerce and industry absorbing remaining 15% and 13%

respectively. Further evidence suggests that 83.0% of the active inhabitants of the municipality operate within the informal sector in the region. However, in comparison with Accra and Kumasi, Sunyani is considerably smaller but with potential. It is however, expanding to the changing macroeconomic growth in the economy.

CHAPTER FOUR

DATA PRESENTATION AND DISCUSSION OF FINDINGS

4.1 Introduction

The chapter examines the discussions and presentation of the empirical analysis from the questionnaire administered to the respondents within the Sunyani Municipality. To accomplish the main objective of the study, 200 questionnaires were distributed and out of which all questionnaires representing 100% were retrieved from the respondents. Frequencies and charts are used for the presentation of the analyzed data. The analysis is categorized under four main headings: demographic, level of compliance and motives, knowledge of tax relief and tax incentives, tax education and perception of tax assessment of respondents in the Sunyani Municipality.

4.2 Presentation and Analyses of Findings

4.2.1 Demographic characteristics of the respondents

The demographic characteristics capture the gender, age, marital status, level of education, nature of business, and turnover of the business of the respondents in the study.

Table 4.1: Gender of the respondents

	Frequency	Percent
Male	117	58.5
Female	83	41.5
Total	200	100.0

On the gender distribution of the respondents, the results from table 4.1 shows that out of the 200 respondents, 117 representing 58.5% are males whilst 83 representing 41.5% are females small and medium scale operators residing in the Sunyani Municipal area.

Table 4.2: Age of the respondents

	Frequency	Percent
21 - 30 years	59	29.5
31 - 40 years	78	39.0
41 - 50 years	46	23.0
51 years and above	17	8.5
Total	200	100.0

Result in Table 4.2 reports the age characteristics of the respondents. The results show that about 59 representing 29.5% of the sample respondents in the survey are between the ages of 21 to 30 years. However, the results also show that 78 of the respondents representing 39% are between 31 to 40 years. Also, the table shows that 46 of the respondents representing 23 % are within the ages of 41 to 50 years. Respondents who are 51 years and above recorded 8.5% representing 17 participants in the survey. This findings suggest that most of the respondents are in their youth age hence are expected to have much knowledge on tax compliance and its related issues.

Table 4.3: Educational background of the respondents

	Frequency	Valid Percent
BECE/MSLE	53	26.5
SHS/SSCE	22	11.0
NVTI	30	15.0
HND/Degree	95	47.5
Total	200	100.0

Results from table 4.3 report the educational background of the respondents. The results indicate that 53 of the respondents representing about 26.5% have some form of primary education whilst 22 representing 11% have secondary school education. However, the results reveal that 30 representing 15% of the respondents in the survey NVTI certification whilst 95 representing 47.5% of the respondents also are HND/ degree holders in their profession. Since about 73.5% of the respondents have some forms of secondary education, it is expected that these respondents will have adequate knowledge on tax compliance related issues.

Table 4.4: Nature of business operations of the respondents

	Frequency	Percent
Agriculture	34	17.0
Trading/Commerce	115	57.5
Printing/Secretarial	33	16.5
Tourism/Hospitality	15	7.5
Other	3	1.5
Total	200	100.0

Evidence from the table above reveal that 115 of the participants in the survey representing 57.5% of the total sample size are small and medium scale business operating within the trading and commerce sector of the municipality. Respondents in the agricultural sector recorded 17% representing 34 participants. However, respondents in the tourism and hospitality industry recorded 7.5% representing 15 participants whilst the remaining 1.5% representing 3 respondents are distributed across other sectors of the economics activities in the municipality.

Table 4.5: Annual turnover of the respondents

	Frequency	Valid Percent
Less than GH₵1000	10	5.0
GH₵1000 - GH₵5000	56	28.0
GH₵6000+	134	67.0
Total	191	100.0

Findings from Table 4.5 report annual turnover of the businesses of the respondents in the survey. The results show that 5% of the respondents in the survey operate small businesses with total annual turnover less than the GH₵1000. Further evidence from the results reveal that 28% of the respondents operate medium scale enterprises with their total annual turnover between GH₵1000 - GH₵5000. However, the large-scale business operators with annual turnover of GH₵6000 and above represent the highest number in the study representing 67% of the entire sample size of the survey. Therefore, it is expected that these businesses have enough knowledge on tax compliance.

Table 4.6: Tax Agency Businesses Have Registered with

	Frequency	Percent
IRS	70	35.0
VAT	25	12.5
Trade association	6	3.0
District assembly	84	42.0
Total	200	100.0

The results in table 4.6 reveal that about 42% of the businesses in the municipality are registered with the District assemblies whilst 35% are with the Internal Revenue Service. However, few including 12.5% and 3% are registered with the VAT and Trade Association.

4.2.2 Level of tax compliance and motives of Small businesses

Here, the study assesses factors that motivates or facilitates the level of compliance of the small and medium scale enterprises within the Sunyani municipality.

Table 4.7 Annual turnover and tax compliance

	Yes	No	Total
Less than GH₵1000	5	0	5
	100.0%	0.0%	100.0%
GH₵1000 - GH₵5000	40	12	52
	76.9%	23.1%	100.0%
GH₵6000 and above	122	9	131
	93.1%	6.9%	100.0%

Note: Chi-square = 10.499, p<0.01

Table 4.6 tries to examine how annual turnover of the businesses influence the respondents to register with the tax authorities. The results reveal that all the businesses with less than GH₵1000 annual turnover are registered with the tax authorities. However, further evidence from the results also show that 76.9% of the respondents with annual business turnover between GH₵1000 - GH₵5000 are registered with the tax authority whilst 23.1% are not registered. Impressively, the results also show that about 93.1% of the small and medium scale operators with annual turnover of GH₵6000 and above are consequently registered with the tax authority in the survey. This findings presupposes that most of the businesses in this survey comply one way or the other their tax obligations. The significant chi-square value at 1% level also affirms that the respondents have some knowledge on tax compliance.

4.2.3 Level of knowledge of tax reliefs and tax incentives

Here, the research seeks to find out the level of knowledge of the respondents concerning tax reliefs and incentives. Since it is expected that the more knowledge the respondents have on incentives and reliefs, the higher will be their compliance to pay taxes hence lesson tax evasions and tax fraud in the economy.

Table 4.8 Annual turnover and knowledge of tax reliefs

	Yes	No	Total
Less than GH₵1000	3	2	5
	60.0%	40.0%	100.0%
GH₵1000 - GH₵5000	13	36	49
	26.5%	73.5%	100.0%
GH₵6000 and above	54	80	134
	40.3%	59.7%	100.0%

Note: Chi-square = 4.049, p<0.1

The results from Table 4.8 assess how annual turnover of the businesses influence the respondents knowledge about tax reliefs. The results show that 60% of the businesses with less than GH₵1000 annual turnover have some level of knowledge concerning tax reliefs whilst 40% do not. Further evidence from the results also suggests that majority of the respondents (73.5%) with annual business turnover between GH₵1000 - GH₵5000 do not whether they are to receive tax reliefs on their businesses. Similarly, 59.7% of the respondents with business annual turnovers GH₵6000 and above do not have knowledge concerning tax reliefs. The significant chi-squared value affirms the results the lack of knowledge of tax reliefs may undermine the respondents' tax compliance.

Table 4.9 Annual turnover and knowledge of tax incentives

	Yes	No	Total
Less than GH₵1000	3	2	5
	60.0%	40.0%	100.0%
GH₵1000 - GH₵5000	20	29	49
	40.8%	59.2%	100.0%
GH₵6000 and above	57	77	134
	42.5%	57.5%	100.0%

Note: Chi-square = 1.683, p<0.1

The results from Table 4.9 assesses how annual turnover of the businesses influence the respondents knowledge about tax incentives including tax rebates, tax holidays, income exemptions, capital allowance. The table records that 60% of the respondents operating businesses with annual turnover less than GH₵1000 exhibit adequate knowledge

concerning tax incentives whilst 40% do not. The results also reveal that 73.5% of the respondents with annual business turnover between GH₵1000 - GH₵5000 do not know about these tax incentives. Similarly, 57.5% of the respondents with business annual turnovers GH₵6000 and above also do not know about tax incentive. The significant chi-squared value suggests that lack of knowledge of tax incentives may undermine the respondents' tax compliance.

4.2.4 Level of tax education among Small businesses operators

Here, the researcher seeks to investigate how the nature of business and management type practised influences the level of tax education of the respondents hence their tax compliance.

Table 4.10 Nature of business and level of tax education

	Yes	No	Total
Agriculture	5	29	34
	14.7%	85.3%	100.0%
Trading/commerce	11	101	112
	9.8%	90.2%	100.0%
Printing/secretarial	3	27	30
	10.0%	90.0%	100.0%
Tourism/hospitality	3	12	15
	20.0%	80.0%	100.0%
	100.0%	0.0%	100.0%

Note: Chi-square = 22.216, p<0.01

The results reveal that out of the 34 respondents operating within the agricultural sector, 14.7% do attend tax seminars conducted by the tax authorities whilst 85.3% do not. The results further reveal that only 9.8% of the respondents in the trading and commerce area do attend tax seminars whilst the remaining 90.2% do not. Findings from the table also suggest that 90.2% of the total respondents in the printing and secretarial businesses do not attend seminars on tax. On tourism and hospitality, the results shows that almost all the respondents do attend tax seminars. The significant chi-squared value suggests that the more the respondents are exposed to tax related issues through workshops and seminars, the higher we expect their compliance to tax will be.

Table 4.11 Level of tax education and management type employed by the businesses

	Yes	No	Total
Owner manager	14	135	149
	9.4%	90.6%	100.0%
Employed manager	8	28	36
	22.2%	77.8%	100.0%
Family management	3	6	9
	33.3%	66.7%	100.0%

Note: Chi-square = 7.764, $p<0.05$

Findings from the table 4.10 suggest that 90.6% of the respondents operating businesses with owner as managers do not attend tax workshops or seminars conducted by the tax authorities. The results further reveal that whilst 22.2% of respondents operating businesses with employed managers encourage attendance of tax seminars, 77.8% do not. Also, the results presented in table 4.10 reveal that 66.7% of family managed

businesses do not patronize tax workshops or seminars. The significant chi-squared value suggests that businesses in the municipality do not patronise tax seminars and workshops conducted by the tax agencies hence their lack of knowledge in tax reliefs and incentives.

Table 4.12 Level of tax education and tax computational problems

	Yes	No	Total
Attend tax workshops	11	14	25
	44.0%	56.0%	100.0%
Do not attend tax workshops	128	21	149
	85.9%	14.1%	100.0%

Note: Chi-square = 23.396, p<0.01

The result in table 4.12 seeks to examine the extent to which respondents who encounter computational problems patronise tax workshops conducted by the tax authorities. The results suggest that only 44% of the respondents who attend tax workshops do experience some form of computational problems with their tax. However, 85.9% of the respondents who do not attend workshops experience computation problems in one way or the other. The significant chi-squared value at 1% level suggest that not attending the tax seminars have the tendencies to influence the tax compliance level of the respondents since it will deprive them of the necessary skills needed to compute and understand the tax procedures advocated by the tax authorities.

4.2.5 Perception on tax assessment among Small businesses

Here, the opinions of the respondents were ascertained to analyse their perspectives on tax assessment in the municipality.

Table 4.13 Are You Given Assessment Before Tax Liabilities Are Fulfilled

	Yes	No	Total
Male	85	22	107
	79.4%	20.6%	100.0%
Female	52	25	77
	67.5%	32.5%	100.0%

[Note]: Chi-squared = 3.338, p<0.1

The results suggest that about 79.4% of the male respondents in the survey agree that they are given assessment before their tax liabilities are fulfilled. However, 20.6% also disagree that their tax assessment are reviewed before any liabilities are fulfilled. On the other hand, 67.5% of the female respondents do agree that they are given tax assessment before their liabilities are fulfilled. Contrarily, the results show that 32.5% of some of the female respondents disagree with this statement. The significant chi-squared value at 10% level reveals that the differences in the respondent's opinion are important to the compliance of tax in the municipality.

Table 4.14 How Do You Rate Your Tax Liability

	Too high	Too low	Moderate	Total
Male	85	0	22	107
	79.4%	0.0%	20.6%	100.0%
Female	54	3	14	71
	76.1%	4.2%	19.7%	100.0%

Note: Chi-squared = 4.599, p>0.1

Here, the respondents were asked to evaluate and rate their tax liabilities. The results show that 79.4% of the male respondents argue that their tax liabilities are too high whilst 20.6% felt theirs are on the moderate side. However, 76.1% of the female respondents rated their liabilities to be too high whilst 19.7% and 4.2% of the female respondents believed their tax liabilities are moderate and too low respectively. Thus, causing small firms to be more susceptible to the burden hence disadvantage in the market. These findings affirm compliance cost studies. The insignificant chi-squared reveals that, the difference in the individual rating does not affect the level of tax compliance of the respondents in the survey.

Table 4.15 Have You Ever Had To Protest Against Your Tax Assessment

	Yes	No	Total
Male	100	8	108
	92.6%	7.4%	100.0%
Female	57	20	77
	74.0%	26.0%	100.0%

Note: Chi-squared = 12.064, p<0.1

Further the respondents were asked if they have protested in any way against their tax assessment by the authorities. The results show that 92.6% of the male respondents agreed to have protested against assessments by the tax officials whilst 7.4% disagreed. On the other hand, 74% of the female respondents agreed whilst 26% disagreed on the issue of protest against tax assessment. The significant chi-squared value imply that the when tax officials do not assess the respondents well on their tax liabilities; it is likely to influence their compliance level.

4.2.6 Challenges facing taxpayers

Here, the researcher sought find out the challenges that influences small businesses from their tax obligations and compliance. The results show that most of the small businesses interviewed were constrained with problems including high tax payments, which they believe so not correspond with the benefit they derive from the payments. Also, some section of the respondents noted that the accounting process for which the official employ in the estimations of their liabilities is problematic hence poses a challenge to the growth of their businesses. Lack of flexibility in terms of payment as well as threat from tax officials to close down their businesses form some of the challenges respondents revealed in the study. Notwithstanding, the small business shows that in recent years cost of business operation has increased tremendously, this they attributed to the high tax burden. This said, can intuitively increase non-compliance amongst small businesses operating in the country if the percentage of tax on their profit is overwhelmingly higher than expected. Table 4.16 reports the summary of the respondents view on the challenges they are facing in their tax payments.

Table 4.16: Challenges facing Small businesses in the payment of their taxes

Taxes too high without corresponding benefits
Arbitrage way of calculating tax liability by the tax officers
Lack of flexibility in payment terms
Lack of knowledge and education of the tax laws
Cost of business too high due to taxes like VAT which reduces sales
Threat from tax collectors to close down business in the event of default

4.2.7 Challenges facing tax officials

Notwithstanding, the researcher continued to inquire from the tax officials concerning their views on the challenges they face in the collection of taxes from small business in the country. The first argument that was raised is the problem of logistics for tax collection. Although, the tax agencies have gone under series of reforms, they still lack certain amenities to help them discharge their duties properly hence influence the extent to which they can locate small businesses in their hideouts. Also, the officials complained of lack of motivation of their superiors to recruit new staff to increase the field officers for collection of taxes hence leading to underperformance of the tax administration. Notwithstanding, the views from the officials show that the problem record keeping on the side of the tax payers is discouraging the efficacy of tax collection in the municipality since most of the small business owners are illiterate in terms of discharging their tax obligations, they do hardly keep accounting records to track their incomes and profits in order to ascertain the accurate taxes they are due to pay. Table 4.17 reports the summary of respondents view on challenges facing tax officials in the collection of taxes.

Table 4.17: Challenges facing tax official in collecting taxes

Low motivation from employers
Unwillingness for tax payers to declare their true income
Difficulty in locating tax offices
Lack of adequate knowledge of the tax laws
Lack of logistics for tax collection
Lack of record keeping by tax payers

4.2.8 Relative level of tax compliance using Probit Analysis

Table 4.16 below reports the probit estimation models for level of tax compliance. This is to further examine how the differences in the responses of the respondents influence the level of their compliance when pooled together. First, the researcher estimates the correlation between the variables to assess multicollinearity issues in the data set. Largely, the results show absence of multicollinearity between the variables hence the researcher proceeds to estimate the probit regression model.

Table 4.18: Results of Correlation Matrices

	1	2	3	4	5	6	7	8	9	10
1. Males	1									
2. Incorporated	$.276^{**}$	1								
3. Tax relief	$.220^{**}$	$.398^{**}$	1							
4. Tax protest	$.201^{**}$	$.156^{*}$	-.092	1						
5. Computation	-.007	$.175^{**}$	.049	$.367^{**}$	1					
6. Age	$-.145^{*}$	$-.188^{**}$	-.009	$-.169^{**}$	$-.143^{*}$	1				
7. Education1	-.081	-.023	.022	-.009	-.007	$-.270^{**}$	1			
8. Turnover	$-.190^{**}$	-.077	.073	.084	.106	.037	$.144^{*}$	1		
9. Years in business	-.108	$-.300^{**}$	-.078	$-.287^{**}$	$-.304^{**}$	$.426^{**}$	$-.175^{**}$	$.167^{**}$	1	
10. Tax liability	$.142^{*}$	$.145^{*}$	-.016	$.722^{**}$	$.275^{**}$	$-.153^{*}$	-.086	.061	$-.290^{**}$	1

$**P<0.01$ and $*P<0.05$ significance level.

The researcher proceeds to estimate the Probit regression models for the study.

Table 4.19 Results of Probit Model.

	Model I	Model II	Model III
Males	0.0556	0.0294	0.0290
	(0.0441)	(0.0410)	(0.0380)
Age	-0.0244	-0.0351	-0.0375
	(0.0464)	(0.0436)	(0.0394)
Education	-0.1120***	-0.0601	-0.0330
	(0.0554)	(0.0459)	(0.0438)
Turnover	0.0028	0.0072	-0.0195
	(0.0484)	(0.0482)	(0.0420)
Years in business	0.0743**	0.0628*	0.0632*
	(0.0389)	(0.0379)	(0.0356)
Incorporated	0.2697***	0.1835***	0.1773***
	(0.0741)	(0.0409)	(0.0360)
Tax liability	0.2247***	0.1904***	0.2560***
	(0.0381)	(0.0634)	(0.0427)
Tax relief	-0.1301*		
	(0.0758)		
Tax protest		0.0350	
		(0.0596)	
Computation problems			-0.1316***
			(0.0433)
Intercept	-1.7667***	-1.5763***	-1.2271**
	(0.5910)	(0.5414)	(0.6120)
Log-likelihood	-40.3536	-42.1386	-37.4539
Chi-squared	77.61***	74.04***	83.41***
Pseudo R-squared	0.4902	0.4677	0.5268
Correct classification	91.50%	92.50%	91.50%
Chance classification	91.94%	93.41%	93.33%

* $p<0.1$, ** $p<0.05$ and *** $p<0.01$ significance level

With regards to compliance through registration with the tax authorities, the results show that both age and males do not have any significant impact on the level of compliance. This may be due to the fact that the tax system does not segregate between gender as well as the age small businesses in their compliance. However, education level is negatively related to compliance level at 1% significance level. This implies that the higher the number of respondents with low levels of educational attainment the less likely their willingness to comply through registration of their businesses with the tax authority since they believe that the tax authorities are only extorting money from them. The results also reveal that although the level of firm turnover does not suggest compliance, the number of years the business has been in operations has positive impact on the level of compliance. This suggest that the longer the firm stays in operations the higher the likelihood of the business firm complying with any tax issues. This evidence suggest that since the firms is interested in sustaining its market reputation, it likely to oblige to the tax system since reputational risk is expensive. Further evidence also reveal that firms that are incorporate are more likely than unincorporated businesses to comply with their tax liabilities.

On the issue of assessment before tax liabilities are fulfilled, the results suggest that a positive association with tax compliance revealing that the more tax official assess businesses before tax liabilities are fulfilled, the higher the likelihood of the businesses to comply with tax payment in the municipality. Contrary to this findings, the results suggest negative association between tax relief and compliance level suggesting that the more respondents are unaware about tax reliefs and incentive the lower their willingness to comply with tax officials. This can be attributed to the fact that respondents are either

not aware or are ignorant about tax issues hence do not have adequate knowledge concerning reliefs and incentive available to tax payers. Also, evidence from the results presented in the table reveal that tax related computation problems negatively influence respondent's compliance level. This may be due to the fact that workshops or seminars conducted by the tax officials are inadequate to inform the businesses on the relevant procedures and processes that will minimize these issues. The significant chi-squared values with the estimated pseudo r-squared values reveal that the independent variables in the models can explain about 49.02%, 46.77% and 52.68% of the changes in the compliance level of businesses in the municipality.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This study surveyed 200 selected small and medium scale businesses in the Sunyani Municipality to examine the business operator's level of tax compliance. The tax avoidance amongst micro and macro enterprises private sector have become a big concern to policy makers in the country hence makes it makes it ideal for an effective policy and infrastructural development for relevant tax measures to cushion firms tax compliance. Little or no attempt has been made to assess the level of compliance among small and medium scale businesses in these territories of the country. Therefore to fill this gap, the study attempts to assess the tax compliance of small and medium scale enterprises in the Sunyani Municipality. The current chapter provides summary and conclusions to the study. Also suggestions for further studies are provided.

5.2 Summary of Main Findings

Evidence from the results reveal that out of the 200 respondents in the survey, males constituted about 58.5%, whiles their counterpart females take on the remaining 41.5% of the total participants. In terms of educational background, about 47.5 have completed tertiary institutions whilst the remaining of the respondents are spread across primary, secondary and vocational form of education.

The consequences of not attending the tax seminars or workshops are however, reflected in the views of the respondents concerning issues related to tax computational problems. The findings denote that since most of the respondents do not patronise seminars and workshops on tax issues hence, deprives the businesses the necessary skills needed to understand the tax procedures and processes.

On perceptions of the respondents concerning tax liability and tax assessments, the findings from the study suggest that most of the businesses are given tax assessment before their tax liabilities are fulfilled. Notwithstanding, evidence from the findings reveal that the level of tax liabilities are too high as compared with their annual turnover of their businesses. This however, influences their compliance level since the respondents believe that the tax authorities are extorting money from them beyond the expectation of the law hence suppressing their business activities.

With regards to compliance through registration with the tax authorities, the results show that the gender delineation is not important to the level of compliance. However, educational attainment is negatively related to compliance level at 1% significance level, implying that the higher the number of respondents with low levels of educational attainment the less likely their willingness to comply with tax authorities. Further evidence from the results reveals that though firm turnover is imperative for tax assessment, it does not suggest compliance. But the number of years the business has been in operations significantly influences the level of firm compliance to the tax system. This is due to reputational risk associated with matured firm. Further evidence

also reveal that firms that are incorporate are more likely than unincorporated businesses to comply with their tax liabilities. The results suggest that the more tax official assess businesses before tax liabilities are fulfilled, the higher the likelihood of the businesses to comply with tax payment in the municipality. Also, evidence from the results presented in the table reveal that tax related computation problems negatively influence respondent's compliance level. This may be due to the fact that workshops or seminars conducted by the tax officials are inadequate to inform the businesses on the relevant procedures and processes that will minimize these issues.

5.3 Conclusion

The results suggest that tax officials need to improve their service to motivate the small and medium scale operators in the municipality. Though the questions included in the survey were fairly basic, the overall results suggest that the respondent's decision to compliance with tax regulations is dependents on certain attitudes that eventually influence the taxpayer's decision. The results show that educational attainment impedes the firms' tax compliance level. Also, further evidence reveals that though firm turnover is imperative for tax assessment, it does not suggest compliance. But the number of years the business has been in operations significantly influences the level of firm compliance to the tax system. This is due to reputational risk associated with matured firm. Further evidence also reveal that firms that are incorporate are more likely than unincorporated businesses to comply with their tax liabilities. The results suggest that if tax official does not assess businesses before tax liabilities are fulfilled, the lower will be the compliance level. Further evidence show that tax related computation problems

impacts negatively on the decision of the respondents to comply with tax regulations. In conclusion, it is evident that the tax compliance is basically a function of the understanding of the fundamental principle of the tax system which is lacking in the case of the small and medium scale operators since they cannot afford to hire competent professionals to handle, they are unable to comprehend with tax associated issues such as the computation of taxes. Research conducted in past decades on similar issues suggests that the systematic lack of tax education impedes tax compliance in developing economies such as the case of Ghana. The lack of education has resulted in serious underpayment of taxes among the informal sector of the economy.

5.4 Recommendations

From the resulting findings, the following measures are recommended for adoption in dealing with tax compliance related issues among small and medium scale operators in the municipality:

It is recommended that the National Commission on Civic Education and in partnership with the ministry of information should undertake sensitization programmes to educate the informal sector on obligations as citizens of the state. The operations and client service units of the Domestic Taxes Division of the Ghana Revenue Authority can adopt these mechanisms to clarifying the tax laws. New legislative instruments for the enactment of any tax policy should be made available through the general public through education. This said, will correct the inconsistencies eminent with compliance

issues in developing countries. Education can also be fostered through primary and second cycle educational curricula to increase the consciousness of the taxpayers.

Since the findings from the study suggest that most small and medium scale businesses are in the dark regarding tax concessions in the form of reliefs and incentives, it is recommended that the tax authorities should introduce reward schemes for taxpayers who comply with tax payment in the municipality as seen in most developed economies.

The researcher also recommends that, until small businesses acquire the necessary expertise, the government should increase mentoring services in the private sector to increase the compliance level. This said the willingness to consult with taxpayers in order to identify the problems faced by small businesses should be embarked upon by the government.

Since the sample size employed in the study is negligible in comparison to the population of small and medium scale operators in Ghana, future studies are encouraged to use large sample size to include most of the regions in Ghana in order to make generalization on the level of compliance of tax among micro and macro enterprises in Ghana. Also, it is recommended that future studies include the cost component of compliance to ascertain how compliance cost influences firms tax decision in Ghana.

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KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

QUESTIONNAIRE

TOPIC:

ASSESSING TAX COMPLIANCE LEVEL OF SMALL ENTERPRISES IN GHANA: THE CASE OF SMALL BUSINESSES IN SUNYANI MUNICIPALITY

Preamble

The questionnaire is aimed at gathering information to assess *Tax Compliance among Small businesses in Ghana: A case study of Sunyani Municipality*. Responses from participants will be employed for academic purpose only and will be treated with much confidentiality. *Please be specific and answer the questions as accurately as possible.* Where necessary, tick the appropriate box (es) provided for each possible answers. Respondents do not have to write their names, telephone numbers or email address.

DIRECTIONS: Please indicate your response to each question by selecting the most appropriate answer for each question.

Demographic Data

1. Gender: Male [   ] Female [   ]
2. Age: 18-20 [   ]   21-30 [   ]   31-40 [   ]   41-50 [   ]   51+ [   ]
3. Marital Status: Single   [   ]   Married [   ]   Divorce [   ]
4. Level of Education   BECE/MSLC [   ] SHS/SCE [   ] NVTI/Com [   ] HND/Degree [   ]
5. Nature of Business: Agriculture [   ] Trading and Commerce [   ]   Printing and Secretarial Service [   ] Tourism and Hospitality [   ]   others (please specify)

6. Ownership type: Sole proprietor [   ]   Partnership [   ]   Limited Liability [   ]

7. Is the business officially incorporated?   Yes [   ]   No [   ]

8. What management type is practiced? Owner manager [   ] Employed manager [   ] Family management [   ]

9. What is the number of employees? Less than 10 [   ]   11 – 20 [   ]   21– 30 [   ] 31+ [   ].

10. Annual Turnover? Less than GH¢1000 [   ] GH¢1000 - GH¢ 5000 [   ] GH¢ 6000 + [   ]

Level of Tax Compliance and Motives

11. Is your business entity registered with any tax authority?   Yes [   ]   No [   ]

12. If yes, which of the following organization(s) have you registered with? Internal Revenue Service [   ]   VAT [   ] Trade Association [   ] District Assembly [   ]

13. How long have you been in business? Less than a year [   ]   1-5years [   ]   6-10years   [   ]   10years+ [   ]

14. Do you keep financial records of your activities? Yes [   ]   No [   ]

15. Do you have other sources of income?   Yes [   ]   No [   ]

16. If yes to (15) above, do you declare your other income to Ghana Revenue Authority?   Yes [   ]   No [   ]

17. Have you ever paid income tax? Yes [   ]   No [   ]

Knowledge of Tax Reliefs and Tax Incentives

18. Do you know of any tax relief? Yes [   ]   No [   ]

19. If yes, which of the tax reliefs do you know?   Child Education [   ] Old age [   ]   Marriage [   ]   Disability [   ]   Aged Dependant [   ]

20. Do you know of any tax incentive?   Yes [   ]   No [   ]

21. If yes, which of the tax incentives do you know? Tax Rebates [   ]   Tax Holidays [   ]   Incomes Exempted [   ]   Capital Allowances [   ]

Tax Education

22. Have you attended any tax seminar by Ghana Revenue Authority?

    Yes [   ] No [   ]

23. If yes, how many times? 1-3times [   ]   4-6times [   ]   7-10times [   ]

24. Do you pay fees for tax seminars organized by Ghana Revenue Authority?

    Yes [   ] No [   ]

25. What language do tax officials use in seminars you have attended? Akan [   ]
    English [   ] Other languages [   ]

26. Do you encounter any problem with the computation of tax?   Yes [   ]   No [   ]

Perception on Tax Assessment

27. Are you given an assessment before tax liabilities are fulfilled? Yes [   ] No [   ]

28. How do you rate your tax liability? Too High [   ]   Moderate [   ] Too Low [   ]

29. Have you ever had to protest against your tax assessment? Yes [   ]   No [   ]

Thank You for Your Contribution