

CHRISTIAN SERVICE UNIVERSITY COLLEGE

EXPLORATORY STUDY OF TAX RELIEF

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STATEMENT OF AUTHENTICITY

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

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SUPERVISOR'S DECLARATION

I hereby declare that the preparation and presentation of the dissertation were supervised in accordance with the guidelines on supervision of dissertation laid down by Christian Service University.

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Abstract

Every government urges its citizenry to pay tax. In order to encourage them to pay their taxes promptly, tax relief is introduced so that they will declare their incomes for assessment and consequently enjoy the tax relief to ease them of their tax burdens. The main objective of this study is to explore the awareness of tax relief. The study came out that a greater number of Ghanaian workers are aware of the existence of tax relief yet only a handful of them have applied for it.

The study was conducted using primary data. The main tools used were questionnaires and face-face interview. A number of questions were sent to workers in the banking, teaching and forestry industries. Out of the ninety-one (91) people, sixty-five (65) of them are aware of the existence of the relief whilst twenty-six (26) said they are not aware of it. Again we also found out that out of the ninety-one (91) people, only eleven (11) said they have applied for it. The remaining eighty (80) people said they have not applied for it. This clearly shows that people are aware of the existence of tax relief but they deliberately don't want to apply for it. The reasons given were that the amount involved is nothing to write home about. Others were of the opinion that the process involved is too cumbersome.

The study also realized that the personnel of Ghana tax revenue division are not adequately motivated. This explains why most of the Ghanaian workers are not applying for the tax relief because the workers are not motivated so they don't go out to encourage Ghanaian workers to apply for the relief.

The final analysis of our study through the questionnaires and face to face interview came out that 48.1% of all the people we contacted were in favour of the tax relief whereas the majority of 51.9% said they were not in favour of the tax relief.

The use of tax relief in revenue collection is to offer different ways for taxpayers to resolve their tax liabilities based on their unique financial situation and facilitate increase in government revenue. From the study, it was realized that this purpose has not been entirely achieved. We call on the government and other agencies responsible for formulation and review of this program for effective implementation.

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Dedication

This research work is dedicated to God Almighty.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND

Governments all over the world have used taxation as a major tool to raise revenues to fund its objectives. For instance, leaders in centuries past have raised revenues through the imposition of taxes to fund war expenditures. In modern times, revenues from taxes are used to provide social infrastructure/ amenities such as roads, schools, hospital and public services for the benefit of the citizenry, attraction of foreign investment through tax holidays, discouragement of the use and production of certain harmful products such as cigarette, hard drugs, alcoholic beverages etc. to humans and the environment by imposing high rate of taxes. Encouraging individual workers to pay tax by introducing tax relief. The Domestic Tax Revenue Division (DTRD) is forced to work with each taxpayer to find a resolution to the taxpayer's past-due tax liability, based on that taxpayer's unique and specific financial situation. Therefore, in order to facilitate effective tax collection, the DTRD offers several tax relief programs to taxpayers with past-due income tax liabilities. The purpose of these various tax relief programs is to offer different ways for taxpayers to resolve their tax liabilities based on their unique financial situation.

A tax relief is an approved deductible allowance intended to reduce your taxable income and thereby lessen your tax burden. Your personal circumstances are always taken into consideration. For example, a married person with children attending school will normally be harder pressed than a single person with no dependants. Therefore in all progressive tax administrations, as obtains in Ghana, your position in relation to your commitments is considered by DTRD to lighten the tax burden.

1.2 PROBLEM STATEMENT

The Domestic Tax Revenue Division is task to collect revenue in the form taxes on behalf of the nation for national development. The major sources of most government revenue come from tax.

This is the reason why revenue collection agencies and divisions are setup in every city, town and districts in the country. As a matter of fact, targets have been given to every division to achieve in a year. These agencies are mainly responsible to collect revenue finance government developmental machinery to improve the living standard of the people. Aside this main responsibility, they are task to provide special allowance packages such as capital allowance to companies, tax relief to individuals. These allowances are to reduce the tax burden and encourage institutions and individuals to pay taxes for national development.

The question here is, has the introduction of tax relief brought about significant change or impact on the Ghanaian worker? There is the need to explore the awareness of tax relief or incentives relating to Ghanaian workers.

1.3 OBJECTIVES

Government, through the implementation of various tax policies by using the collecting agencies has mobilized funds. It has also tried to create awareness on reasons and importance of paying taxes but these seems not to have gone well with the people. This study is;

- To investigate the awareness of tax relief or incentives relating to Ghanaian workers
- To assess the procedures for application of tax relief on Ghanaian worker
- To analyse the various tax relief available to the Ghanaian worker.

1.4 RESEARCH QUESTION

To successfully carry out the research, answers to questions on the subject matter are sought for. In view of that, the following serves as the research questions to the study;

- Are Ghanaian workers aware of the existence of tax relief and is there enough education on it.
- What is the impact of tax relief on the individual?
- What account for the Ghanaian employees not applying for tax relief?
- What type of relief are available
- What procedures are there to apply for tax relief

1.5 SIGNIFICANCE AND RELEVANCE OF THE STUDY

The impact of the tax relief on the economy will help improve policy formulation for the DTRD and also offer different ways for taxpayers to resolve their tax liabilities based on their unique financial situation by granting them reliefs to lighten the tax burden. Tax student will find it stimulating enough and encourage them carry out further studies in this area and also increase the store knowledge in this area.

1.6 SCOPE OF THE STUDY

The research exercise was centered mainly on the Domestic Tax Revenue Division, a revenue collection institution in Ghana and the general workers in Kumasi.

1.7 LIMITATIONS OF THE STUDY

The following limitations were encountered during the research exercise;

- ✓ **Lack of Data:** Most workers were not having much knowledge about the tax relief so it was difficult to gather more information about the subject the staff of Domestic Tax Revenue Division could not give us any figures to back the work
- ✓ **Time constraints:** the shortness of the duration for the project study did not allow the researchers to conduct enough interviews and administering of questionnaires within the Domestic Tax Revenue Division and all the workers concern.
- ✓ **Financial constraint:** This had to do with transportation cost and other related costs limited the number of additional questionnaires to be administered.
- ✓ **Search for literature:** There was limited or scanty information on the subject under review making it difficult to seek for information on the internet.

1.9 CHAPTER ORGANIZATION

The research study is categorized into five main chapters. These are;

Chapter one: This entails the background of the study, the problem statement, the research objectives, the research question, the significance and relevance of the study, the scope of the study, the limitation and the chapter organization.

Chapter two: literature review.

Chapter three: the methodology.

This constitutes the data collection methods, the sample and the samplings techniques, the research design and the population of the study.

Chapter four: Data analysis and the results of the study

Chapter five: Summary, conclusion and recommendation

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter deals with theories on the topic under consideration. This comprises of what has been studied, thought and written in text books, magazines, news papers and journals on the topic under review. It will touch on matters such as overview of taxation, types of tax, role of tax, qualities of a good tax system, the impact and incidence of tax, overview of Domestic Tax Revenue Division, overview of tax relief, the Tax Relief officials and problems associated with the collection and administrations of tax relief.

2.1 OVERVIEW OF TAXATION

Definition

Altus Directory, 2006-2010 defines tax as a levy or financial charge which is imposed by the government or a legal entity by a state, on an individual. Administrative wings like local governments or provinces, municipal bodies, counties, etc can also impose tax. Partial payment or non-payment of tax leads to civil and criminal penalties. The rules and regulations guiding the taxation and finance differ from one country to another. An American citizen might happen to pay taxes to four separate government tiers.

Again, Pratt W, James and Kulsrud N, William, 2001, stated that the supreme court of the United State has defined a tax as ‘an exaction for the support of the government’ thus, what a tax does is to provide a means through which the government derives a majority of the revenue necessary to keep it in operations. A tax is not merely source of revenue; however as taxes have become a powerful instruments that policy makers use to attain social as well as economic goals.

The Chartered Institute of Management Accountants (CIMA) also defines taxation as the means by which government create revenue to meet its expenditure. It may also be used as a means of influencing and controlling the economy.

Bizymoms, 1997, defines Taxes as monies paid by citizens and residents to federal, state, and local governments. The money collected from these taxes help fund for services provided by the government. It is the one of the main sources of government revenue.

History

Taxes are considered a problem by everyone. Not surprisingly, taxation problems date back to earliest recorded history.

Adams, Charles, 1993, during the various reins of the Egyptian Pharaohs tax collectors were known as scribes. During one period the scribes imposed a tax on cooking oil. To insure that citizens were not avoiding the cooking oil tax scribes would audit households to insure that appropriate amounts of cooking oil were consumed and that citizens were not using leavings generated by other cooking processes as a substitute for the taxed oil.

In times of war the Athenians imposed a tax referred to as *eisphora*. No one was exempt from the tax which was used to pay for special wartime expenditures. The Greeks are one of the few societies that were able to rescind the tax once the emergency was over. When additional resources were gained by the war effort the resources were used to refund the tax. Athenians imposed a monthly poll tax on foreigners, people who did not have both an Athenian Mother and Father, of one drachma for men and a half drachma for women. The tax was referred to as *metoikion*.

Rehnquist, William H. 1992, the earliest taxes in Rome was customs duties on imports and exports called *portoria*. Caesar Augustus was considered by many to be the most brilliant tax strategist of the Roman Empire. During his reign as "Citizen" the publican were virtually eliminated as tax collectors for the central government. During this period cities were given the responsibility for collecting taxes. Caesar Augustus instituted an inheritance tax to provide retirement funds for the military. The tax was 5 percent on all inheritances except gifts to children and spouses. The English and Dutch referred to the inheritance tax of Augustus in developing their own inheritance taxes.

During the time of Julius Caesar a 1 percent sales tax was imposed. During the time of Caesar Augustus the sales tax was 4 percent for slaves and 1 percent for everything else.

Saint Matthew was a publican (tax collector) from Capernaum during Caesar Augustus reign. He was not of the old publican but hired by the local government to collect taxes. In 60 A.D. Boadicea, queen of East Anglia led a revolt that can be attributed to corrupt tax collectors in the British Isles. Her revolt allegedly killed all Roman soldiers within 100 miles; seized London; and it is said that over 80,000 people were killed during the revolt. The Queen was able to raise an army of 230,000. The revolt was crushed by Emperor Nero and resulted in the appointment of new administrators for the British Isles.¹

Steuerle, C. Eugene, 1993, the tax assessed in England was during occupation by the Roman Empire. Lady Godiva was an Anglo-Saxon woman who lived in England during the 11th century. According to legend, Lady Godiva's husband Leofric, Earl of Mercia, promised to reduce the high taxes he levied on the residents of Coventry when she agreed to ride naked through the streets of the town. When Rome fell, the Saxon kings imposed taxes, referred to as Danegeld, on land and property. The kings also imposed substantial customs duties. The 100 years War (the conflict between England and France) began in 1337 and ended in 1453. One of the key factors that renewed fighting in 1369 was the rebellion of the nobles of Aquitaine over the oppressive tax policies of Edward, The Black Prince.

Taxes during 14th century were very progressive; The 1377 Poll tax noted that the tax on the Duke of Lancaster was 520 times the tax on the common peasant. Under the earliest taxing schemes an income tax was imposed on the wealthy, office holders, and the clergy. A tax on movable property was imposed on merchants. The poor paid little or no taxes. Charles I was ultimately charged with treason and beheaded. However, his problems with Parliament came about because of a disagreement in 1629 about the rights of taxation afforded the King and the rights of taxation afforded the Parliament. The King's Writ stated that individuals should be taxed according to status and means. Hence the idea of a progressive tax on those with the ability to pay was developed very early. Other prominent taxes imposed during this period were taxes on land and various excise taxes. To pay for the army commanded by Oliver Cromwell, Parliament, in 1643, imposed excise taxes on essential commodities (DTRDin, meat, etc.).

The taxes imposed by Parliament extracted even more funds than taxes imposed by Charles I, especially from the poor. The excise tax was very regressive, increasing the tax on the poor so much that the Smithfield riots occurred in 1647. The riots occurred because the new taxes lowered rural laborers ability to buy wheat to the point where a family of four would starve. In addition to the excise tax, the common lands used for hunting by the peasant class were enclosed and peasant hunting was banned (hooray for Robin Hood). A precursor to the modern income tax we know today was invented by the British in 1800 to finance their engagement in the war with Napoleon. The tax was repealed in 1816 and opponents of the tax, who thought it should only be used to finance wars, wanted all records of the tax destroyed along with its repeal. Records were publicly burned by the Chancellor of the Exchequer but copies were retained in the basement of the tax court.⁴

Adams, Charles 1998, colonists were paying taxes under the Molasses Act which was modified in 1764 to include import duties on foreign molasses, sugar, wine and other commodities. The new act was known as the Sugar Act. Because the Sugar Act did not raise substantial revenue amounts, the Stamp Act was added in 1765. The Stamp Act imposed a direct tax on all newspapers printed in the colonies and most commercial and legal documents.

In 1794 Settlers west of the Alleghenies, in opposition to Alexander Hamilton's excise tax of 1791, started what is now known as the "Whiskey Rebellion" The excise tax was considered discriminatory and the settlers rioted against the tax collectors. President Washington eventually sent troops to quell the riots. Although two settlers were eventually convicted of treason, the President granted each a pardon. In 1798 Congress enacted the Federal Property Tax to pay for the expansion of the Army and Navy in the event of possible war with France. In the same year, John Fries began what is referred to as the "Fries Rebellion," in opposition to the new tax.

No one was injured or killed in the insurrection and Fries was arrested for treason but eventually pardoned by President Adams in 1800. Surprisingly, Fries was the leader of a militia unit called out to suppress the "Whiskey Rebellion."² The income tax suggested in the United States was during the War of 1812. The tax was based on the British Tax Act of 1798

and applied progressive rates to income. The rates were .08% on income above £60 and 10 percent on income above £200. The tax was developed in 1814 but was never imposed because the treaty of Ghent was signed in 1815 ending hostilities and the need for additional revenue.

The Tax Act of 1861 proposed that "there shall be levied, collected, and paid, upon annual income of every person residing in the U.S. whether derived from any kind of property, or from any professional trade, employment, or vocation carried on in the United States or elsewhere, or from any source whatever. The 1861 Tax Act was passed but never put in force. Rates under the Act were 3% on income above \$800 and 5% on income of individuals living outside the U.S. The Tax Act of 1862 was passed and signed by President Lincoln July 1 1862. The rates were 3% on income above \$600 and 5% on income above \$10,000. The rent or rental value of your home could be deducted from income in determining the tax liability. The Commissioner of Revenue stated "The people of this country have accepted it with cheerfulness, to meet a temporary exigency, and it has excited no serious complaint in its administration." This acceptance was primarily due to the need for revenue to finance the Civil War.

Although the people cheerfully accepted the tax, compliance was not high. Figures released after the Civil War indicated that 276,661 people actually filed tax returns in 1870 (the year of the highest returns filed) when the country's population was approximately 38 million. The Tax Act of 1864 was passed to raise additional revenue to support the Civil War. Senator Garret Davis, in discussing the guiding principle of taxation, stated recognition of the idea that taxes shall be paid according to the abilities of a person to pay." Taxes rates for the Tax Act of 1864 were 5% for income between \$600 and \$5000; 7.5% for income between \$5001 and \$10,000; 10% on income above \$10,000. The deduction for rent or rental value was limited to \$200.

With the end of the Civil War the public's accepted cheerfulness with regard to taxation waned. The Tax Act of 1864 was modified after the war. The rates were changed to a flat 5 percent with the exemption amount raised to \$1,000. Several attempts to make the tax permanent were tried but by 1869 " no businessman could pass the day without suffering

from those burdens" The Times. From 1870 to 1872 the rate was a flat 2.5 percent and the exemption amount was raised to \$2,000. The tax was repealed in 1872 and in its place were installed significant tariff restrictions that served as the major revenue source for the United States until 1913. In 1913 the 16th Amendment was passed, which allowed Congress authority to tax the citizenry on income from whatever source derived. It should be noted that the Tax Act of 1864 was challenged several times.

The Supreme Court unanimously supported the tax. After the war the tax was declared unconstitutional by the same court because it represented direct taxation on the citizenry which was not allowed under the constitution.

During the 1930's federal individual income taxes was never more than 1.4 percent of GNP. Corporate taxes were never more than 1.6 percent of GNP. In 1990 those same taxes as a percent of GNP were 8.77 and 1.99 respectively.

According to Nsor-Ambala, Randolph, 2008, taxation was first introduced in Ghana 1943, then Gold Coast by the British Colonial Government at the time when World War II was raging. However, before the introduction of income tax in 1943, several attempt had already been made, for example, the Poll Tax Ordinance in April 1852 was passed to raise revenue to finance the increased cost of British Administration.

Under the ordinance, every man, woman, or child residing in districts under British protection was to pay one shilling (1/-) per head per year. These early experiments of the introduction of direct taxation failed because of weaknesses inherent in the system of collection and the fact that the first proceeds were mainly used to pay the increased salaries of British Officials and not for the construction of roads and schools.

This mark the beginning of tax revolution in Ghana which has seen tremendous changes and amendment in the tax laws over the years.

From Ali-Nakyea, Abdallah, 2008, the first income tax law was thus the Income Tax Ordinance (No.27), 1943. This Ordinance was modeled to a large extent on the general principles underlying the Income Tax Act then in force in the United Kingdom. It imposed

the tax generally on incomes having their source IN Ghana so that foreign source income was not liable unless it was remitted in Ghana. One characteristic feature of this Ordinance was the numerous personal reliefs and deductions that it contained. Over the years the Income Tax Law has seen several changes through amendments, and modifications, such as the Income Tax (Amendment) Ordinance 1952. The first consolidated edition of the Income Tax Ordinance was published in March, 1953. The following Acts then introduced amendments to the consolidated edition Act 68 in 1961, followed by Act 178 and 197 in 1963 and 312 in 1965.

The second consolidated edition was published in September, 1966, that is the Tax Decree 1966 (No.78). The Income Tax Decree 1975, SMCD 5, which was published in December, 1975, was the third consolidated edition. To better administer tax in the country, new tax legislation was introduced in 2000 by the NPP government to take care of the administration of income tax, capital gain tax and gift tax in Ghana. In the introduction of the new law, various reasons were assigned.

The new law became necessary because, SMCD 5 was overtaken by events and needed to be adapted. In other words, there were several amendments to SMCD 5 and this made the law scattered. It became difficult therefore, to know all that the law was. Hence was the need to codify the laws in one document. Therefore, the new income tax law (Act 592) 2000 was introduced to consolidate the laws relating to income tax, capital gain tax and gift tax.

There was also the need for the law to be more modernize in term of drafting the law itself and its provisions. Therefore, the new income tax law was introduced to provide for related matters that had become relevant over the years.

2.2 TYPES OF TAX

According to Altus Directory, 2006-2010, there are different types of taxation. Taxes are usually classified into two different types

Direct Taxation

Indirect Taxation

[A] Direct Taxation: In terms of economics, direct taxes refer to that form of taxes collected from the individual or organization on which they are apparently imposed. For instance, income taxes are collected from the person who earns the income or the case of paying gift tax. In U.S Constitutional provision, however, the direct taxation has a different meaning; it usually refers to the property tax or the poll taxes, which are based on simple logic of ownership or existence.

This is intended to be paid by the person or organization on whom/which it is actually levied. Example, income tax, gift tax, tax relief, corporate tax, capital gain tax etc. The Domestic Tax Revenue Division is the administrative authority. This type of tax is essential because, it can be made progressive and can more effectively mop up the surplus from people who have the largest surplus. This reduces the luxury goods consumption by the rich and helps to divert resources from the production of luxury goods to capital construction. It impacts a degree of flexibility into the tax system, making it possible for tax revenues to increase as income rises.

Direct taxation has an appeal for developing countries because of its capability of being made progressive. As such, it is a suitable instrument for promoting distributive justice. There are marked inequalities in developing countries, and these inequalities tend to become wider with economic development. It is fair, therefore, that the burden of development falls on different section of the population in accordance with their ability to bear it.

With indirect tax, the incidence and yield are easily determined as compared to indirect tax. The tax payer also knows with certainty what he/she is expected to pay, whiles yield increases automatically as wealth and population increases.

On the other hand, the cost of administration is very heavy and the effect on incentive, enterprise and savings in the case of those with large income, may be considerable.

[B] Indirect Taxation: By contrast, in terms of economics, indirect taxes are just opposite to that of direct taxation. Indirect taxes are collected from someone other than the person apparently responsible for paying the taxes, and are usually collected by an intermediary body, like for example retail store, which collects the sales taxes from the proceeds during the purchase. The intermediary body later files a tax return and forwards the tax proceeds to government with return. So the contrast from direct taxation is quite evident, while in the first case it was directly collected by government from the individual or the organization on which it is imposed, and in indirect taxation it requires one intermediary body.

Again the concept of indirect taxation is a bit different according to the U.S Constitution. Indirect taxes are usually imposed on rights, privileges, and activities of any individual or organization. Thus, if you are an American citizen and you are selling off your property, the state would put an indirect taxation on you.

In general, this is a tax which is levied on one person in the expectation that, the tax will be shifted or passed on to another. Here the impact and incidence are on different persons. Examples are excise duty, custom duty and value added tax (VAT). The administrative authorities for this tax are the Customs, Excise and Preventive service and value added tax service. This tax is called indirect because, the administering authority which levy the taxes on goods and services, do not collect the taxes from the consumer but do so indirectly through importers, manufacturers or other intermediaries. The shifting or passing on of the liability is effected by loading the tax element on the selling price of the commodities to the next person in the commercial chain until it is finally borne by the consumer.

Indirect tax may take the form of *ad valorem duty* (according to the value), that is, where the rate of duty is determined as a percentage of the value of the goods, example, television sets 50% ad valorem; or they may take the form of *specific duty*. That is where the rate of duty is based on a fixed amount per some physical attribute or a combination of physical attribute of the commodity being taxed. Example, weight, wheat floor is dutiable at GHS 10.00 per lb. and liquid substances are taxed based on volume. Indirect tax has many advantages attributed to it due to the mode of application. Some of these advantages are;

Economic incentive

Increased indirect taxation has allowed for incentives in the labor market in that the government can reduce the overall tax burden on income and capital. Both income tax and corporate tax rates have been reduced in Ghana over the years. Indirect tax is preferable to direct tax because they create less of a disincentive to work since employees retain more of what they earn. There are two theories on the effect of a change in tax rate on incomes. These are the income and substitute effect.

With the substitution effect, when income tax rates are cut the return on working extra hours rises. This means the opportunity cost of leisure time is higher than before hence people will work more hours.

However, with the income tax effect when tax rate are reduced, people can earn a particular target post-tax with fewer working hours than before the tax cut. If they regard leisure as a normal good, they may prefer to switch out of work and enjoy more leisure time whilst still earning the same income.

The Incentive to Save and Invest

Direct tax may create disincentive to postpone consumption through saving and also for firms to invest in new capital inputs. This is especially true where interest on savings is taxable as income. Indirect taxes on the other hand would appear to encourage savings. As an example, one of the ways to avoid high levels of excise duties is to reduce consumption.

Cost of Collection and Economic Flexibility

Taxes on spending are cheaper to administer than direct tax because they are only collected from businesses.

Indirect taxation gives the government more control over its use of fiscal policy. In theory, certain indirect taxes can be changed between budgets without parliamentary approval (e.g. VAT by 25%, excise duty by 10%). In contrast, direct taxes can only be changed in the annual budget.

The Distribution of Income

However, an important argument against indirect taxes is they tend to be regressive. Since each individual pays the same rate on their purchases, the poor pay a larger proportion of their incomes in indirect tax in comparison with direct taxes which tend to be progressive and are seen as more equitable-the proportion of income paid in taxes rises as income rises when a tax is progressive. Example of this is in Ghana is the high level of duty on tobacco products.

2.3 THE ROLE OF TAXATION IN THE NATIONAL ECONOMY

According to Altus Directory, 2006-2010, the Purpose of Taxation to the respective authorities can be classified into four ideas:

Revenue: We all need good and cleaner roads to ply, better education, and health-care options like hospitals and clinics. Tax collected from us will act as the source of revenue for any government or legal authorities.

Redistribution: This is a very debatable yet arguably an important purpose of taxation. It aims at properly distributing the wealth among all sections-the well to do and not so well offs. It is a common practice in any democratic nation, but the way and the proportion it is done varies from nation to nation, government to government.

Reprising: With global warming as a threatening issue we have all heard that some activists and governments are in favor of imposing taxes on industries emitting toxic carbons. This example illustrates the fact that taxes can be levied to address certain externalities too.

Representation: Another debatable purpose is this representation of the common people in politics and government, or asking for the accountability for the peoples' money. The phraseology 'Taxes... are imposed upon people without their consent' might have acted as rhetoric during the American Revolution, to make them shout 'No taxation without representation'. These days some times less importance is given to this fact.

2.4 ATTRIBUTES OF A GOOD TAX SYSTEM

Adam Smith in his book “Wealth and Nations” laid down the attributes of a good tax system which he referred to as canons of good tax systems. These canons still constitute the foundation of all discussions on the principles of taxation. The canons of taxation provide a very important framework for the review of any tax system. Most importantly, these canons are based on an important precedent that a tax system is only effective if there is voluntary compliance rather than forced adherence.

In effect, a good tax system which exhibits the attribute discussed by Adam Smith will introduce efficiency into tax administration and drive voluntary compliance. Adam Smith came out with four canons of taxation which are based on the concept of equity, certainty, convenience and economy.

Equity

Equity is the first attribute of any tax system in a country. A good tax system should be fair to the people who are required to pay. The subject of state ought to contribute towards the support of the government as nearly as possible in proportion to their respective abilities. Ability to pay refers to the economic resources under a person's control. It is important to appreciate that the concept of equality goes beyond the actual administration of taxation to include the perceptions of taxpayers as well. It is reasonable to expect that the rich contribute to public expense in excess of their revenue. The attribute of equity can be attained in the following considerations:

Horizontal Equity

It refers to a system designed in such a way that persons with the same income level pay the same amount of tax. For example, income tax is horizontally equitable if the taxable income calculation accurately reflects the ability to pay.

Vertical Equity

This on the other hand refers to a tax system designed such that persons with higher income levels pay more tax than persons with lower incomes. Vertical equity is more concerned with fair rate structure by which to calculate the tax on different amounts of income.

Certainty

This attributes also states that, people or taxpayers should be able to determine their true tax liability with a fair degree of accuracy. Tax payers should be clear in their minds as to how much tax is owing and payable at any time. There should be no ambiguities and tax administrators must have no discretionary powers as to how much to demand, that is, the tax administrator is not to squeeze out more than necessary. The time of payment, the manner of payment, the amount to be paid, the place of payment as well as all rights and obligations under the tax laws must be known to both the tax payer and the administrator.

The canon of certainty is highlighted in the following statement by Smith. “The tax which each individual is bound to pay ought to be certain. The time of payment, the manner of payment, the quantity to be paid ought all to be clear and plain to the contributor and to every other person. Where every person subject to tax is put, more or less, in the power of the tax-gatherer, who can either aggravate the tax upon any obnoxious contributor, or extort, by terror of each aggravation, some present or perquisite to himself.”

Convenience

The convenience state that, every tax ought to be levied at the time in the manner in which it is most likely to be convenient for the taxpayer to pay it. This has to do with the proximity of tax collection points to the taxpayer, the payment options available, the time that payment is expected to be made, the manner in which returns should be filed and many more.

The method of collecting the tax should be such that the majority of taxpayers would understand and routinely comply. The method should not overly intrude on taxpayers' privacy but should offer minimal opportunity for non-compliance. From the tax payer's point of view, a good tax should be convenient to pay. They do not have to devote undue time and/or incur undue costs in complying with the tax law.

Economy

A good tax system should be economical to the government. The administrative cost of collecting the tax should be reasonable in comparison with the total revenue generated by the tax. This is very sensible, and requires cost benefit analysis of various options of tax administration such as where to locate collection points, number of staff to employ and many more.

Simplicity

A system of taxation ought to be simple, plain and intelligible. If any tax system is complicated, it becomes difficult to understand and administer, leading to administrative, interpretation and legal problems.

Elasticity/Flexibility

A good tax system ought to respond automatically to changes in the community's wealth, population and other important variables. In this sense therefore it should be possible for the tax structure, in terms of both tax rate and coverage, to suit the changing nature and circumstances of the economy.

Productivity

A tax system that is good should be able to produce a high net yield of revenue but not so high as to damage the source of that revenue. It should be able to yield enough revenue such that government should have no recourse to deficit financing.

2.5 OVERVIEW OF DOMESTIC TAX REVENUE DIVISION (FORMALY INTERNAL REVENUE SERVICE)

Direct tax in Ghana is administered by the Internal Revenue Service currently know as Domestic Tax Revenue Division (DTRD) from December 2010. Captured from The Domestic Tax Revenue Division website, Income Tax Administration in Ghana started in September, 1943 with the passing into law of the Income Tax Bill on 22nd September, 1943 as the Income Tax Ordinance No.27 of 1943. Initially, the Department collected tax from only a few limited liability companies and a very small number of individuals. Over the years other taxes and duties were added to the Income Tax. These include Minerals Duty which was introduced in 1952, Betting Tax was also incorporated the same year, in 1995 the Casino Revenue Tax was included as the other taxes to increase revenue base for the country.

Between 1961 and 1963, additional taxes and duties were introduced. Among these are Property Tax (1961), Entertainment Duty Tax (1962), Airport Tax, Hotel Customers Tax, Standard Assessment and Excess Profits Tax, all in 1963. Pay as You Earn (PAYE) was introduced with effect from 1st July, 1961 and the tax year was changed from April – March to July – June. The tax year was again changed to January – December with effect from 1st January 1983. In July 1963, the Income Tax Department was renamed Central Revenue Department to reflect the broad scope of taxes to be collected. All these years from 1943 – 1985, the Department was a civil service department.

However, in July 1986, the Provisional National Defense Council (PNDC) government took a decision on structural changes in the organization and legislation – The Domestic Tax Revenue Division (DTRD) formally known as Internal Revenue Service (IRS) law – 1986 (PNDCL.143) – was passed. This law transformed the hitherto Central Revenue Department into a public service organization. Prior to the promulgation of PNDCL.143) in 1986 the government in 1985 established the National Revenue Secretariat (NRS) with a ministerial status to supervise the Revenue Agencies. This role was performed with virtual autonomy from the Ministry of Finance. In 1991, the National Revenue Secretariat was relocated under the Ministry of Finance and Economic Planning (MFEP).

With the coming into force of the Constitution of the Fourth Republic, the NRS lost its ministerial status and was placed strategically between the Sector Ministry and the Revenue Institutions. Further restructuring led to the promulgation of the Revenue Agencies (Governing) Board Act, 1998 (Act.558) to establish a Central governing body in place of the existing governing boards of DTRD, CEPS and VATS. However, the Revenue Agencies Governing Board was constituted in the year 2001 to ensure supervision and co-ordination of the activities of the three Revenue Agencies.

Mission

The Mission Statement of the Domestic Tax Revenue Division is unique from other organizations. To effectively and efficiently administer the tax laws through a well-trained and motivated staff in order to promote voluntary compliance for the maximization of tax revenue is the sole mission of the entire organization.

To excel as an effective Tax Administration Agency in Ghana and Africa as a whole is the vision that drives the Domestic Tax Revenue Division.

Function

The DTRD has the unique role of identifying the taxpayer, assess the taxpayer to tax, collect the tax and penalties assessed and pay all amounts collected into the Consolidated Fund to aid in National Development.

Type of Taxes

The DTRD is principally responsible for the collection of direct tax with Income Tax as the main tax administered. DTRD also collects a number of other taxes which have been termed “Miscellaneous Taxes” for administrative purposes. These include:-Capital Gains Tax, Gift Tax, Mineral Royalties, Petroleum Income Tax, Stamp Duty, National Reconstruction Levy, Business Registration Fees (Registration of Trade, Business, Profession or Vocation is collected on behalf of the Ministry of Local Government. Interest, Dividend, Management & Technical Services Fees.

The Policies of Internal Revenue







The policies of Domestic Tax Revenue Division once approved by parliament are translated into laws. The main administrative instrument of the Service now is Domestic Tax Revenue Division Act, 2000 (Act 592).as amended.

Departments

DTRD has been divided into various operational departments with each department assigned roles to be performed. These departments are;



Operations (Domestic Tax Revenue Division)

The Units making up the Operations Department are Assessment, Collection and Information.

-  The information unit provides information to the Assessment and Collection Units through information generated on its own or through investigations conducted from information provided by the two units.
-  The assessment function also deals the raising and revision of Provisional Assessments, examination and agreeing accounts and returns submitted by taxpayers or their agents.
-  Liaising with Management Information Technology Unit (MITU) to produce provisional assessments.
-  Dealing with RPM and Utilizing Information provided to raise Assessments.
-  Act in advisory position whenever matters on assessment crop up.
-  Verification of tax clearance certificates submitted by taxpayers to embassies and High Commissions.

The above mentioned points are a few of the assessment function of the institution.

The Collection Unit is responsible for;

-  Collecting individual and business income taxes, withholding, and other taxes including capital gains tax, stamp duty and gift tax. This responsibility includes collection of amount due on provisional assessments for the cur tax relief period as well as collection of delinquent taxes.
-  Identification of taxpayers who have ceased filing required returns and detection.

- ✚ Registering and bringing into compliance individuals and businesses which have defaulted in filed their returns.

Administration

The Administration Department has responsibility for the following:-

- ✚ Formulating policies, strategies and programs for the efficient management of all functional and administrative activities of the Service.
- ✚ Administering all human resource systems – recruitment, compensation and benefits, Industrial relations.
- ✚ Developing appropriate procedures for the effective management of support services - transport, estate, security. Staff development and manpower planning.



The Department has five (5) Units namely Administration (Human Resource), Training, Transport, Security.

The Human Resource Department, which is responsible for the recruitment of the right caliber of personnel and the provision of adequate compensation and benefits package. The estate section is also responsible for acquiring, developing, and keeping custody of the properties of the Service. The training department takes care of developing the human resource with the aim of equipping it with the knowledge, skills and attitudes required for achieving the objectives of the Service whereas the transport section ensures the provision of an efficient fleet of vehicles to support the operations of the Service.

The security department protects the lives of staff and securing the properties of the Service against theft, burglary and other hazards.





Finance

The Finance Department is made up of the following Units. Budget Unit, purchasing Unit, Stores Unit, revenue Unit and accounts Unit. The Budget Unit deals with the Preparation of Expenditure Budget of the Service which comprise of personal emoluments, core activities of the service and investment. The unit also monitors of expenditure and makes sure that the Service does not go beyond the proposed budget. Preparation of Expenditure reports on monthly and quarterly basis is also the sole responsibility of the Budget Unit.

The purchasing unit undertakes the purchasing activities of the Service and undertakes procurement planning. The Revenue Unit monitors revenue collection of the Service, prepares and submit revenue collection reports on monthly basis and compiles bank reconciliation reports on the retention regime of the Service on a regular bases. The Stores unit takes custody, receipt and issuing of Store Items to personnel, the unit also makes plans for replenishment of stores in conjunction with the purchasing unit.

The Accounts unit just as the name implies the accounts unit deals with the general accounts of the service, in that case has the responsibility of payment of expenditure and recording of finance, transactions and preparation of final accounts or financial statement on monthly and annual basis, and other responsibilities as in the disbursements of loans and preparation of Payroll.

The finance department is responsible for;

-  Advising management on all financial issues of the Service.
-  Authorization of payments.
-  Carrying out administrative responsibilities ensuring the preparation of the necessary documentation for the release of retention funds from the Ministry of Finance.
-  Working in collaboration with Internal and External Auditors in auditing the financial statements of the Service.

Research Planning and Monitoring

The Research, Planning and Monitoring Department are made up of the following units.

Research Unit, statistics Unit, tax audit Unit, tax Examination Unit and Investigations Unit. Collectively, the activities of these units supplement the efforts of other departments of the Service, especially Operations. The main functions are: Monitoring and evaluation which is undertaking mainly by Tax Audit and Tax Examination. The production of management data and conducting of research is done by the Research, Statistics and Investigations. Planning is handled by the Planning Division. The department's activities are classified as follows: Routine or normal assignment which provides Management Information/Data and Research. Monitoring and Evaluating Assessment and Collection Duties. Referred jobs and information are from the Commissioner, other departments of the Service and outsiders.

Legal Services

The Units which make up the Legal Services Department are Compliance and Valuation.

The Legal Unit has the responsibility of;

- ✚ Prosecuting taxpayers who contravene any of the tax laws administered by the Commissioner.
- ✚ The unit also Institute civil action for the recovery of tax arrears. In the case of any law suit the legal unit steps in to defend the Commissioner against any accusation against him/her in relation to tax disputes.
- ✚ Institution of civil action against any person for the assertion and protection of the Service's rights. Defending the Service in any civil suit against it by any person (including members of staff) in any court.
- ✚ Representing the Commissioner at any Commission or Committee of Inquiry. Writing of legal opinion on tax and non tax matters. Preparation of Mortgages between beneficiaries of staff housing loans and the Service.
- ✚ Mortgage/Home Protection Policies entails the preparation and Vetting of Contracts for the purchase of Land and Buildings (Immovable property), preparation and Vetting of Bonds between the Service and Staff.
- ✚ Insurance Policy and Claims relating to workman's Compensation, Group Personal Accident, Motor Policy and Fire Policy. Such other policies, other than Mortgage related policies, as may from time to time be taken by the Service.
- ✚ Drafting of tax legislations and Double Taxation Treaties.

The Compliance Unit is the prosecution arm of the Department while the Valuation Unit assists in the assessment and Collection of Capital Gains Tax, Stamp Duty, Gift Tax. The Unit also acts as advisor to the Service on matters relating to valuation of property.

The following Units report directly to the Commissioner; Public Relations and Tax Education, Internal Audit, Management Information Technology Unit. Their functions are to co-ordinate with the media, Supporting activities of taxpayers and potential taxpayers to heighten tax awareness, Reaching employees of the Service, Orchestrating interaction with the Community, Managing the institutional image to ensure the correct and favorable perception of the Service at all times, co-coordinating and managing special events and

corporate gift-giving to ensure that DTRD stays in the public mind and to raise taxpayer consciousness and voluntary compliance through a sustained programs of Tax Education.

Internal Audit

The overall objective of the Department is to assist all members of management in the effective discharge of their responsibilities by furnishing them with analysis, appraisals, recommendations and pertinent commentary on the activities reviewed.

They function to;

- 📌 Formulate internal control policies that will ensure the smooth operations of financial and other procedures within the Service for the approval of Management.
- 📌 To ensure that there are effective and efficient systems and procedures of internal control to safeguard the financial and other resources of the Service.
- 📌 To ensure that all other transactions are executed in accordance with laid down policies and guidelines.
- 📌 To ensure that all monies received are accurately recorded and promptly paid into bank.
- 📌 To ensures that all assets and liabilities of the Service are verified, and that methods of asset depreciation and appreciation are in conformity with prevailing conditions.
- 📌 To ensure that all expenditures incurred are properly authorized, recorded, and that all disbursements comply with laid down procedures.
- 📌 Ensure regular verification of all stocks at the Stores of the Service to detect and prevent possible malpractices.
- 📌 To ensure that purchasing in the Service follows laid down policies and procedures and that goods delivered comply with order specifications.
- 📌 To ensure pre-auditing of all payments and purchases. To detect and prevent frauds and other similar irregularities.
- 📌 To submit regular reports to the Commissioner. To undertake any work that may be assigned by the Commissioner, including audit investigations.

Management Information Technology Division

The Division's function is to promote the use of information technology and generating processed information for effective management decision making.

2.6 OVERVIEW OF TAX RELIEF

Relief may be described as statutory deduction from assessable income in ascertaining the chargeable income of an individual. They are granted on annual basis. These reliefs do not relate to the type of income earned but depend wholly on the status of the individual. They are therefore intended to reduce the assessable income of an individual according to his personal circumstance so as to maintain vertical and horizontal equity in the tax system.

They are available to all individuals and not restricted to employee only.

A formal application should be made by the completion of a personal return form.

It is important to note that unless provided specifically under the taxation agreement. Non – resident persons are not entitled to;

- a) Any of the personal reliefs listed under section 39 of the Act 592
- b) A reduction for life insurance premiums under section 57 of the Act 592 or
- c) Reduction for contributions to the social security pension scheme under section 60 of the Act 592.

2.7 TYPES OF RELIEFS

The following reliefs are allowed under the ACT.

Marriage/Responsibility

The relief is GH¢30 per annum, and granted to any person with a dependant spouse or any person with at least two dependent children. In this sense, only one spouse is entitled and the relief would only be granted on the production of a marriage certificate or a certified copy registration of the marriage to support the claim.

Disabled

This relief is limited to 25% of income from business and/or employment only and granted to a person who is certified to be disabled by the Department of Social Welfare only

Old age

The relief is GH¢30 per annum or the total income, whichever is less and this relief is granted to persons who are sixty (60) years and above and are in receipt of income from business and/or employment.

Child education

The relief is GH¢30 per child per annum up to a maximum of three years. This relief is granted to persons who have children/wards in recognized educational institutions in Ghana; both parents cannot claim this relief in respect of the same child. Children here include the person adopted under any enactment for the time being in force relating to adoption. Any person recognize by the person in question to be his child or to whom he stands in loco parentis and in case of Ghanaian, includes any person recognized by customary law to be his child.

The individual may only claim a relief in respect to only three children or wards. The will only be granted o only on the production of a certificate issued by a head of the educational institution concerned stating that the child or ward is pupil in that institution.

Aged-dependents

A taxpayer who provides the necessities of life for an aged relative who is 60 years and above (other than a spouse or child) qualifies for a relief of GH¢25 per aged relative the relief is granted up to a maximum of two aged-dependants and only one person can claim this relief in respect of the same aged relative.

Cost of training/self-improvement

Any individual taxpayer who undergoes training to update his professional, technical or vocational skills or knowledge is eligible for a relief of GH¢100 or the cost training whichever is less.

Social security

This relief is granted to persons who contribute to the Social Security Scheme in Ghana the relief is 5.5% of your income from employment or 18½% of income from business.

Life assurance

The scheme must be invested in Ghana and annual premium paid is allowed as relief provided it does not exceed 10% of the capital sum assured or 10% of total income.

Who qualifies for a tax relief?

Every individual taxpayer is qualified to put in a claim for a Tax Relief. You must complete and submit your tax returns to the DTRD to qualify for a tax relief.

Up-front granting of tax reliefs to employees

ACT 592 grants OLD AGE, MARRIAGE/RESPONSIBILITY, CHILD EDUCATION and DISABLED reliefs UP-FRONT through the administration of TAX RELIEF APPLICATION FORM (IT 21A). Employers are advised to file this form on behalf of all their employees

How does one claim a tax relief up-front?

If you qualify to receive any relief UP-FRONT, then your employer is required to complete and submit the Income Tax Return Form IT 21A on your behalf

Procedure for applying tax relief

If you have been granted other reliefs up-front, then Complete and submit an Income Tax Return Form (IT Form 21) at the end of every Year of Assessment and attach the Extract of the Employee Return (IT Form 111B).

On the other hand if you have not been granted any reliefs up-front, then you are to complete and submit an Income Tax Return Form (IT Form 21) tax deduction form (IT 51 supplementary) to indicate that taxes have been deducted from your salary. Submit these forms and other supporting documents to the Tax Office nearest you to claim your reliefs Annual Returns must be filed not later than four months after the end of the Year of Assessment. You may file a tax return if you have other sources of income in addition to your employment income. Returns must be filed by 30th April of the following year.

Tax Reliefs and Tax reliefs Card

Every resident individual with tax is entitled to personal relief under section 39 or Act 592 according to his personal circumstances. These reliefs, apart from the basic nil or 0% rate included in the individual tax rate structure, are granted at the end of each year on filing a return.

Regulation 32 of the Domestic Tax Revenue Division regulations, 2001 now empowers the commissioner to grant these reliefs up front. The process may be outlined as follows:

1. The employee is to apply for a tax relief card from the commissioner indicating his personal circumstances;

2. He is to support his application with the necessary documents confirming his claims for example, life insurance certificate if any, letter from the school or receipts confirming children's education etc.
3. The commissioner is to calculate the quantum of the reliefs to be granted and return the certified tax relief card to the employee;
4. On receipt of the tax relief card, the employee is to hand it over as soon as possible to the employer who will use the information on it to determine the chargeable income and the tax to be withheld each month.

The PAYE system has not seen any reforms for a long time. The move to grant reliefs up front is therefore a welcome relief to both employee and tax administration. The employee obtains a portion of his entitlement to tax refund every month while the tax administration is saved the problem of finalizing assessments and dealing with refund.

2. 8 Problems Associated with Administration of tax relief

Many problems can be attributed to the tax relief and its administration in the country which has made it impossible to implement it properly. Some of these problems are;

- Unwillingness on the part of individual to file their returns and declare their income for assessment. This makes it difficult to process relief for the person or worker.
- Documentation and processing for application either old age or child education becomes difficult because of necessary documentation for verification such as admission letter and others to prove a child education.
- When individual apply for relief such as marriage, old age etc the marriage may end as divorce old age dependant might have pass away but the individual will still continue to enjoy the relief without informing the office for cancellation.

CHAPTER THREE

3.0 INTRODUCTION

This chapter gives the general overview of the research methodology adopted for the study. This area covers the research design, research population, sampling techniques, data collection methods and the data analysis.

3.1 RESEARCH DESIGN

Research designs are concerned with turning the research question into a testing project. The best design depends on your research questions. Every design has its positive and negative sides. The research design has been considered as a "blueprint" for research, dealing with at least four problems: what questions to study, what data are relevant, what data to collect, and how to analyze the results.

The research type and approach adopted for this study was exploratory, analytical, qualitative and quantitative analysis. These were adopted because of the already existing facts/ information which made it easier to analyze and make critical evaluation and also to improve on existing knowledge.

The research instrument used as a data collection tool for the study includes; self administered questionnaires and interviews. With regards to the questionnaires, both structured and unstructured types were used for the study.

The design of the questionnaires was mix with both open and closed ended types. This was so because, some of the questions required the respondent to give additional information hence the open ended questions and the close ended ones were used because the some of the questions demands straight/ specific answers. Apart from the questionnaires used, interviews were also conducted as a collection tool to obtain information. Both structured and semi-structured interview questionnaires were designed for the study.

3.2 POPULATION

The term population refers to the entire group of individuals (subjects), objects or events having common observable characteristics in which the researcher is interested in studying. Thus population does not necessarily refer to people.

The tax relief officials of Domestic Tax Revenue Division (DTRD) and individual workers constituted the population size for the study. This population was selected because, that was the only place where accurate information could be sought.

3.3 SAMPLING TECHNIQUES

Sampling is that part of statistical practice concerned with the selection of a subset of individuals from within a population to yield some knowledge about the whole population, especially for the purposes of making predictions based on statistical inference.

The sample size chosen for the study was 115. Out of this number, 100 individual workers were selected and 15 employees of Domestic tax Revenue Division (tax relief officials) were also chosen. Simple sample technique was adopted.

This type of technique was adapted so as to give a fair representation to the population for the purpose of the study.

3.4 DATA COLLECTION METHODS

According to Saunders, et al (2003), it is better to use two methods of data collections within a study in order to project appropriately what the researcher's opinion are in relation to what the respondents are telling him. To this end, two types of questionnaires were designed for the study. Self administered questionnaires were the primary source of instrument used to seek responds from the selected population under review. Interviews were also conducted to obtain information for the study.

Questionnaires

The questionnaires were designed to include both open and close ended types respectively. Two different sets of questionnaires were prepared. One set was done for the employees of the Domestic Tax Revenue Division **DTRD** and the other set for the individual workers. The design was flexible with questions very easy to understand. In all, a total of 115 questionnaires were issued out with 15 going to the Domestic Tax Revenue Division (DTRD) and 100 to the other group (the individual workers). Enough written space was provided with regards to the open ended questionnaires to help respondents give adequate information on the question asked.

In all, one hundred and three (103) questionnaires out of one hundred (115) issued out were completed and returned representing eighty nine point six percent 89.6% rate of response. Twelve (12) came from the DTRD and ninety-one (91) from the individual workers.

Face-to-face Interview

Interviews were conducted as another means of obtaining adequate information for the study. Since most of the employees of DTRD relief tax officials of were busy, they could not answer the questionnaires therefore face-to-face interviews was conducted to seek opinions from these officers. Again, some of the workers in the informal sector were unable to read and write therefore, interview was used as a means of obtaining information on the subject under consideration. Structured and semi structured interview questionnaires were designed for this purpose.

METHODS OF DATA ANALYSIS

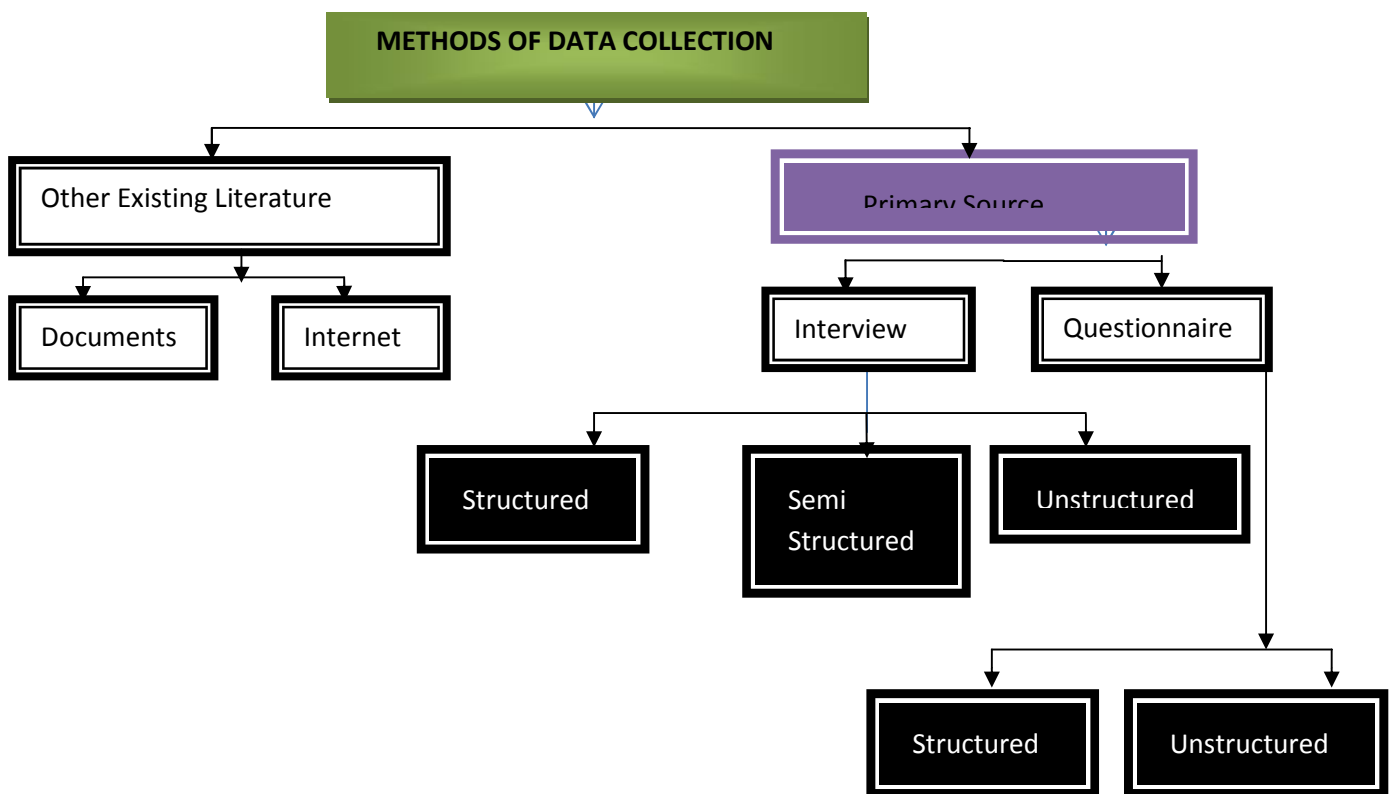
Analysis of data is a process of inspecting, cleaning, transforming, and modeling data with the goal of highlighting useful information, suggesting conclusions, and supporting decision making.

The data/feedback obtained from the administration of the questionnaires and the interviews conducted were comprehensively analyzed. The self administered questionnaires were

analyzed sequentially according to the arrangement of the questions that was provided in the questionnaires. These responses to the questionnaires and the interviews were analyzed using a three (3) step approach.

Initially, the primary data was put together and edited to remove all material errors and omissions by respondents. The data was then arranged in groups in relation to their commonalities as the next step in the analysis process. The groups were then given codes to separate them by the use of alphabets and then tabulated. The data was analyzed by the use of descriptive statistic.

Diagram 3.5 How data were collected.



CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.0 INTRODUCTION

In order to verify the main points of the study, the views of individual workers and employees of **Tax Relief officials of the Domestic Tax Revenue Division (DTRD)** were solicited through the use of self administered questionnaires and interviews.

This chapter presents the findings and results of the study.

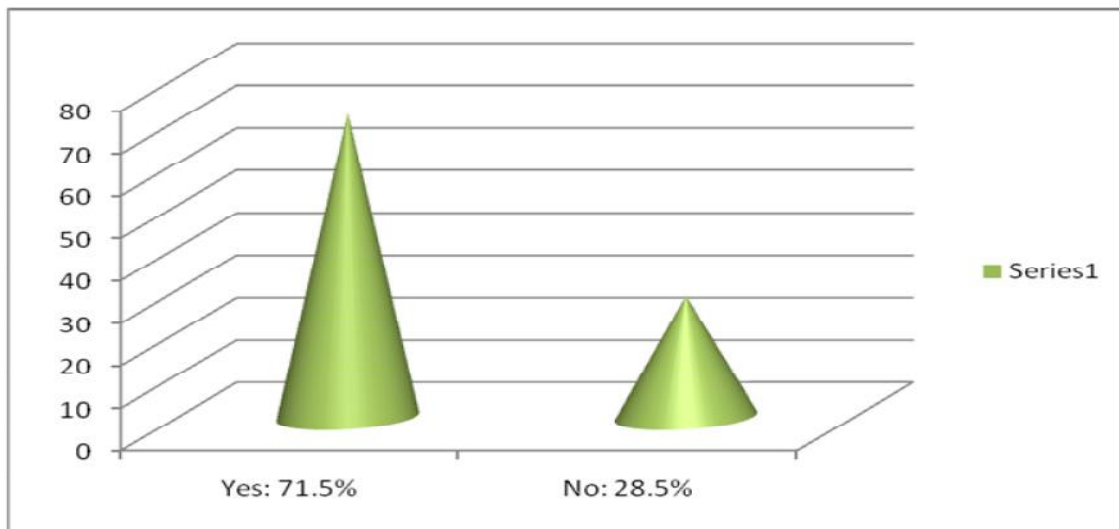
4.1 PRESENTATION OF FINDINGS

The interviews conducted revealed information which was related to the study. Among them were the following;

Table 1. Responses to the question - Are you aware of tax relief?

RESPONSE	NUMBER	PERCENTAGE (%)
NO	26	28.5
YES	65	71.5
TOTAL	91	100

Chart 1: Pictorial presentation of workers' awareness of tax relief



SOURCE: Authors' field survey, 2010.

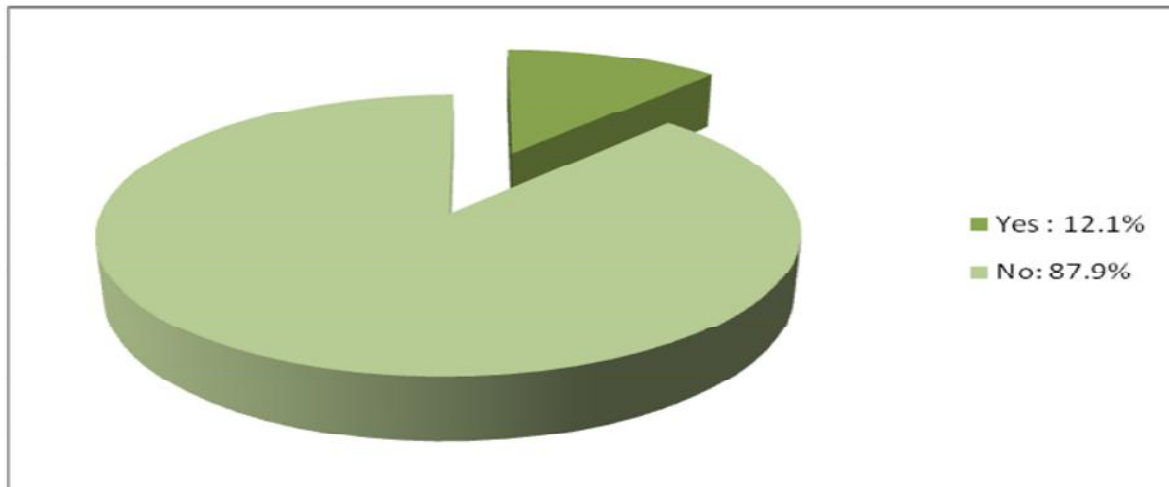
From the chart above which represents views from individual workers in three companies selected for the study in the Ashanti region, twenty- six (26) respondents out of the ninety - nine (91) who responded to the questionnaires representing twenty eight point five percent (28.5%) answered YES and sixty five (65) representing seventy one percent (71.5%) also answered NO to the question.

Table 2. Responses to the question - Have you ever applied for tax relief?

RESPONSE	NUMBER	PERCENTAGE (%)
NO	80	87.9
YES	11	12.1
TOTAL	91	100

Source: Authors' Field Survey, 2010

Chart 2. A pictorial presentation of percentages of the above data.



From the answers given, it shows that eighty (80) out of the forty two (91) individual workers which represents eighty- seven point nine percent (87.9%) have never applied for tax relief where as eleven (11) representing twelve point one percent (12.1%) answered yes.

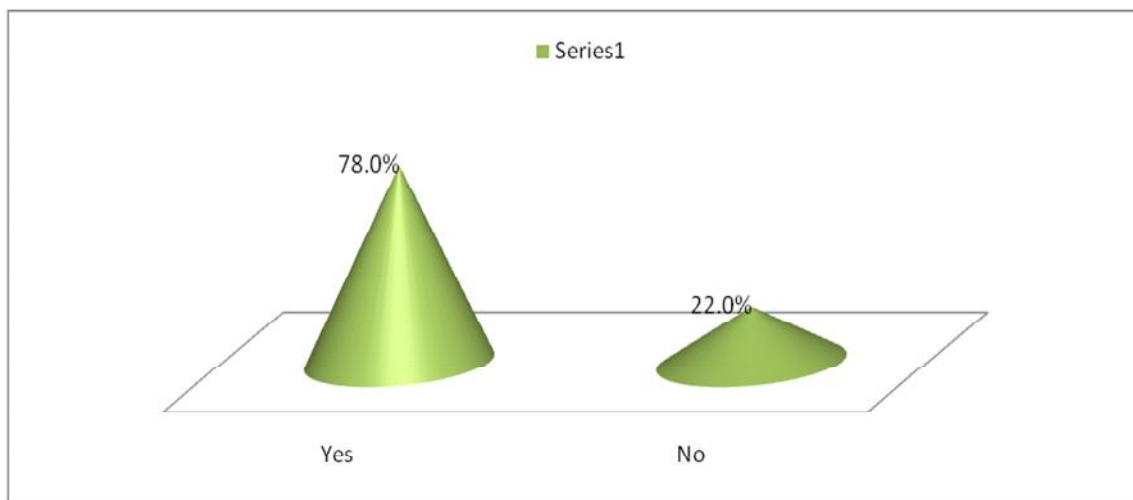
- They are not interested
- They are not aware of the tax relief
- The amount involve is very small
- The process involved is very long example when it comes to documents verification.

Table 3: Responses to the question – Will you willing declare your income for assessment?

RESPONSE	NUMBER	PERCENTAGE (%)
NO	20	22
YES	71	78
TOTAL	12	100

Source: Authors' Field Survey, 2011

Chart 3: A pictorial presentation of percentages of the above data.



SOURCE: Authors' field survey, 2011.

Chart 3 shows findings on whether individual workers are willing to declare income received from work for tax assessment.

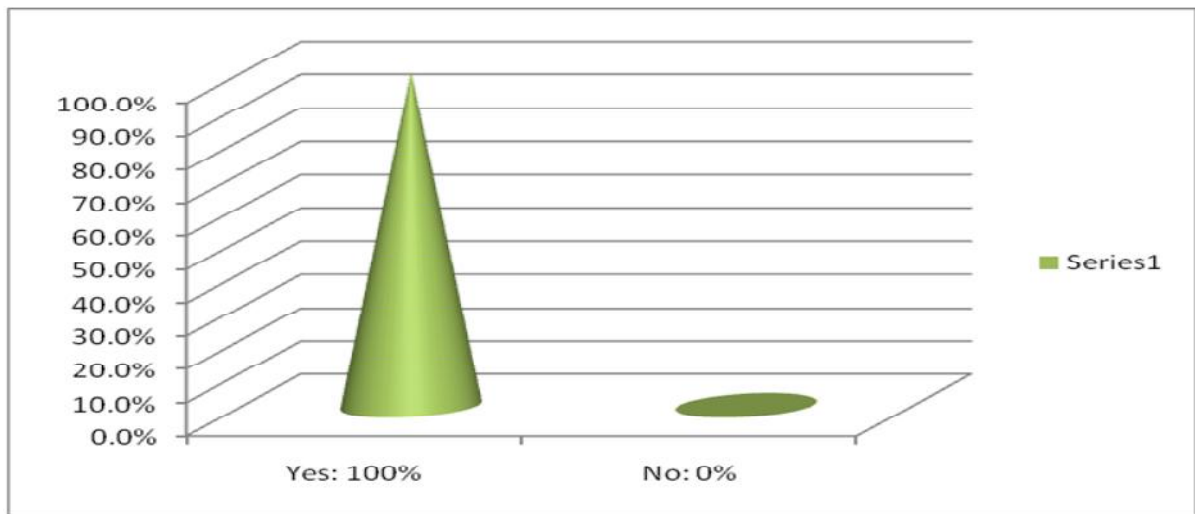
It came to light that, seventy - eight percent (78%) representing seventy-one (71) out of the ninety - one (91) respondent answered yes to the question, that is they were willing to declare their income for assessment. At the same time, twenty (20) of them representing twenty two percent (22.0%) were not ready to declare their incomes for tax assessment.

Table 4: Feedbacks from the question – Have you had any form of orientation on the job you are doing?

RESPONSE	NUMBER	PERCENTAGE (%)
NO	0	0
YES	12	100
TOTAL	12	100

Source: Authors' Field Survey, 2011

Chart 4: A pictorial presentation of percentages of the above data.



Source: Authors' Field Survey, 2011

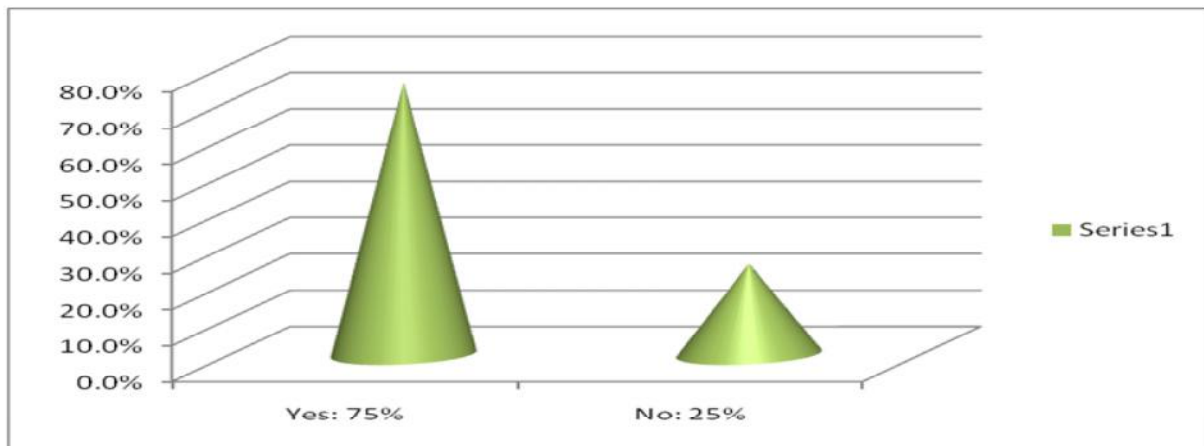
From the study as shown in table 4 above, it came out that (100%) personnel were given orientation before they began their work which represent twelve (12) response rate.

Table 5: Feedback from the question – Do you face challenges in the line of duty.

RESPONSE	NUMBER	PERCENTAGE (%)
NO	3	25
YES	9	75
TOTAL	12	100

Source: Authors' Field Survey, 2011

Chart 5: A pictorial presentation of percentages of the above data.



From table 5 above, all the ten (9) respondents representing seventy – five percent answered yes. That is, they face a lot of challenges while performing their duties. Among the challenges are;

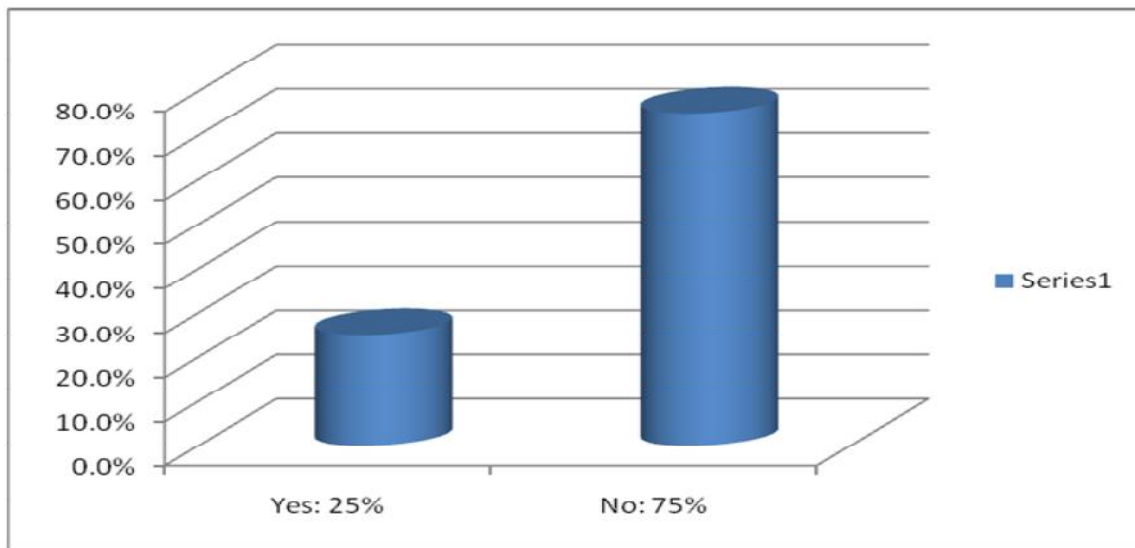
- Unwillingness on the part of individual to file their returns and declare their income for assessment. This makes it difficult to process relief for the person or worker.
- Documentation and processing for application either old age or child education becomes difficult because of necessary documentation for verification such as admission letter and others to prove a child education.
- When individual apply for relief such as marriage, old age etc the marriage may end as divorce old age dependant might have pass away but the individual will still continue to enjoy the relief without informing the office for cancellation.

Table 6: Responses to the question – Are you adequately resourced on the job with logistics?

RESPONSE	NUMBER	PERCENTAGE (%)
NO	9	75
YES	3	25
TOTAL	12	100

Source: Authors' Field Survey, 2011

Chart 6: A pictorial presentation of percentages of the above data.



From table 6, out of the 12 respondents from the Domestic Tax Revenue Division (Tax relief secretariat), nine (9) representing seventy-five percent (75%) answered No to the question. That is, they are lacking logistics to help in the effective performance of duty and three (3) answered Yes representing twenty –five (25%).

These reasons were given for their response;

Logistical constraint

1. Lack of effective information service department to educate the public about their program.
2. There were not enough administrative resources to enhance effective processing of relief.

Table 8: Responses from the question – Were you motivated?

RESPONSE	NUMBER	PERCENTAGE (%)
NO	12	100
YES	0	0
TOTAL	12	100

Source: Authors' Field Survey, 2010

A pictorial presentation of percentages of the above data.

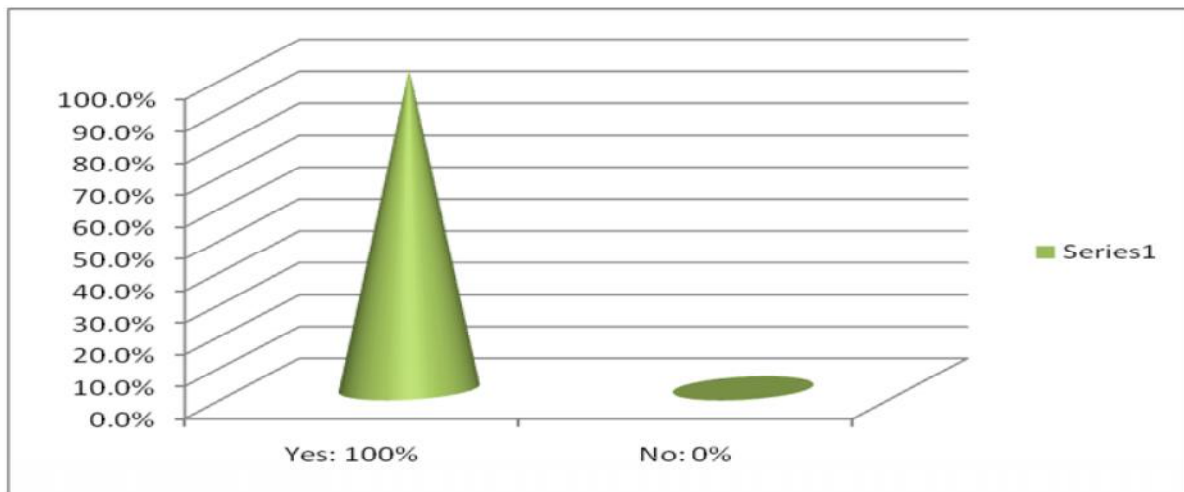


Table 11.1 indicates that, one hundred (100%) of the respondent representing twelve (12) out of twelve (12) respondent were of the opinion that, the staff of the secretariat were not adequately motivated to carry out their work effectively. This was so because, most of the staff were contract workers and were paid allowances which were very small and inadequate to cater for their needs. They were to pay their transport cost, feeding and all other expenses from that small allowance. These served as disincentive for the workers to give off their best in the performance of their duty and contributed immensely to the failure of the tax relief

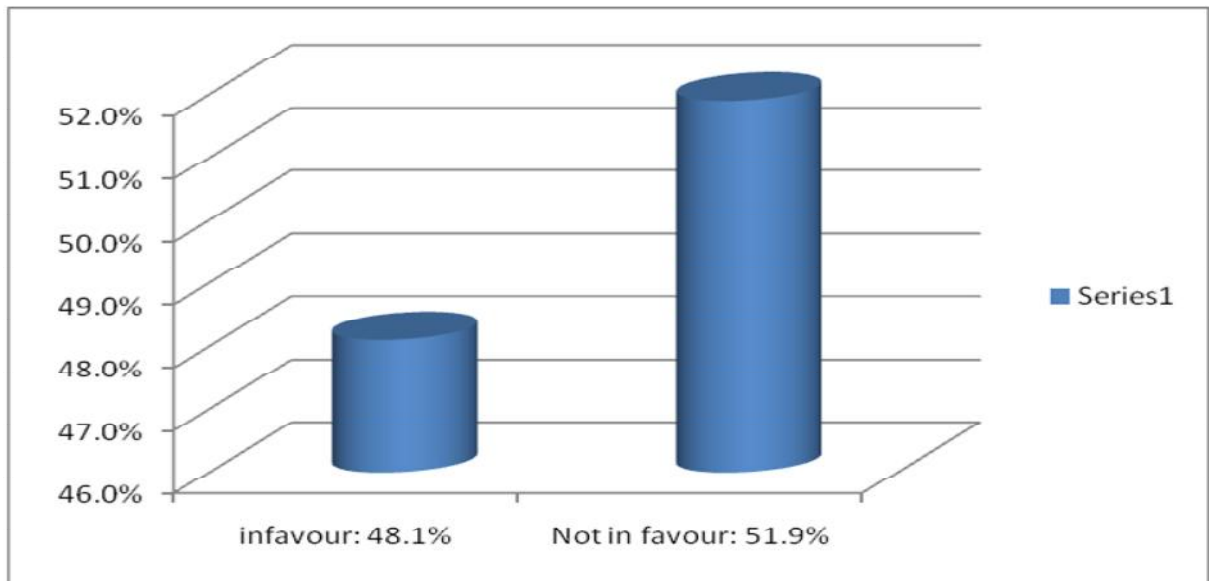
4.2 ANALYSIS OF FINDINGS

QUESTIONS	IN FAVOUR (%)	NOT IN FAVOUR (%)
Are you aware of tax relief?	71.5	28.5
Have you applied for tax relief before?	12.1	87.9
Are you willing to declare your income for an assessment?	78	22
Have you had any form of orientation?	100	0
Do you face challenges in the line duty?	25	75
Are you adequately resourced on the job with logistic?	25	75
Were you motivated?	25	75

$$\begin{aligned}
 \text{Average of in favour} &= \frac{71.5 + 12.1 + 78 + 100 + 25 + 25 + 25}{7} \\
 &= \frac{336.6}{7} \\
 &= 48.1 \%
 \end{aligned}$$

$$\begin{aligned}
 \text{Average of not in favour} &= \frac{28.5 + 87.9 + 22 + 0 + 75 + 75 + 75}{7} \\
 &= \frac{363.4}{7} \\
 &= 51.9\%
 \end{aligned}$$

Chart7: A pictorial presentation of data above.



CHAPTER FIVE

FINDINGS, CONCLUSION AND RECOMMENDATION

5.0 FINDINGS

For government to achieve its objectives of economic growth and development by providing social infrastructures and other social goods, it has introduced various tax reforms.

Tax relief is one of those reforms or policies that the government uses to offer different ways for taxpayers to resolve their tax liabilities based on their unique financial situation.

This study was undertaken to assess the impact of the of tax relief on Ghanaian workers.

It was realized from the study that, tax relief does not bring in the expected impact on Ghanaian workers because of many reasons that came to light during the study. Among these are;

- 51.9 % of the responses from the questionnaire were in favour of the tax relief program
whiles 48.1% responses are not in favour of the program
- 71.5% of the individual workers were aware of the existence of the tax relief law yet majority of them do not apply for it.
- 87.9% of the individual contacted did not see the need to apply for tax relief since the amount involve is very insignificant and processes were very long.
- The study also revealed that motivation and logistics required for effective performance were very low, 100% answered Yes to not been well motivated whiles 75% answered Yes to not having adequate resources.
- The information obtained from the filing of returns by individuals and companies were not properly managed therefore they were not able to do follow ups to extend tax relief offer.

A. Individual Workers reasons;

- i. They are not interested
- ii. They are not aware of the tax relief
- iii. The amount granted is very small
- iv. The process involved is very long example when it comes to documents verification.

B. Tax Relief Officials;

- i. Unwillingness on the part of individual to file their returns and declare their income for assessment. This makes it difficult to process relief for the person or worker.
- ii. Documentation and processing for application either old age or child education becomes difficult because of necessary documentation for verification such as admission letter and others to prove a child education.
- iii. When individual apply for relief such as marriage, old age etc the marriage may end as divorce old age dependant might have pass away but the individual will still continue to enjoy the relief without informing the office for cancellation.
- iv. Lack of effective information service department to educate the public about their programs.
- v. There were not enough administrative resources to enhance effective processing of relief.

Self administered questionnaires and interviews were the tools used to collect data from the respondents from the staff of Domestic Tax Revenue Division (DTRD) and individual workers.

The ineffectiveness of the tax Relief officials was attributed to many factors. Many of which have been mentioned above. It came to light during the studies that, many of the above enumerated problems were as a result of personnel who are not well motivated and resourced to perform their duties.

5.1 CONCLUSION

The use of tax relief in revenue collection is to offer different ways for taxpayers to resolve their tax liabilities based on their unique financial situation and facilitate increase in government revenue.

From the study, it was realized that this purpose has not been entirely achieved.

We call on the government and other agencies responsible for formulation and review of this program for effective implementation.

When the tax relief is properly managed with clear cut “modus operandi”, it can be successful and thus help to reap the expected revenues to support government policies and projects.

A further research on how to educate workers on tax relief and how to plan and implement tax relief are recommended.

5.2 RECOMMENDATION

Based on the findings and conclusions drawn from the findings, we recommend the following to the public, individual workers and the Domestic Tax Revenue Division (DTRD).

Qualified Staff

The DTRD should employ enough staff with the requisite qualification and offer them good remuneration to serve as motivation for efficient performance.

Education

The Domestic Tax Revenue Division (DTRD) should embark on massive public education to sensitize the populace on the need to file their returns for tax relief through the print and electronic media. Since the public is made up of individual workers and prospective ones, understanding why, how and when they can apply for tax relief.

Logistics

The offices should be adequately resourced to help them perform their work effectively. Logistics like vans and motor bikes to transport the tax relief officials around, computers to input data, enough budgetary allocation and all other logistics necessary to support the work should be made available to the tax relief officials.

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APPENDIX [A]

CHRISTIAN SERVICE UNIVERSITY COLLEGE KUMASI
DEPARTMENT OF BUSINESS ADMINISTRATION

The purpose of this questionnaire is to find out the effectiveness of tax relief in revenue collection.

Please kindly provide answers to questions provided below. Your confidentiality and anonymity is assured.

Please tick the appropriate boxes or write short note where necessary

SECTION A

1 Age; 18-30 () 31-45 () 46 and above ()

2. Gender; male () female ()

3. What is your level of education?

A) Middle school leaver () B) Tertiary () C) Professional () D) None ()

4. Are you

A) retired () B) public worker () C) private sector ()

5. Are you aware of tax relief?

A) Yes () B) No ()

6. Are you salary earn worker?

A) Yes () B) No ()

7. If your answer to question 6 is yes, do you have any dependant?

A) Yes () B) No ()

8) which of the following dependant do you have?

A () Spouse B () Children C () Parent D () None

9. Have you ever applied for tax relief before?

A) Yes () B) No ()

10. If the answer in question 9 above is NO, why?

11. If the answer in question 9 above is YES, Please explain the benefit derived from it?

12. Will you willingly declare your income for an assessment?

A) Yes () B) No ()

13. If the answer to question 12 is no. Why?

.....

APPENDIX [B]

TAX RELIEF PERSONNEL

- 1) Do you have an educational background in taxation?

A) Yes ()

B) No ()

If yes, at what level?

- 2) Have you had any form of orientation on the job you are doing?

A) Yes ()

B) No ()

- 3) Do you face challenges in the line of duty?

A) Yes ()

B) No ()

If yes what were the challenges face?

- 4) Are you adequately resourced on the job with logistics?

A) Very

B) somehow

C) No

- 5) Are the mechanisms used by the Domestic Tax Revenue Division (DTRD) adequate?

A) Perfect ()

B) Good ()

C) Poor ()

- 6) Were you well motivated?

A) Yes ()

B) No ()

- 7) What are your recommendations in the tax relief program?
