

CHALLENGES OF TAX ADMINISTRATION EVIDENCE FROM GRA- DOMESTIC TAX
OFFICE. A CASE STUDY OF GRA –DOMESTIC TAX OFFICE, KUMASI- ASOKWA

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DECLARATION

We have read the university regulation relating to plagiarism and clarify that this report is our own work and do not contain any acknowledged work from any other source. We also declare that we been under supervision for this report herein submitted.

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ABSTRACT

This Research work seeks to find the Challenges of Tax Administration in the Kumasi Metropolisdomestic tax revenue division (DTRD) Asokwa Branch was used as a case study.

The objective of the research was to find out the problems of tax administration, tax evasion and tools for easy tax administration in Kumasi metropolis. The researcher used questioner and interviews to gather data for the study. Findings were that a tax administrator lacks adequate logistics in their supervisory and monitory role. A number of findings were made, of which are; staff having little or no knowledge in accounting and taxation, no motivation and training of staff, tax payers unable to keep proper records, educational level of the majority of the tax payers being very low . The research work was constrained with the following limitations; tax officers were reluctant to disclose much detailed information to the researcher. It is recommended among others that the challenges revealed are real, and that if the recommendations made are adhered to, challenges of tax administration will be minimized.

This proposed research would basically be focused on public sector organizations such as domestic tax revenue division (DTRD) offices in the Kumasi metropolis.

The type of research would precisely be secondary and primary researches. This is because a secondary research is undertaken with practical goal clearly in sight. It is also to develop corrective researches. Data would be collected from both primary and secondary sources. Also literature on taxation would be taken from journals, newspapers, libraries, internet and other published books.

The questionnaire specially would be distributed to responsible personnel in the choice of institution who have sufficient knowledge and can provide the required information

DEDICATION

We dedicate this work, first and foremost, to the most high God who granted us abundant grace and wisdom in carrying out this work and secondly to our families for all their support in our education. We hope we have made you proud beyond measure.

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We are first and foremost grateful to Almighty God who gave us the strength and wisdom to conduct this study. Our profound gratitude also goes to Mr Samuel A Yawlui, our supervisor, who spared some of her precious time both day and night to guide and supervise us during the conduct of this study.

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CHAPTER ONE

INTRODUCTION

1.0 BACKGROUND OF THE STUDY

Tax is a compulsory, non-refundable unrequited sum of money collected by the state from the citizenry for the socio-economic development of the state. Funds generated from taxation forms the greater percentage of the total revenue of most countries economy. Tax can be grouped into Direct and indirect taxes. Direct taxes are those taxes which are levied on the possession and incomes of persons and profit of organizations whose burden cannot be shifted to someone else. A direct tax includes company tax, capital gain tax, personal income tax and property tax.

Indirect taxes are also taxes which are levied on commodities and whose burden can be shifted to another depending on the elasticity of demand or supply of the goods. These include purchase tax, sales tax, import duties, export duties, excise duty and VAT.

Tax is observe as one major source of revenue for the under developed countries such as Ghana. A critical look at Ghana since independence on 6th March 1957 reveals that the country has persistently relied so much on external sources of funds for its developmental project. It has come to light that the development of a country does not depend exclusively on external sources but the ability of the country to generate founds internally. Direct taxes have been and will continue to be the major source of government revenue in Ghana (the Statesman, Fri, 3rd June, 2005).

Its role in the socio-economic development of the country cannot be over emphasized. It was recognised that the tax system employed to finance government activities may have substantial influence (good or bad) upon the rate and pattern of growth. According to Bird and Old man (1964), the administration of tax system of the country receives relatively slight attention. Often the remarks devoted to administration are the forms of generalities all of which notably come down to the repeated recommendation of improvement.

Richard M. Bird and Milka C de Jansher (1992) wrote that beat tax administration is not simple one that collects the most revenue, but revenue is raised – that most revenue, but how that revenue is raised that is, the effort on equity, on the political fortunes of the government and on the level of economic welfare may be equal important.

In developing countries like Ghana the citizens who do not known the essence of paying taxes try to evade or avoid it wholly. The self-employed, companies and other tax payers consciously evade and avoid the paying of taxes due to their fictitious assertion and assumption that direct tax is an unnecessary liability that the governments intentionally impose on them without the tax payers' interest being taken into consideration.

1.1 PROBLEM STATEMENT

Governments all over the world need revenue to provide the essential service to their countries. This revenue can only be generated through taxation and other incomes.

Unfortunately, there's a misconception on the part of the payer does not allow them to avail themselves for tax payment purposes. They always see the payment of taxes not as a responsibility of the citizen but as something that is imposed on their right. The unwillingness on

the part of the majority of the people to pay taxes including the educated manifest itself in the lack of social amenities in our society. The Domestic Tax Revenue Division (DTRD) of Kumasi Metropolis which happens to be the sole collector of direct tax faces some challenges. The contribution of income tax in the socio-economic development of Ghana cannot be overemphasized. However there's no research to indicate where people are not willing to pay taxes as one of the challenges facing the tax administrator. It is for this reason that all attempts must be made to identify problems what hinders smooth tax administration and help eradicate them. It is for this reason that the researcher decided to undergo this study to ascertain the causes of these challenges and to suggest ways to solve the problems.

1.2 OBJECTIVES OF THE STUDY

1.2.1 General Objectives

The objective of the study is to examine the problems that face Ghana Revenue Authority-Domestic Tax Revenue Division (DTRD).

1.2.2 Specific Objective

To identify the tool that ensures smooth for and easily operation in tax administration

To examine the problems tax administration face

To identify factors that motivates people to pay tax

To examine if Ghana Revenue Authority - Domestic Tax Revenue Division (DTRD) has adequate human resource and logistics

1.3 RESEARCH QUESTIONS

- What tools are used to ensure smooth payment of tax?
- What problems do tax administrators face in tax collection?
- Does GRA- Domestic Tax Revenue Division (DTRD) have adequate Human resource and logistics?
- What are the Factors that motivate people to pay tax?

1.4 SCOPE OF THE STUDY

The research is centered in Kumasi, the second largest city in Ghana and the capital city of Ashanti Region. The researchers have chosen the various branches of Domestic Tax Revenue Division (DTRD) as the case study centers. This project therefore aimed at providing an in-depth knowledge of the characteristics of the Ghanaian tax system, which helps identify the problems and prospects of income tax in Ghana. In the course of the attaining the objective of the study, the researchers undertook a through survey and study of the various stakeholders views about income tax including the government, the consuming public, the manufacturers and distribution agencies. The project work is limited to primary and secondary data on the subject matter in order to provide a general overview of tax administration, the merits, demerits and necessary conditions that should prevail for its' practice. The study is also limited to the Kumasi Metropolis in the Ashanti Region of Ghana considerations have also been given to the Domestic Tax Revenue Division (DTRD) laws and regulations which provide an outlook of the regulatory frame-work binding income tax and it's administration on Ghana.

1.5 THE SIGNIFICANCE OF THE STUDY

This work is done with the anticipation that, once the challenges are identified and better solutions are prescribed for them, tax administration will be smooth and the Domestic Tax Revenue Division (DTRD) will be able to raise enough revenue for the government. This will also make the people be aware of the serious effect that their failure to execute their tax obligation has on the socio-economic development of the metropolis. The study will show the need to educate the general public on the need to pay tax and also the collection of the tax in the metropolis. The study will again, let the Domestic Tax Revenue Division (DTRD) realize the need to equip its staff, educate and motivate them effectively for efficient working mind-set. Moreover the study will help the Domestic Tax Revenue Division (DTRD) to build up and sue appropriate mechanism in the collection of taxes so that their relationship with the community will enhance effective tax system in the metropolis.

1.6 LIMITATION OF THE STUDY

The researcher encountered the financial problems of meeting the cost of materials for the research and paying for transportation as well. Also time for the research is limited.

1.7 ORGANIZATION OF THE STUDY

The study consists of five chapters chapter one, the current chapter, entails the introduction and context of the study which includes the background of the study. Statement of problem, research questions, significance of the study, structure of the study, scope of the study and the limitations of the study. The second chapter is solely on literature review. This is basically the review of the researches that have been done relating to the topic under study by other people. Chapter three

covers the methodology used on obtaining and analysis of data chapter four deals with the analysis and discussions of finding. The last chapter, which is chapter five, comprises the summary, conclusion and recommendations of the study.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

Tax administration, tools for ensuring smooth and easy operation with respect to tax administration and to make recommendations for effective tax administration.

2.1 Short History of Taxation in Ghana

Income tax was imposed in Ghana than Gold Coast by the income Tax Ordinance 1943(ordinance No 27 of1943). This ordinance was amended several times since its enactment. In 1952, the income Tax (Amendent) ordinance 1952 was passed to rectify most of the shortfall in ordinance No27. This was after eight (8) years tax administration. In 1953,by the provision of the 1952 ordinance, a consolidation edition was published. In 1961 a drastic amendment was made to the consolidated edition by Act 68, followed by Act 178 and 197 in 1963, and was sealed off by Act 312 in 1965. A second consolidated edition (The consolidated Tax degree 1996- No 78) was published in September 1966 and the third consolidation edition(The income Tax Degree 1975- SMCD5) was also published in December 1975 (Andah 1987:1).

In the year 2000, a new tax laws was introduced Act 592of 2000 to take case tax administration. That Act consolidates all tax paid in Ghana that is Income tax, Gift tax, Capital gain tax etc. In 1986, the internal revenue department (IRS) was established by the IRS Law PNDCL.143.

In 2009, the Ghana Revenue Authority Act 2009, Act 791 was passed. This Act has merged all the revenue agencies in Ghana in to one body. This GRA has three divisions: Custom division which is in charge of administration of customs duties, the Domestic Tax Revenue Division which is the merger of two former operational divisions- internal revenue service (IRS) and VAT

Services, and is now in charge of administration of domestic tax and support service division (SSD) which provide service such as finance, administration, research ,human resources and information technology.(GRA ACT, ACT 791 2009).

2.2 Meaning of Taxation

Taxation is the system of compulsory contributions levied by a government or other qualified public body on people, corporations and property, in order to fund public expenditure (Microsoft Encarta, 2005).

Taxation is the process of levying of compulsory payments or contributions by the government on individuals, entities and or property to support the cost of government activities. Gbadago (2012), (Unpublished).

The person upon which tax is levied is usually referred to as 'tax payer'. The tax payer could be seen as an individual investor or a limited liability company.

Taxation plays a very key role in revenue mobilization. This in turn requires well-designated tax policies that are translated into clear legislation and are administratively feasible. Perhaps the greatest challenge facing countries is how to improve upon the effectiveness of their tax administration

The amount usually imposed on the tax payer is known as tax. Tax is therefore the financial charges imposed on the tax payer by tax authorities.

Taxation has certain basic aims. For example, to raise revenue, to decrease the consumption of undesirable goods and can also serve as fiscal policy tool during inflation. This research looks at taxation as revenue-raising instrument. It also looks at the challenges of the Internal Revenue Service in an attempt to levy and collect taxes.

Taxation serves as the backbone of Ghana's economy for the mobilization of tax in the country. For instance, in the year 2004, the total tax to the government accounted for 72.70% of the total tax revenue to the state and non-tax revenue accounted for 27.30% of the total tax revenue. Out of the 72.70% tax revenue, direct tax accounted for 23.32% while the indirect taxes accounted for 42.41% and import duties accounted for 18.49 % (the state of Ghana's economy, 2004).

Below are the two types of taxes:

- Direct Tax
- Indirect Tax

2. 2.1 Direct Tax

With reference to the lecture note by Mr. George Obeng Takyi at the University of Education, Kumasi campus, 'Direct tax is referred to as 'tax imposed or levied and is paid by the person or organization on which it is actually levied. Direct tax is generally progressive of which the Internal Revenue Service are more particular with. The incidence and yield are easy to determine and the tax payer knows with certainty what he is expected to pay. Yield increases automatically as wealth and population increases even though the effect on incentives and savings may be considerable and cost of administration may be high as compared to indirect taxes.

In Ghana for instance, the Internal Revenue Service adopt the direct tax system which is progressive as far as mobilizing tax revenue.

The types of direct taxes are:

- Income tax
- Gift tax
- Capital gain tax

2.2.2 Income Tax

Income tax is a type of direct tax imposed on the profit or gains attributed to a person as defined by the law governing such tax system, Internal Revenue Act 2000 (Act 592). The law does not specifically define income. However, it gives an indication of what are seen as income to be taxed.

2.2.3 Gift Tax

Section 110 of Act 592 defines gift as a receipt without consideration or for inadequate consideration. The receipt may constitute certain types of assets identified by the law which may be transferred between persons. Taxable gift means any of the following:

- Assets situated in Ghana such as:
 - i. Building of permanent or temporary nature
 - ii. Land
 - iii. Shares, bond and other securities
 - iv. Business and business assets
 - v. Any means of transportation (land, air, sea)

2.2.4 Capital Gain Tax

Capital gain tax is the taxation of the increase in the capital value of assets between the date of acquisition of the assets and the date of disposal. Tax payers are required to report any capital gain and pay any tax arising there from within thirty days of the realization of an asset.

2.2.5 Indirect Tax

Indirect taxes are taxes collected from someone other than persons or organization responsible for paying the taxes. Indirect taxes levied on the person or organization with the expectation that the tax would be shifted or passed on to another.

Indirect taxes may take the form of specific duty (rate of duty based on fixed or specific amount per some physical attribute of the commodity being taxed). With indirect tax payment of tax is easy and convenient and evasion is difficult.

The types of indirect taxes are,

- Value added Tax (VAT)
- Import and Export duties
- Excise duties
- National Health Insurance levy

2.2.6 Value Added Tax

Value added tax (VAT) is a tax applied on the value that is added to goods and services at each stage in the production and distribution chain imposed under the value added tax(VAT)Act 1998(Act 546). It forms part of the final price the consumer pays for the goods or services.

2.2.7 Import and Export Duties

Import and export duties are levied on items, goods or service, imported or exported out of the country.

2.2.8 Excise Duties

Excise duties are taxes imposed on manufactured items in a country. Examples are alcoholic beverages, log and lumber, building materials (cement, roofing sheets) fuel and energy. Section 56 of Law 330, as amended is to the effect that on application to the Commissioner and subject to such conditions as he may impose, no excise duty shall be payable on any goods manufactured in Ghana and Shipped as stores for consumption outside Ghana on a ship or aircraft proceeding to a place outside Ghana or exported by their manufacturer.

2.2.9 National Health Insurance Levy

The National Health Insurance Levy (NHIL) is a general tax on consumption expenditure imposed under the National Health Insurance Act, 2003 (Act 650). The National Health Insurance Levy is charged on payments for goods and services supplied in Ghana or imported into the country.

2.3 IMPORTANCE OF TAX

With reference to the lecture notes by Mr. George Obeng Takyi, the revenue generated from taxation plays the following important roles in the economic development of a nation or tax jurisdiction. Namely,

(a) Taxation serves a major source of government revenue

- To finance spending programs
- Maintaining law and order
- Protection of lives and property

- Financing infrastructure development and projects of the government of the day.

Example construction of roads, dams, school buildings etc.

(b) Restrain consumption of harmful goods such as alcohol and tobacco which are not good for our health and morality as well.

(c) Protection of infant local industries

(d) Control of certain aspects of the local economy such as,

- Balance of payment
- Fiscal tool to control inflation
- Narrowing budget deficit
- Reduce inequalities arising from the distribution of wealth such as narrowing the gap between the rich and poor.

2.4 Principles of Taxation

A nation's tax system is often a reflection of its communal values or the values of those in power. To create a system of taxation, a nation must make choices regarding the distribution of tax burden. Thus, who pay taxes and how much to be paid and how the taxes collected will be spent.

According to Adams Smith (father of economics) talked about four basic principles of taxation as far as mobilizing tax revenue. Below are the principles:

- Equity
- Convenience

- Certainty
- Economy

2.4.1 Equity

Equity means fairness. Thus, tax must be proportional to one's income (The higher the income the greater the tax and the lower the income the smaller the tax).

In other words taxpayers must contribute in proportion of their abilities (economic resources under one's control). Equity attribute of a good tax system can be seen in the following circumstances:

- Vertical equity
- Horizontal equity

2.4.2 Vertical Equity

Vertical equity is based on ability to pay. A person with higher income levels pays more than persons with lower income levels. It is also concerned with a fair tax rate structure by which to calculate the tax on different amounts of income.

2.4.3 Horizontal Equity

Horizontal equity refers to a tax system where persons with approximately the same income levels pay the same amount of tax.

A good tax system should cause the least inconvenience to the tax payer as well as the tax administrator. Thus, tax payers should not overly suffer in order to comply with the tax laws.

The tax payer must know where and when to pay the tax. A good tax system should be convenient to pay, do not require undue time and cost.

Tax is one of the principles which Adam Smith elaborated on. This implies that the true tax liability must be determined with reasonable certainty or a fair degree of accuracy. The tax collector must not cheat the tax payer whereas, the tax payer must be certain on the rate of tax the time of payment, the place of payment, rights etc. Taxation is not based on arbitrary assessment or extortion.

Finally the tax system should be perceived to be good, the cost associated with the collection and enforcing the tax should form a very small proportion of the tax collected.

2.4.4 Convenience

A good tax should cause the least inconvenience to the tax payer as well as the administrator. Thus, tax payers should not overly suffer in order to comply with the tax laws. The tax payer must know where and when to pay the tax. The place where payment must be made must be easily accessible to the tax payer. Also, the necessary logistics should be available to help the administrator to enforce compliance. A good tax system should be convenient to pay, do not require undue time and cost, example is the PAYE.

2.4.5 Certainty

This implies the true tax liability must be determined with reasonable certainty or a fair degree of accuracy. The tax collector must not cheat on the tax payer whereas the tax payer must be certain on the rate of tax, the time of payment, the place of payment, rights, obligations and possibly the

penalties for non-compliance. Taxation is not based on arbitrary assessment or extortion. The tax administrator must be able to defend his or her position.

2.4.6 Economy

This means that for a tax system should be perceived to be good, the cost associated with the collection of and enforcing the tax should form a very small proportion of the tax collected. A good should be very simple and plain to administer and enforced. It should not create political tension.

2.5 Government and Tax

The effectiveness of any government, at central or local level, depends on the willingness of the people governed to surrender or exchange a measure of control over poverty in return for protection and other services. Taxation is one of the forms of this exchange.

It has been the aim of governments world over to maximize the social and economic satisfaction of their citizens by providing social amenities like good drinking water, electricity, health facilities to mention a few. These government has also got to accelerate economic growth by developing infrastructures like roads, bridges etc. They are also committed to develop their economies by directly establishing industries, irrigation schemes etc.

One of the key issues that face government in modern times is how to finance its entering increasing expenditure. Taxation has become and will always be one of the key sources of domestic public revenue Otieku (1992). It is the major fiscal tool not only in mobilizing the much needed public revenue but also for directing investment flow and other desirable socio-economic behavior. For example, in the year 2004/2005, total tax revenue to the government

accounted for 72.70% of the total revenue to the state and non-tax revenue contributed only 27.30%. Of the total revenue, direct taxes accounted for 47.41% and tax on international trade accounted for 18.41% compared to the developed countries where direct tax contribute greater percentage to the state (The State of the Ghanaian Economy, 2004).

One major trend which is always cited is that from administrative point of view, it is much easier to levy and collect indirect taxes than direct taxes. This is because indirect taxes present less political discouragement to enterprises than direct taxes. Moreover, there is a heavy reliance on indirect tax because it is difficult to identify and tax the sole proprietors (who form the bulk of income earners in Ghana) directly. Mr. D.K. Otioku in a speech delivered as an inter-faculty lecture at the University of Ghana, Legon on March 26, 1992, recounted some of the factors that have always made it difficult to tax the sole proprietors (made up of self-employed artisans, craftsmen, petty traders, portfolio 'businessmen etc.). He cited moving from one place to another, non keeping of proper records of their business operations, non filing of annual returns to the tax authorities either as a deliberate attempt to evade tax, illiteracy, ignorance of the tax laws or the relatively high costs of accountancy and taxation services. These have however, encouraged government to rely heavily on indirect taxes in developing countries to rise

In the World Bank IMF assisted adjustment program, emphasis was placed on the need to reduce fiscal deficits through increased revenue mobilization and reduction in government expenditures. Exchange rate devaluation and the removal of price controls had the effect of realigning the informal and formal sectors of the economy resulting in an increase in the tax base and consequently tax revenues. This has translated into a closure of the expenditure revenue gap even though both sides have been on the increase over the post adjustment period. Net foreign borrowing mainly finances fiscal deficits over 1983 to 1991. Huge deficits in 1992 coupled with

a short fall in inflows resulted in the government resorting to domestic sources mainly the Central Bank for finance. This no doubt contributed to increase in domestic interest rate and inflation in the years that followed. In more recent years divestiture receipt have also become significant financing items (Dordunoo 2000:100-103). However, these non-revenue sources of financing are by their nature temporally and improving the tax system is crucial to macro economic stability and growth.

When it was envisage that oil price increase in 2000 will have adverse effect on Ghana's economy (and therefore the fiscal position), IMF encouraged the government of the day to increase VAT rate 12.5% as a strategy to improve the fiscal position. The oil price in 2000 called into questioned this projection and will put pressure on the government to raise taxes at a faster rate than the originally planned-unless more aid is forthcoming to offset the negative fiscal effect of the terms of trade shock. The government has consistently failed to meet its fiscal target in recent years and this caused into question the realization of vision 2015; considerably catch up is needed to remain on target to meet them. First, as previously noted the divestiture receipt is a short inflow for the government and therefore expected to dwindle in not too distant future.

Finally, the major source of revenue of West African countries particularly Ghana includes:

- Taxation
- Licensing
- Lotteries
- Divestiture
- Royalties
- Court fines
- Revenue from participation in economic activity

- Internal and External Borrowing

2.6 Laws on Taxation in Ghana

Taxation was first introduced into Ghana by the colonel masters in the then Gold Coast as means of raising revenue to finance the ever increasing cost of administering the colonies. It has since then undergoes so many changes and modification to the current tax system in operation.

Tax jurisdiction is an area in which a particular set of tax laws applies. A tax jurisdiction may apply taxes on a source basis or global basis. Component authority in tax jurisdiction is responsible for administering taxes and ensuring that the taxes are collected. Component tax authority could be more than one with each being responsible for different forms of taxes are collected Component tax country. In Ghana, GRA is responsible for taxes such as IRA, 2000 (Act 592), VAT Act, 1998 (Act 546), CEPS management law etc.

In Ghana the source jurisdiction is applied which implies that income is taxable in Ghana as long as its source is Ghana where the source of income is not Ghana, it is not taxable in Ghana where the source of the income is not Ghana for the income to be taxed it must be brought in or received in Ghana to make it subject to tax in Ghana (s.6 of IRA, 2000 (Act 592)).

Sources of Tax rules and laws in Ghana are:

- Domestic Legislations
- IRA, 2000 (Act 592)
- CEPS (Management) Law 1993
- VAT Act, 1998 (Act 546)

2.7 Problems of Tax Administration

Over the past two decades many developing countries have implemented comprehensive reforms of their tax administrations in order to increase revenue and curb corruption (chapter 17, page 2 in the International Handbook on the Economics of Corruption, edited by Susan Rose- Ackerman and forthcoming, 2006).

Despite dramatic improvements in tax collection, and the success of Ghanaian tax collection relative to its neighbors, there is little doubt that taxation remains subject to very large leakages. These leakages are more a question of administration than of policy, which is a reflection of the oft- cited claim that in developing countries “tax administration is tax policy” tax administration is divided among three primary agencies: the Domestic Tax Revenue Division (DTRD), the Value-Added Tax Service (VATS) and the Customs, Excise (Casanegra de Jantscher 1990). David Adom, Commissioner of the Domestic Tax Revenue Division (DTRD) (1998) reported that the rapid growth in the size and form of business conducted over the internet and other communication networks, has raised a number of concerns for the formulation of tax policy and effectiveness of existing administrative procedures and techniques. This is the direct result of the nature of electronic-commerce transactions, which blur frontiers, changes the character of income and result in the loss of audit trail. “These reduce the tax man’s ability to check the accuracy of profits reported by taxpayers and narrow the tax base”, he added. (Accra, Sept 6, 1998, Ghana News Agency)

Adom (1998), mentioned schemes for tax avoidance, irregular flow of resources taxation of the informal sector and the inability to establish the ‘tax court; as other challenges to increased

revenue collection. He expressed regret that some self-employed persons, including professionals and affluent in the society, belong to a category of taxpayers, who contributed only 5.2 per cent of total revenue collection in 1998 while employees contribute 29.8 per cent during the same period. “This poor performance to tax group is due to problems with taxpayer identification, illiteracy and poor record keeping and sometimes, Willful intention of these potential taxpayers to evade tax”

2.7.1 Lack of Taxpaying Culture among Taxpayers

This was partly caused by a tax system perceived as unfair. Relative’s high rates and a complex and partly incoherent set of rules, especially for customs and corporate taxes resulted in large potential rewards for taxpayers willing to bribe to cut their own tax burden and/or speed up customs clearance of their goods (Terpker, 1999)

2.7.2 Low Wage Levels

The poor salaries at the tax administration compared to the private sector invited corruption. The average public employee’s salary in 1989 was about 20 percent of the correspondent salary in the private sector, and was only 5 percent for unskilled staff (fjeldstad and Tungodden, 2003).

2.7.3 Poor working condition and little encouragement

Poor working condition and little encouragement for staff to exercise initiative Working condition were generally characterized by a lack of technical equipment and poor office facilities. Moreover, the criteria for recruitment, promotion, and rewards of staff and management are unclear to substantial discretion (Barber and McLaren, 1997).

2.7.4 Low probability of detection and punishment for corruption

Low probability of detection and punishment for corruption internal auditing and monitoring functions had become for the most part non-operative and infective due to weak management and poor information. In practice, the probability of being detected and punished for corruption was virtually nonexistent. (Barber, 1997)

Two glaring administrative challenges remain. This first is the continued difficulty of achieving full integration of the different tax agencies, as well as effective collaboration with other relevant branches of government. Experience in other countries suggests that one of the most effective means to improve the equitable and efficient collection of revenue is improve information sharing between agencies (Terkper, 1998). He added that, the simple ability to cross reference tax filings across agencies has the potential to more general level, the challenge of tax collection is fundamentally about informational and the ability to draw on multiple information sources to identify taxpayers and their actual tax liability. Thus, being able to draw on information from, among others, the Registrar General, the Department of Vehicle of Licensing and Administration (DVLA) and the Ministry of lands, Forestry and Mines, holds huge potential for improving tax collection through greater knowledge of the assets and activities of taxpayers. Yet these forms of information sharing remain far too limited, owing to bureaucratic infighting, and an overall absence of the political will to bring the assets of high net worth individuals more clearly into the public eye. The second challenge and the most failure is to implement an effective IT system within the Domestic Tax Revenue Division (DTRD). Discussion of the need for improved use of IT has been ongoing for more than a decade and has involved major external pressure as well as important internal voices. Yet, the Domestic Tax Revenue Division (DTRD) remains an almost

entirely manual system. While six offices in Accra have recently been involved in a relatively successful pilot automation program with support from the German development agency GTZ, concerns remain about the willingness of the government to pursue the project at the national level.”

It is possible to point to four general areas of significant revenue loss, though precise estimates of tax incidence are notoriously problematic. The first is a general inability to tax large informal sectors that have most recently been estimated at between 30% and 60% of total economic activity in most developing countries. The second is an inability to tax professionals who provide difficult to monitor service, such as consultancy or legal advice. The third is the difficulty of taxing capital income. This is particularly true when capital income is held overseas, as it is hugely unlikely that such income will be reported, while the tax administration generally lacks the capacity to pursue such cases effectively. The final issue is the inability to tax rental income and property, both of which would be progressive and yield significant revenue. Ghana is generally no different from this overall story, with reasonable levels of corporate tax collection and low levels of income tax collection overwhelmingly drawn from withholding taxes (Bird and Zolt, 2005).

According to Tax Justice Network (2005), Tax avoidance is a significant issue including through false invoicing and trade mispricing. The root of the problem is a lack of capacity to monitor and audit firms, and to amend existing laws when loopholes are identified.

Shepherd and Gyimah-Boadi (2004) wrote, “A major factor impeding tax collection is the lack of identification of potential tax payers. As a result it is those in the formal sector who are burdened with tax with this lack of identity it is difficult to establish tax payers’ income to form of levying tax.

Osei-Dadzie (2009), stated, “The Revenue are poorly equipped. The Domestic Tax Revenue Division (DTRD) is yet to be computerized and even ordinary calculators to work with are lacking in some of the offices. The government has identified such deficiencies and is seriously addressing these problems. For instance in April, I presented some calculators to the Agboghloshie offices of the Domestic Tax Revenue Division (DTRD)”.

2.7.5 Lack of Equipment

Lack of appropriate equipment to work with has resulted in a situation where information on potential tax payers is not even captured. In some circumstances officers collude with taxpayers to cheat the system through quoting lower figures than the state deserves as tax. Some even exploit the ignorance/illiteracy of taxpayer to rob them. Still other does not exhibit high levels of professionalism in treating the tax payers. The concept of customer service is alien to our culture” (Kagina, 2004)

2.7.6 Embezzlement of Tax Revenue

The weak administrative capacity makes it difficult to monitor the numerous payments made on weekly basis. These executives of the groups keep tax collection to themselves and turn them over before paying to the tax authorities. These cause problems of delayed payments. In extreme situations, the executives embezzle monies collected without much action for recovery by the tax authorities.

2.7.7 Cost of Collection Was Exorbitant

The cost of stationery and printing receipt books coupled with commission paid to the executives made cost of collection high in spite of its simplicity in collection. This high cost violates the Adam Smith's economy- one of the four cannons of tax system.

2.7.8 Poor Record Keeping by the Associations

High levels of illiteracy and the low level of education among members of the association, result in poor record keeping by the association making accounting and auditing procedures difficult (World Bank, 2002).

2.8 Tools for Easy Tax Administration

Adom (1998), said there should be a provision in the tax laws to establish a special court to try tax cases. But unfortunately this has not been established, causing delays in the adjudication of tax disputes. He mentioned that a draft bill, designed to bring together all the laws relating to direct taxation, must be prepared and be placed before Parliament for consideration. In addition, he said special taxpayers, and urged the tax-paying public to co-operate with income tax administration by voluntarily providing information on tax-evaders.

Okine (1998) Re-echoed the call by the above authors for increased budgetary allocations to the revenue authorities to enable them to improve their performance to meet national aspirations it's suggested the introduction of stringent provisions in the existing tax laws, including both fines and jail terms for tax evasion and smuggling. The CEPS Commissioner noted that it has almost

become acceptable for people to dupe the system and get away with it and said some seriousness should be made to bear on tax law so that offenders are with drastically.

At a more general level, effective automation of the tax authorities would dramatically improve overall fiscal transparency and capacity of the government to monitor illicit activities. This is particularly important in light of the major oil revenues that will enter the system from 2010 or 2011 (Mckay, 2007).

An efficient and effective tax regime thrives in the presence of well developed 'Para tax professions. In the absence of qualified accountants, auditors etc. whose work impact directly or indirectly on tax administration, the system falter. Accordingly, well trained professionals within the national economy could constitute an integral component in improving the organizational structure of the tax administration (Kagina, 2004).

There are simply too many taxes in our system with some even overlapping. It is suggested that extant tax laws are reviewed periodically with all amendments and changes consolidated. Both tax administrators and taxpayers can have ready and easy access to the updated tax position (Kagina, 2004).

Recruitment of staff should be so designed as to ensure that the Revenue agencies are adequately and effectively staffed. Training is also recognized as an important pre-requisite of efficient and tax administration (Kagina, 2004).

Revenue staff as the organizations greatest assets must be well qualified and well-motivated especially so when the competition is keen. Adequate motivation eliminates or greatly reduces

the incidence of dishonesty and corruption. Not only will staff not engage in activities that may result in a loss to the state but also contribute to taxpayers being more confident in the tax administration (Kagina, 2004).

To enhance the capacity of tax administration, a computerization process has been initiated to computerize all the tax Districts in Accre-Tema Metropolitan Area. Plans are far advanced to open sub-offices and collection points to make the services of the Domestic Tax Revenue Division (DTRD) more available to the tax payer (Osei- Dadzie, 2009).

Terkper, (1998) wrote “Through the assistance of Revenue Mobilization Support (RMS) OF German technical Co-operation. Domestic Tax Revenue Division (DTRD) staff together with staff from the RAGB and a partner visited Tanzania to study their ITAX software developed by GTZ AND Tanzania Revenue Authority for tax administration systems.

At the instance of Government, Domestic Tax Revenue Division (DTRD) staffs have been selected to participate in a World Bank sponsored project on e-Ghana. A major component of this project is e-Government which aims at improving the efficiency of selected Government services through the use of public/private partnerships (Baine, 2006).

To improve on policy analysis in the area of Taxation a Tax Policy Unit (TPU) has been set up at the Ministry of Finance and Economic Planning. It is hoped that the Unit will collaborate strongly with the Revenue agencies, especially the Research and Monitoring Departments, to strengthen their Performance (Baine, 2006).

Potential tax payers and investors can obtain information about their liability to direct taxes. The Domestic Tax Revenue Division (DTRD) has intensified its efforts at educating the public on tax

issues. A key element of the tax administrative reform is to move existing revenue departments out of the Ministry of Finance into a semi-autonomous revenue authority overseen by a fairly independent Board of Directors. The objective behind this move is mainly to provide incentives for the staff to improve its performance and thereby increase revenues (Osei, 2000).

A revenue authority, established outside the civil service system, is not bound to wage rates and employment regulations that apply to other sectors of government (Devas et al, 2001). This means that the Tax Authority, in principle, can pay rates which will enable it to attract and retain highly qualified staff. Hence, there should be consultants involved in setting up the recommended management and professional staff remuneration that should be competitive with the private sector.

The reform should strengthen accounting and internal monitoring systems and curtail the opportunity of tax officers to use their own discretion in dealing with cases. The general scarcity of qualified accountants, lawyers, and IT-experts in Kumasi Metropolis means, however, that the Authority would also have only small numbers of these professionals (Therkildsen, 2004).

Also working conditions for employees should be improved by upgrading offices, expanding computer services, purchasing vehicles, and so on. Thus the initial focus was mainly on internal matters; less attention was paid to the Authority's external relations (Devas et al, 2001).

“Motivation of staff to make them resist any temptation to collude with taxpayers to evade tax is another major challenge faced by tax administrators, an issue which is not often given the attention that it deserves” Mr. Asamoah reported to a forum in 2005 that revenue institutions

have to sometimes organize training sessions for taxpayer on the existing tax laws and regulations and how they affect them.

Annan (2008), wrote that it is very crucial at this time of the nation's development, that education on tax payment is intensified for the public to wake up to its tax obligations. "People will obviously not want to pay taxes if they are not well educated to accept the need to do so.

Drastic measures must be put in place to break the culture of corruption" in the administration. All former revenue staff, including the revenue commissioners, should be transferred to the Authority and employed on a probation basis (Therikildsen, 2004). Benful stated "In summary to ensure that government has enough revenue to undertake its activities, Domestic Tax Revenue Division (DTRD) needs to do the following:

- I. Ensure more efficient tax collection system without necessary adding further burden upon the taxpayer;
- II. Educate everyone in the country on the importance of paying taxes;
- III. Improve the tax administration that is Domestic Tax Revenue Division (DTRD) must ensure all eligible taxpayers file tax returns, have tax revenue programs and administer them fairly and manage the associated risk;
- IV. Enforce existing laws and in this Domestic Tax Revenue Division (DTRD) must produce an enforcement procedures and practice manual;
- V. Reduce corruption and the incidence of revenue intended for government going to line the pockets of officials

- VI. Examine the tax laws and where necessary prepare advice for Government on possible amendments. He added “in my opinion, higher tax revenues can be reached, without additional burdens on businesses, taxpayers and the economy if there is political will to resolve the problems in the current taxation systems introduce a single TIN and reduce corruption by improving upon governance and accountability.

2.9 Organisational Profile of Domestic Tax Revenue Division (DTRD)

The Domestic Tax Revenue Division (DTRD) is one of the very important institutions in Ghana as far as tax administration is concerned. The Domestic Tax Revenue Division (DTRD) has witnessed so much reforms from 1943((i.e. its inception) to date.

There is even the possibility that it might undergo some restructuring in the future to meet the challenges of time.

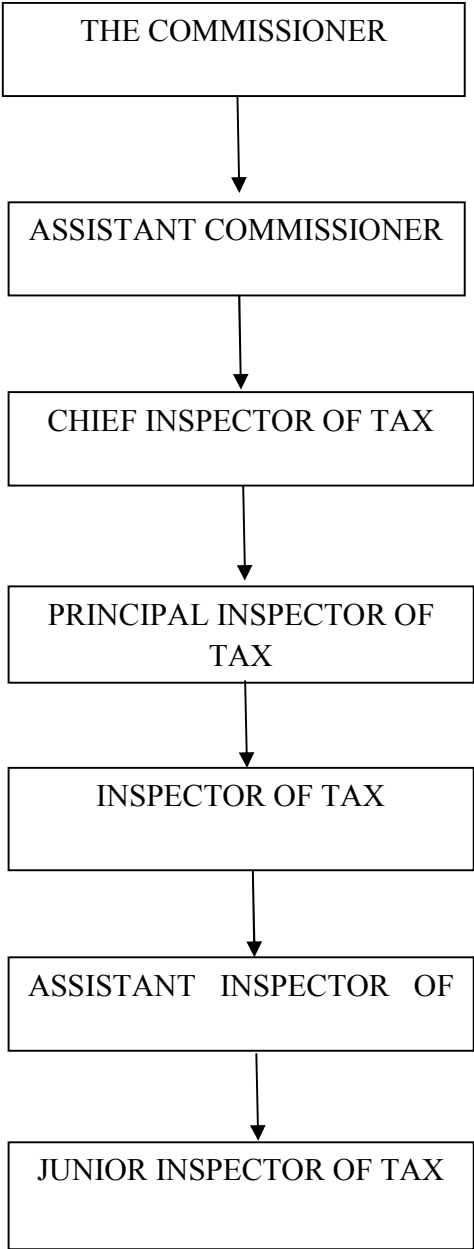
The service was established in 1943 when first formal income tax was imposed

The Domestic Tax Revenue Division (DTRD) as a revenue agency is very strategic in the achievement of national goals. It has therefore embarked on a mission of improving the quality of service delivery to tax payers and the general public through simplifying processes and clarifying rules and procedures.

The objective is to create a customer-oriented revenue collection organization focused in providing quality services to enhance voluntary tax compliance.

Below is the structure of the Domestic Tax Revenue Division (DTRD)

2.9.1 Organisational Structure Of Domestic Tax Revenue Division (Dtrd)



CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter discusses how the necessary data needed for this research was gathered. The section provides information on the research methodology and techniques used to conduct the study. It defines the population from which the sample was selected and describes the sampling procedures used to select the sample size. It also discusses the research design and the method of data collection which mainly involved in-depth interview. Data organization and analysis are also included in this chapter.

The primary source make use of questionnaires, interview, and records written by people who bear witness to an event and also direct observation, participant observation and physical artifacts. The researchers used the following to collecting primary data (i.e. Personal interviews and Questionnaire)

The secondary data was mainly from already existing information and made use of publications such as books, journals, articles, the internet sources and many other already established facts.

3.1 Research Design

The study adopted descriptive research which describes phenomena as they exist. Descriptive research is used to identify and obtain information on the characteristics of a particular problem or issue. Under the descriptive research, data collected is often quantitative and statistical techniques are used to summarize the information. This approach was adopted to gather the data

because it helps to get opinions, attitudes and description. Also the researcher collected data on one occasion with the same respondents rather than on the same subject at different times.

3.2 Population and Sampling

3.2.1 Target Population

Welman and Kruger (1999:18) contend that “a population encompasses the entire collection of cases (or units) about which we wish to make conclusions.” The above definition is supported by Huysamen (1998:2), who described a population as “the total collection of individuals who are potentially available for observation and who have the attributes common to those which the research questions refer”. The target population of this study is staff and taxpayers of Asokwa Domestic Tax Revenue Division (DTRD)

3.2.2 Sample Size

Saunders *et al.* (2007) indicated that the size of the sample and the way in which it is selected will definitely have implication for the confidence you can have in your data and the extent to which you can generalize. Owing to the fact that the population of Asokwa Domestic Tax Revenue Division (DTRD) is very large, the study selected sixty (60) staffs and sixty (60) taxpayers which fell with the target group. Sample size selection was based on the reliability of the response.

3.2.3 Sampling Techniques

Sekaran (2003) wrote that sampling is the process of selecting a sufficient number of elements from a population so that by studying the sample and understanding the properties or

characteristics of the sample, researchers will be able to generalize the properties of the sample to the population. Convenience sampling was used to select the respondents. With this, sampling is chosen for ease or convenience rather through random sampling. This is often used at least in pilot studies or short term projects where is insufficient time to construct a probability sample. This ensured that all categories of employees and customers have the chance of being selected as respondent. It was used to ensure greater representation thus, avoiding any significant bias on the part of the researchers.

3.3 sources of data

The researchers collected data for the study from two main sources. These sources are primary and secondary sources of data.

The primary sources of data are those collected by the researcher through the administration of questionnaires and interviews granted. They are first-hand information collected by the researchers.

The secondary data are data collected by the researcher from magazines and other sources like quotes by researchers on this topic. They were already in existence.

3.4 Data Collection Instruments

3.4.1 Questionnaire

In this study, questionnaires were used as the primary research instrument. The questionnaires included mostly closed- ended type of questions (pre-coded) that make it simpler for the respondents and also for easy analysis. The nature of the study was explained to respondents, and

respondents' confidentiality of any information provided was also assured. Respondents were provided with detailed instructions as to how the questionnaires will be completed and returned. The rationale behind providing clear instructions and assuring confidentiality of information was based on the fact that, this significantly reduces the likelihood of obtaining biased responses (Sekaran, 2003).

The questionnaire used is in two folds. The first fold is designed for staffs and the second fold for taxpayers.

3.4.2 Unpublished and Published Data

Secondary sources of data collection were obtained for additional information. The study relied on both unpublished and published data such as, articles from academic journals and the internet which were related to the topic. Sources of all secondary data are duly acknowledged at the reference section of the research. The Internal Revenue Act, Act 592, 2000 was an invaluable source of information.

3.5 DATA ANALYSIS

The data so collected was analyzed using percentages, tables and bar charts. The data were analyzed with regards to the two units (DTRD and the sole traders). Tables were used to make reading very easy. Explanations were given to throw light on some of the tables to promote further understanding of the results of the presentation and manual calculator will be used. Finally, the analyses data was summarized in Chapter five.

CHAPTER FOUR

RESULTS, PRESENTATION, ANALYSES AND DISCUSSION

4.0 Introduction

This chapter looks at how the data collected was being analyzed. The data was analyzed with respect to each of the units selected (the Domestic Tax Revenue Division (DTRD)) The data was analyzed with respect to the following objectives of the study:

- To identify the tools that ensures smooth for and easily operation in tax administration in Domestic Tax Revenue Division (DTRD)
- To identify factors that motivates people to pay tax.
- To examine if GRA has adequate human resource and logistics.
- To examine the problems tax administrations face.
- To examine the problem that face GRA- Domestic Tax Revenue Division (DTRD)
- To find an efficient and effective way of collecting taxes. The two units of analysis will however be treated separately in respect of the focus of the individual questionnaires.

Twenty questionnaires were distributed to the respondents at the Domestic Tax Revenue Division (DTRD) and all of them were returned. The objectives of the questionnaires were to find out the financial as well as the employee-needs of the service.

4.1 Background of Respondents

The respondents were asked some question concerning their background. The table below shows the results.

Table 4. 1: Age of Respondents

Age Group	Freq.	%
18-25	15	25
26-40	25	42
41-60	11	18
61 &above	9	15
Total	60	100

Source: Field Study, June, 2013

From table 4.1, the result show that majority of the respondent 42% are between the ages of 26 - 40 years. Only 15% are 60 and above , which may imply that older people are either not engage in income generating activities or are evading tax.

Table 4. 2: Marital Status of Respondent

Status	Frequency	Percentage (%))
Single	9	15
Married	48	80
Divorce	3	5
TOTAL	60	100

Source: Field study, June, 2013

The result from table 4.2 showed that 80% of tax payers are married while only 15% of them are single. This may be because most young people are not engage in income generating activities.

Table 4.3: Educational Background of Respondents

Level	Freq.	%
Basic	41	68.34
Tertiary	14	23.33
Others	5	8.33
Total	60	100

Source: Field study, June, 2013

Table 4.3 present the Educational Background of the respondent. From the table, one can see that 68.3% of the tax payers have only basic education while only 23.3% of those who have tertiary education pay tax. This finding suggests that people who are highly educated are not pay tax as expected.

Table 4.4: Male Employees

Age Group	Freq.	%
20-30	13	18.6
30-40	18	25.7
41-50	30	42.9
51and above	9	12.8
Total	70	100

Source: Field Study: June 2013

The result as depicted by table 4.4 showed that majority of the male employees of DTRD are between the ages of 41-50 years, while 18.6% are below 30% years. These findings suggest that

majority of the employees are almost getting to the retired age at the same time, the young employees are very few which less than 20% is.

Table 4.5: Female employees

Age Group	Freq.	%
20-30	6	30
31-40	4	20
41-50	7	35
51and above	3	15
Total	20	100

Source: Field Study, June, 2013

The female employees painted a different picture. Have only15% of female employee are above 50% years while 50% are below 40years. When compare with male counterpart, one can see that 44.3% of the male are below 40 years.

4.2 Staffing Issues

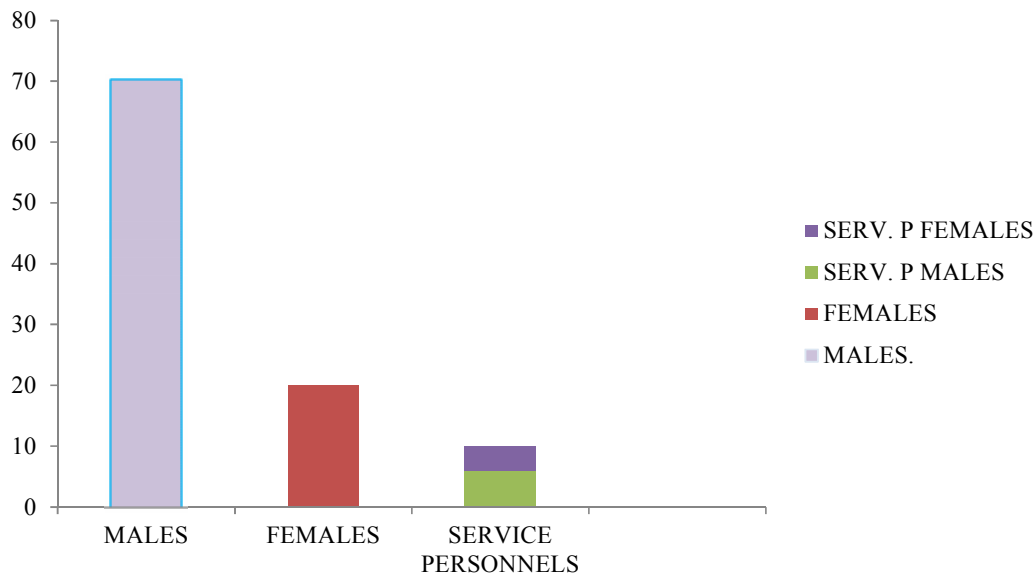
The total number of staff in the Domestic Tax Revenue Division (DTRD) was Hundred (100). Out of the total number, Seventy Percent (70%) were males and Thirty percent (20%) were females and the remaining Ten Percent (10%) were national Service Personnel.

Table: 4.6 Distribution of staff

NUMBER OF STAFF	PERCENTAGES (%)
MALES	70
FEMALES	20
NATIONAL SERVICE PERSONNEL:	
MALES	4
FEMALES	6
TOTAL	100

Source: Research Survey June, 2013

This is shown in the bar chart as follows:



4.3 Problem That Domestic Tax Revenue Division (DTRD) Faces

Factors that staff of DTRD face is explained below, 35 respondents thus 58.33% disagreed to the question that “do tax payers file their return on time”; 10 respondents representing 16.67% agreed to the question that does the staff of DTRD have sufficient tools used in assessing tax payers and the remaining fifty respondent representing 83.33% disagreed. On the question on if the number of staff is sufficient for the work, 15 respondents representing 25% of the sampled agreed to question while 45 respondents representing 75% disagreed.

Table: 4.7 Response on Problems Faced By Tax Payers

Factors	Yes response	No response	Percentage	
			Yes%	No%
Satisfaction with assessment method	18	42	30	70
Awareness of tax relief	11	49	18.33	81.67
Convince of payments	24	36	40	60

4.4 Registered Business with the Domestic Tax Revenue Division (DTRD)

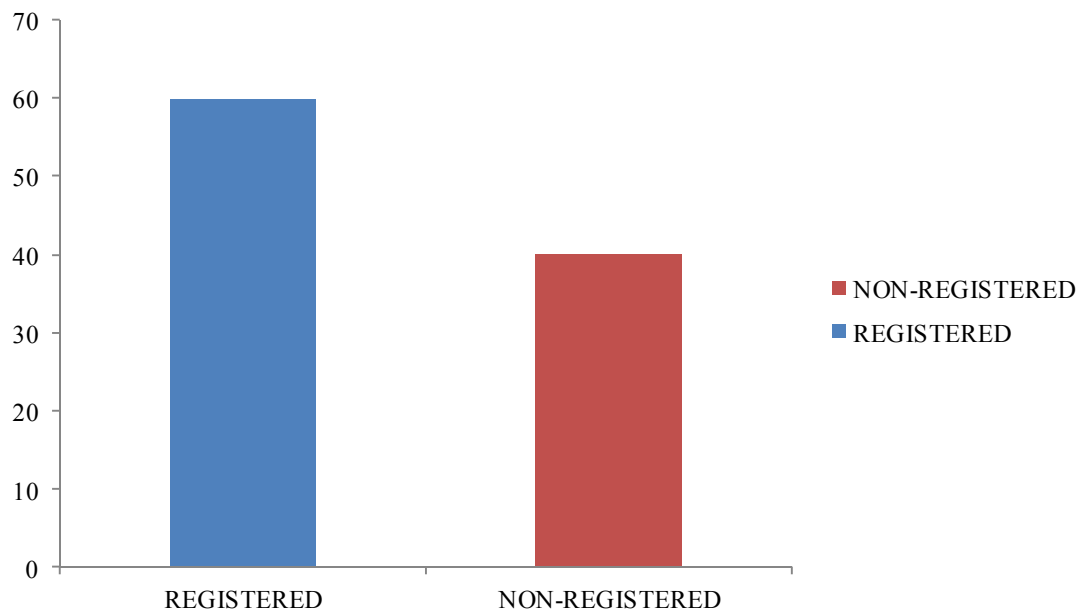
There are thousand five hundred (1500) businesses within the area. Out of the total number, Nine Hundred which represent Sixty percent (60%) have registered with the Domestic Tax Revenue Division (DTRD) and the remaining Six hundred have not.

Table: 4.8 Data showing the registered business with the Domestic Tax Revenue Division (DTRD)

DTRD REGISTRATION	NUMBER OF BUSINESS	PERCENTAGE (%)
REGISTERED	900	60
NON- REGISTERED	600	40
TOTAL	1500	100

Source: Research Survey May 2013

This can be illustrated in the Chart below:



The Domestic Tax Revenue Division (DTRD) admitted that they encountered problems in collecting the taxes of which the causes were:

- Ignorance of the tax returns
 - Delay in filling returns
 - Negligence in filing returns
- Inability of the government to put all the tax laws in one book

4.9 Keeping of records of the Business

Response	Frequency	Percentage
Yes	15	25
No	30	50
Indifferent	15	25
Total	60	100

Source: Field study, June, 2013

The table explains what type of records traders in the Metropolis keep. Out of the sixty (60) respondents, fifteen (15) people representing 25% keep records of their businesses. Thirty (30) people, representing 50% form the large part of the respondents keep no form of records. This implies that, most traders do not keep records of their businesses. These respondents have little or no basic education at all. Their reason was that, they do not know how to keep any records and cannot afford to pay somebody to do that since it will be costly.

4.5 Problems OF Tax Administration

According to the officials of Domestic Tax Revenue Division, so many problems have been encountered in the general administration of tax in Ghana and the Kumasi Metropolis is not excluded. Various comprehensive reforms in tax administration have been implemented but could not solve the problem. They also hinted that despite dramatic improvement in the tax collection, the success of Ghanaian tax collection and for that matter Kumasi Metropolis remains subject to very large leakages. These leakages are as a result of weak administration, which is a reflection of the oft-cited claim that in developing countries “tax administration is tax policy”. Tax administration is divided among three primary agencies, the Domestic Tax Revenue Division, the Value Added Tax Service (VATs) and the Custom Excise and Preventive Services (CEPS).

They said some of the problems are from the government, according to them, due to their manifesto and promises given to the people, they will want to do something to show their appreciation to their followers and so implement certain policies which will hinder the progress of measures already been put in place.

4.6 Problems Faced by the GRA in Tax Administration

Almost all the respondents said there is designed software to assist in the administration of tax. The manual way of computing tax is practiced.” This really delays operation” said some of them. Some also said tax payers do not comply with them. Another salient point raised by the respondents is the bureaucracy in the system. They said this is causing problems in administration of tax. Some top officials said lack of well-trained personnel is also a serious problem. Respondents said there are not enough logistics and sufficient staff in the service. They also said high illiteracy rate on the part of tax payers poses problems in the administration of tax. Another problem is the improper bookkeeping on the part of tax payers.

4.7 Logistics

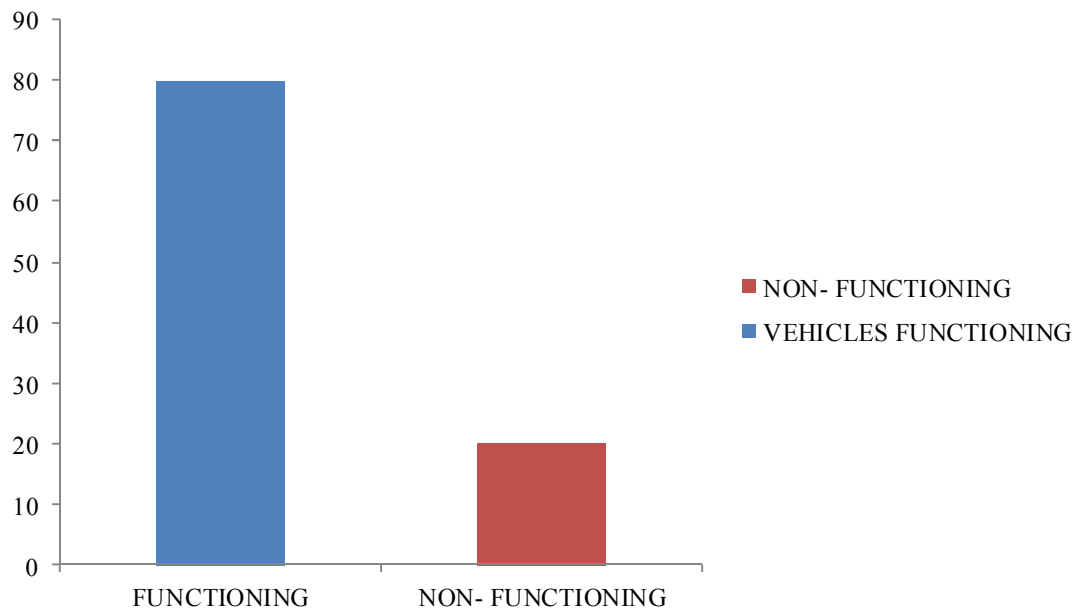
The research findings showed that the Domestic Tax Revenue Division (DTRD) was furnished with inadequate logistics such as stationery like pen, papers etc. computer to carry on the daily activities, provision on equipment which will aid in the collection of taxes by tax officials. For instance, there were Hundred (100) vehicles parked in front of their compound but Eighty (80) of them were outmoded which needs replacement and only Twenty (20) were working which were used to carry on educational programs on the need to pay taxes regularly and this is shown in the table below:

Table: 4.10 Data showing the number of vehicles functioning at the Domestic Tax Revenue Division (DTRD)

DTRD VEHICLES	NUMBER OF VEHICLES	PERCENTAGE (%)
FUNCTIONING	80	60
NON- FUNCTIONING	20	40
TOTAL	100	100

Source: Research Survey June, 2013

This can be illustrated on the chart below:



4.8 Condition of Service

The organizational findings showed that the employees who are understaffed in the Domestic Tax Revenue Division (DTRD) are not motivated enough if they perform any overtime work and due to this their relationship with management is not encouraging. Allowances to be paid to the national service persons and the attaches are also not encouraging.

4.9 Action Taken Against Tax Defaulters

Respondents said invitation notes are issued to tax payers. Locking of premises of workers is the next step when tax payers refuse or default tax. “Charging of penalties serves as a deterrent to others”, they said. Some also said refusal to issue them with Tax Clearance Certificate which is so important to them will boost them to pay tax. Most of them said arranging them before law court should be the last option.

CHAPTER FIVE

SUMMARY, RECOMMENDATIONS AND CONCLUSION

5.0 Introduction

In this chapter, the researcher summarizes the study, make recommendations and conclude for further research works.

5.1 Summary of Findings

It is undeniably clear that, the progress and development of every nation depends largely on her internally generated funds. A country is to generate the major part of her revenue internally for development. It is also clear that, for a developing country, the larger portion of its funds generated internally would come from taxation.

Unfortunately, as the study has revealed, as much as it is difficult to get tax payers for tax assessment and payment. Tax administrators also face some challenges in their work. The factors which influence this can be ascribed partly to the tax payers, partly to the tax assessment staff and partly to the authorities.

The study showed that, the educational level of majority of tax payers is low. Because of this, they see no reason to pay taxes. Again, they are unable to keep proper records of their day to day transactions.

As the analysis further revealed, some of the tax assessment staff have little or no knowledge in accounting and taxation. For this reason, they lack the ability to educate tax payers on the need to pay tax and the importance of taxes. This affect those immensely in the tax assessment work. Majority of them are also not committed to the work since they are not motivated enough. Again,

they also do not establish any cordial relationship with the tax payers which intimidate the tax payers in approaching the tax officials.

The study further revealed that, motivation and training are some of the tools used to get the best from any staff. However, tax authorities do not motivate them enough to get the best out of them. They are also not given regular training to improve upon their skills. Another point is that, some tools that would have eased their work are not supplied by the tax authorities which impede their operations.

Though majority of the GRA staff contacted have received some form of training since joining the department and some still have not received any sort of training at all.

Furthermore, the study revealed that the GRA lack the necessary logistics needed for smooth operation of the work.

In addition, the study showed that, tax payers do not honor their work tax obligation as is expected of them. Thus, the study revealed that there is a deliberate act on the part of tax payers, partly due to ignorance and partly due to lack of education.

The study revealed that the actions taken against tax defaulters are so sensitive that it does not have the desired impact on tax payers in order to meet their obligations.

The study further revealed that, majority of the self-employed are in their prime ages that, if the right mechanism are put in place, are expected to contribute immensely to the national coffers.

Deliberating on whether sole traders have registered their business, the study revealed that, some business owners do not even know the reasons why they have registered their business.

On benefits they receive from the payment of taxes, the study revealed that, tax payers claim not to receive any sort benefits from paying taxes.

5.2 Recommendations

Based on the study and findings, the researchers have made the following recommendations which if adhered to will in the long run help reduce significantly the challenges in the administration of income tax in Ghana by Ghana Revenue Authority (GRA).

The finding suggest that majority of the employees are almost getting to retiring age and the young employees are few , in the researchers' opinion the GRA need to employ more young skill people to replace them in order to speed up the work. GRA should make it a point to organize a forum for the tax payers in which they will be educated on the need to pay tax. This, the researchers believes will help change the mindset of tax payers as far as tax payments are concerned.

The tax payers should also be well informed that through the taxes they pay, the government is able to provide some social amenities and infrastructures like schools, hospitals, roads etc. They should be made aware that, all these facilities involve a lot of money which without the collective contribution of all cannot come into being. Again, the tax payers should be taught some basics in record keeping so that they will be able to keep records of their day to day activities and transactions. This will help the traders in determining the growth rate of their business and at same time ease the work of the tax assessment staff of the GRA.

Traders who default in the payment of taxes should be made to face the full consequences of their acts to serve as a deterrent to others.

The GRA should make it a point to organize educational program for its staff and effective in-service and on-the-job training for the public who are paying the tax.

The staff should also be educated to use their office to intimidate the public but act cordially with them to create conducive environment in the long run. The GRA should provide the necessary tools which will ease the work of the GRA staff vehicles, computers, built-in-software and the public address system. These facilities will ease their operations.

The GRA authorities should put in place proper incentives packages to motivate the staff to give out their best. Examples of such mechanisms are free transportation, free medical care, overtime allowances, promotion of hardworking staff, free canteen services, scholarship for wards of hardworking staff, etc.

The GRA should maintain strict methods of punishment on those who default in the payment of the taxes. This will deter others from defaulting in payment of taxes.

A key element of the tax administrative reform in Kumasi is to move the existing revenue department out of the Ministry of Finance into a semi-autonomous revenue authority overseen by a fairly independent board of directors. The objective behind this move is mainly to provide incentives for the staff to improve its performance and thereby increasing revenue (Osei, 2000)

A revenue authority, established outside the civil service system, is not bound by wage rate and employment regulations that apply to other sectors of government (Davas et al, 2001:p.214). This means that the tax authorities in GRA in principle can pay rates which will enable it to attract and retain highly qualified staff. Hence, there should be consultants involved in setting up the recommended management and professional staff remuneration that should be competitive with the private sector.

The reform should strengthen accounting and internal monitoring systems and curtailed the opportunity of tax officers to use their own discretion in dealing with cases. The general security

of qualified accountants, lawyers, and IT experts in Kumasi means, however, that the authority would also have only small numbers of these professionals (Therkildsen, 2004, p.71).

Also working conditions for employees should be improved by upgrading offices, expanding computer services, purchasing vehicles for services and so on. Thus, the initial focus was mainly on internal matters, less attention was paid to the Authority's external relations (Devas et al, 2001, p.215).

“Motivation of staff to make them resist any temptation to collude with taxpayers to evade tax is another major challenge faced by tax administrators, an issue which is not often given the attention that it deserves” Mr. Asamoah reported to a forum in 2005 that revenue institutions have to sometimes organize training sessions for taxpayer on the existing tax laws and regulations and how they affect them.

Annan (2008), wrote that it is very crucial at this time of the nation's development, that education on tax payment is intensified for the public to wake up to its tax obligations. “People will obviously not want to pay taxes if they are not well educated to accept the need to do so.

Drastic measures must be put in place to break the culture of corruption” in the administration. All former revenue staff, including the revenue commissioners, should be transferred to the Authority and employed on a probation basis (Therikildsen, 2004). Benful stated “In summary to ensure that government has enough revenue to undertake its activities, Domestic Tax Revenue Division (DTRD) needs to do the following:

- Ensure more efficient tax collection system without necessary adding further burden upon the taxpayer;
- Educate everyone in the country on the importance of paying taxes;

- Improve the tax administration that is Domestic Tax Revenue Division (DTRD) must ensure all eligible taxpayers file tax returns, have tax revenue programs and administer them fairly and manage the associated risk;
- Enforce existing laws and in this Domestic Tax Revenue Division (DTRD) must produce an enforcement procedures and practice manual;
- Reduce corruption and the incidence of revenue intended for government going to line the pockets of officials
- Examine the tax laws and where necessary prepare advice for Government on possible amendments. He added “in my opinion, higher tax revenues can be reached, without additional burdens on businesses, taxpayers and the economy if there is political will to resolve the problems in the current taxation systems introduce a single TIN and reduce corruption by improving upon governance and accountability.
- The needs to motivate the staffs and the taxpayers.
- Recruitment of more staffs for the work.
- Repairs and maintenance of logistics, such as vans computers etc.
- Employing more young experience and skillful people to replace the retiring age.

5.3 Conclusions

As much as a country can benefit from external sources, her major reliable source of funds is the one generated internally. In a developing country, taxation is one of the major forces behind which the country can develop. Whiles GRA is one of the agencies which can mobilize such funds for the benefit of the nations; it is not easy to find tax payers for assessment and eventually to pay their taxes. The researchers are fully convinced that, if all suggestions are fully implemented, it will go a long way for the maximum benefit of taxation.

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APPENDIX A
CHRISTIAN SERVICE UNIVERSITY COLLEGE
DEPARTMENT OF BUSINESS ADMINISTRATION (ACCOUNTING)
PROJECT WORK QUESTIONNAIRE
QUESTIONNAIRE FOR DOMESTIC TAX REVENUE DIVISION (DTRD) STAFF

I am a student from the accountancy department of Christian Service University College. I am conducting a student's project work on the topic "Challenges of Tax Administration in Ghana: A case study of GRA- Domestic Tax Office Kumasi.

I would be very grateful if you could provide me with the following information. You are assured that any information will be treated CONFIDENTIAL. Thank you.

Please, tick [] appropriately and give explanation where necessary.

1. Sex: Male [] Female []
2. Age: A. 20-25 [] B. 26-30 [] C. 31-35 [] D. 36-40 [] E. 41-50 [] F. 51 G. ABOVE []
3. Level of education: Basic [] Secondary [] Tertiary []
4. Do taxpayers file their returns on time? Yes [] No []
5. If yes when do they file returns? Monthly [] Quarterly [] Half-yearly [] Yearly [].
6. Is the number of staff sufficient for the work? Yes [] No []
7. How many staff do you need for the office?
 - a. 15
 - b. 20
 - c. 35
 - d. Other
8. Do you have sufficient tool used in assessing taxpayers?
Yes [] No []

9. How often do you educate taxpayers on the need to pay tax?

- a. Monthly []
- b. Quarterly []
- c. Yearly []
- d. Always []
- e. Do not at all []

10. Which of the following tax reliefs do you grant to taxpayers?

- a. Marriage []
- b. Aged []
- c. Life Assurance []
- d. Personal []

11. Have you ever had any misunderstanding with taxpayers in the operation of your duty?

Yes [] No []

12. Do you have means of transport?

Yes [] No []

APPENDIX B
CHRISTIAN SERVICE UNIVERSITY COLLEGE
DEPARTMENT OF BUSINESS ADMINISTRATION (ACCOUNTING)
PROJECT WORK QUESTIONNAIRE
QUESTIONNAIRE FOR TAXPAYER

I am a student from the accountancy department of Christian Service University College. I am conducting a student's project work on the topic "Challenges of Tax Administration in Ghana": A case study of GRA - Domestic Tax Office Kumasi."

I would be very grateful if you could provide me with the following information. You are assured that any information will be treated CONFIDENTIAL. Thank you.

Please, tick ☐ appropriately and give explanation where necessary.

1. Sex: Male ☐ Female ☐
2. Age: A. 20-25 ☐ B. 26-30 ☐ C. 31-35 ☐ D 36-40 ☐ E. 41-50 ☐ F. 51-ABOVE ☐
3. Marital Status Single ☐ Married ☐ Other Specify
4. Level of education: Basic ☐ Secondary ☐ Tertiary ☐.
5. Number of years in the business? 1-5 ☐ 6-10 ☐ 11 and Above ☐
6. Do you understand the tax assessment?
Yes ☐ No ☐
7. Are you satisfied with the current method of tax assessment? Yes ☐ No ☐
8. How often do you pay your tax? Monthly ☐ Half-yearly ☐
9. Is the timing of your payment convenient? Yes ☐ No ☐
10. Where do you pay your tax?

DTRD Office []

District Assembly []

Kiosk erected by DTRD []

Mobile DTRD office []

11. Do you keep records on your business activities? Yes [] No []

12. Are you aware of tax relief? Yes [] No []

13. Have you ever applied for tax relief? Yes [] No []

14. If yes, which of the following?

Marriage []

Old age []

Child Education []

SSF []

Life Assurance []

15. Which of the following motivate you to pay tax?

- a. Provision of school
- b. Provision of hospital
- c. Repairs and maintenance of market places
- d. Provision of sanitation facilities in the city

16. Which of the following reasons makes you not to pay tax?

- a. Access to tax office
- b. Embezzlement
- c. Difficult to understand the tax system
- d. Tax collectors do not educate us well