

CHRISTIAN SERVICE UNIVERSITY COLLEGE



SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING AND FINANCE

**ASSESSING TAXPAYERS PERCEPTION AND NONCOMPLIANCE ON TAX STAMP
AT THE GHANAIAN INFORMAL SECTOR
(A CASE STUDY OF KUMASI METROPOLIS)**

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STATEMENT OF AUTHENTICITY

We have read the university regulations 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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ABSTRACT

Transitional economies have challenges with domestic revenue mobilization due to their widespread informal sector. Ghana government introduced tax stamp under the IRS regime as a strategy to optimize revenue generated from the Ghanaian informal economy, 2005. The scheme has undergone review in the corridors of the current GRA all to tighten its coverage belt. This study assesses taxpayers' perception and noncompliance on the tax stamp scheme. Adopting stratified-random sampling technique on the informal sector operatives, purposive sampling was used to balance the operators' opinions with tax compliance officials; the research data were obtained through questionnaires and personal interviews. The study unveiled 28% of the sectorial participants contributing their tax quota to the government through the stamp scheme. The leviathan noncompliance at the sector has a strong tie with the lack of taxpayers' voluntary compliance and perceived unmerited returns with the stamp. A social noncompliance offering 79% explanation to the cited reasons of the tax payers and that of 'Unknown' were considered the key explanatory variable to the sector's evasion in the spectrum of the stamp. From the survey, taxpayers perceive that the scheme lacks equity. However, the major challenges defining the dialysis of the stamp ineffective sanction comprises limited staff capacity to patrol the widespread tax zone. The study recommends that government advocate proliferating tax compliance officials and/or provide adequate logistics to smother the stamp administration at the Ghanaian informal sector.

Keywords: Tax Stamp System; Informal sector/economy; Perception; Noncompliance; Ghana.

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DEDICATION

This work is dedicated to our beloveds, including our parents, spouses and children.

To them we honour with this academic write-up.

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ABBREVIATIONS

GRA	-	Ghana Revenue Authority
VIT	-	Vehicle Income Tax

VAT	-	Valued Added Tax
PAYE	-	Pay As You Earn
ISSER	-	Institute Of Statical Social and Economic Research
GDP	-	Gross Domestic Product
ILO	-	International Labour Organization
IRS	-	Internal Revenue Service
GNA	-	Ghana News Agency
GTZ	-	German Technical Cooperation
TCC	-	Tax Clearance Center
DTRD	-	Domestic Tax Revenue Division
SPSS	-	Statistical Package for Social Sciences
WIEGO	-	Women in Information Employment of Globalizing and Organizing
ICFTU	-	International Confederation of Free Trade Unions
OECD	-	Organization for Economic Cooperation Development
CISLAC	-	Civil Society Legislative Advocacy Center
LRC	-	Legal Resource Center
STO	-	Small Tax Office
MTO	-	Medium Tax Office
LTO	-	Large Tax Office
KMA	-	Kumasi Metropolitan Assembly
SMMEs	-	Small Medium and Micro Enterprises
CBA	-	Cost - Benefit Analysis
DRU	-	Domestic Revenue Unit
MOF	-	Ministry of Finance
SA/A	-	Strongly Agree and Agree
N	-	Neutral

SD/D - Strongly Disagree and Disagree

CHAPTER ONE

INTRODUCTION AND BACKGROUND

1.0 Background

The recent years have seen a rise in major forms of employment and increase in small businesses in most countries across the globe especially developing nations. This is due to excessive switch from manufacturing to service sector jobs (Boateng & Ampratun, 2011). Most of these businesses operate at the informal sector of the various economies. The situation seems very prevalent in Africa, particularly Ghana. This assertion was revealed in the study of Anuradha & Ayee, (2002), when they stated that the informal sector is an obvious focus of attention as it forms a significant and growing proportion of the economy in the developing countries, yet pays little in the form of taxes.

Taxation is a compulsory payment or contribution made by the citizens of a country to the government for the nation building. Following the extract, basic needs requisite for socio-economic growth are all funded with taxes. Hospitals, roads, defense (police, armed forces etc.), public educational institutions etc. are provided with taxation. This gives a remedy to the literal question “why taxation?”

There is a need for taxation because achieving these do not happen an overnight but through strategic policies coupled with formidable monetary backing. Moving a nation with scarced fiscal resources is akin to operating a vehicle with insufficient fuel. Tax is the life bloods of every economy, without taxation no nation (Ankrah, 2014). That notwithstanding the previous years saw the progress and development of various nations to primarily center on their revenue mobilisability, both internal and external.

Taxation has been the major source of domestic breast milk for fiscal sustainability and development of every economy, from historical point of view. Developing nations for instance rarely experience ample inflows from exports relative to their (imports) outflows. As the situation always triggers shaky balance of payment and budget discrepancies evidenced by the prior years' experiences; the internally generated fund should be the key focus of attention to a developing nation like Ghana. But the scenario looks the converse!

Apparently the challenge of developing countries keeps skyrocketing with domestic tax mobilization. As if governments of these nations makes no attempt. Ghana for instance tries distinct approaches to trucking such potential revenue through the tax authority (GRA), all of which tasked not to the expectation.

The Ghana Tax law ACT 791, as amended in 2009, emphasizes the classes of taxes to be trucked internally by the Domestic Tax Revenue Unit of GRA. Those named income tax constitutes, PAYE (Pay As You Earn), corporate taxes, and personal income taxes, adding to other ten forms. Among the eleven income taxes, roughly three are slated for the informal sector. This includes VAT flat rate, Tax stamp, and VIT for both commercial and Non-commercial vehicles. Paying either is not within ones power but primarily dependent on the person's business nature. As each has different tax implications and mode of payment allied to weak tax administration system of the state, most people dare extricate the tax zones when fall due. This assertion is clearly evidenced with the tax stamp as most of its payers are itinerants and mobile (Ofori, 2009).

In the stamp scheme, taxes are collected from small-scale self-employed persons at the informal sector on quarterly basis. Business operators were grouped according to their business type e.g. dressmakers, Susu collectors, chop bar owners, butchers etc operating the stamp at the inception.

The types were further grouped into classes/sizes to arrive at equitable rates to be paid according to both type and sizes (GRA, 2006)

Either of the main facets of national economy, formal and informal sector have intrinsic input to make in national tax coffer. However, Bagahwa & Naho (1995) stated public revenue remains weak in many sub-Saharan African countries and the tax burden appears to be unevenly distributed. This is because most of the countries have very large informal sector and significant rural population which makes it difficult for government with weak tax administrations to especially collect income tax. In effect, tax policies are biased towards collecting regular taxes from the poor households and formal sector employees and businesses in most African states. Chunk portion of developing countries taxes therefore originates from the formal sector (Anuradha & Ayee, 2002). This phenomenon imposes greater tax burden and pressure on the sector as the states have ill-health with their ability to tax the informal sector.

The true definition of the “informal economy” remains enclosed till date. So far many researchers’ and authors have expressed diverse opinions on the subject. Most of which were refuted by other scholars. Although recent studies reveal a wider range of operations in the urban informal sector which is three folded i.e. service, construction and manufacturing .Schneider and Enste stated that disagreement persists about definitions and estimation procedures of the informal economy (Schneider & Enste, 2000). However, one commonly used working definition is; all currently unregistered economic activities which contribute to the officially calculated (or observed) Gross National Product (Schneider, 2002). The informal sector comprises of ; Food Processing, Textile/Leather Works, Woodworking, Metal Fabricating, Beverages, Repair Services, Auto repairs, Handicrafts, Commerce and Building Construction, in extrapolation (Yankson, 1992)

The sector plays important and controversial role for which the World Bank has indicated. It provides jobs, reduces unemployment and underemployment, but in many respects the jobs are low-paid adding to poor job security. Global informal sector helps to alleviate poverty and bolsters entrepreneurial activity, but at the detriment of state regulations compliance, particularly tax payment and labour laws. On the contrary, the contribution of the informal sector to the growth and progress of economy including, job creation, skill acquisition and the production of goods and services cannot be underrated (ISSER, 2003). This gives a glare imagery of how significant it can add to internal revenue generation of a country like Ghana, if critically managed.

The average size of the informal economy in Africa (in percent of GDP) was estimated 42% for the years 1999/2000 (Schneider, 2002). Ghanaian informal sector places 80% of its total workforce (Hormeku, 1980). The sector carries huge volume of individuals and enterprises' receiving diverse class of income. The sector contributes substantially to GDP (ISSER, 2003), yet its quota to national tax fund seems very abysmal. The huge contribution to the GDP suggests the potential cataclysm of the sector to add fabulously to the tax fund as Ofori (2009) puts it, the estimated size of the informal sector presupposes that the sector makes significant contribution to the Gross Domestic Product (GDP) and so the sector could equally make a major contribution to the tax revenue.

Now, over the years, dwellers of the informal economy enumerate very intriguing reasons to their tax noncompliance. Most of these reasons are captured in the various write-ups and studies of researchers but not conclusive. Their outcries involves but not limited to the lethargic and woeful performance of most emerging governments. Of course for some governments, their shortfalls were explicitly featured by the dreadful fiscal machineries adopted. But, does it mean

citizenry should turn death ears to such a civic and religious (tax) obligation or evade? The answer is a big 'no' as Ankrah said; although many governments have not been able to adequately address the needs of their citizens', this cannot be an excuse to evade payment of taxes (Ankrah, 2014)

The informal sector is a segment with huge potential for necessary domestic revenue generation and to reduce escalating budget deficits of the nation (Ofori, 2009). Ghanaian informal sector as elsewhere in Africa (ILO, 1997), is known of its heterogeneity and variety. The sector mainly involves those engaged in agri-activities (covering the rural sector) and the urban sector- fetching glamorous modules of income which if taxed could benefit the nation a lot.

Unfortunately, huge sums of revenue (from the sector) wave and by-pass the emerging governments day-in, day-out as many individuals and enterprises' receiving substantial earnings either under pay or evade taxation of the Ghana Revenue Authority (GRA), leaving the tax authority in dismay. The ISSER stated that data on the activities of the sector are lacking in many respects due to their fragmented, unregulated and unrecorded nature (ISSER, 2003). The situation makes it challenging for one to know the taxable income of these resident persons to effect taxation. Informal sector businesses have primarily not been registered. Access to their details then becomes very problematic to the commission (GRA) for tax purpose as a usual saying. The sector takes advantage of its secrecy to refuse social obligations. It then suffers neglect of state authorities in consequence. Business catastrophic exercises like "state deconjunction" are all prescribed to the sector with little, if not no mercy from the government. As this cannot be a conundrum. The question is; for how long will this rivalry hold?

The sectorial businesses make hikes of profit adopting the scarce resources of the state. It hence makes economic and social sense to rope into the tax net all the operatives at the informal sector

(Ofori, 2009). Proponents should not forget that some of the activities of the informal sector are so detrimental to the environment. Therefore taxing the informal sector, the participants at least contribute for the repair and restoration of the environment they damage as Ofori (2009) reckons.

1.1 Problem statement

The Institute of Statistical, Social and Economic Research (ISSER) 2003, reported the informal sector as the main source of employment in Ghana. Until then, the projection of Hormeku revealed 80% of the nation's workforce to be employed at the sector (Hormeku, 1980, *ibid*).

Most entrepreneurs are caught in the informal sector net as shown in the assertions, in Ghana. Government would be better-off with fund, should the businesses duly accept their social responsibilities incorporating tax payment. The issue of tax evasion at the informal sector remains one of the national past times made explicit by the media on several occasions meanwhile all efforts made by the government achieves not the desirable results (Joshi & Ayee, 2009).

Following the challenges, the Internal Revenue Service (IRS) introduced tax stamp scheme as a strategy to optimize revenue generated from the sector on January 2005 (GNA, 2005). The Stamp System was erected as a collection mechanism to rope into the tax net the large number of people in the informal sector, who were not contributing anything to revenue, and not to introduce or impose new taxes. (Adjei-Djan, 2005)

The IRS spotted potential challenges with the tax system and made a revise in March 23 to ensure its effective running. This was made feasible following the implementation of the stamp system, which included the categorization of each identifiable group and the rate attached to the group (GNA, 2005).

The identifiable groups under the Tax Stamp System were: Dressmakers, Susu Collectors, Chop Bar Operators, Cooked Food Sellers, Butchers, Hairdressers, Garage Owners, Diamond & Gold Winners and Buyer as of 2005 (Adjei-Djan, 2005). All these exercises were tailored to ease the tax payment. However, as of March 23, the IRS raised only half of the prior year's target fund of about 24 billion cedis per annum. (Owusu, 2005)

This was not the start point to taxing the informal sector. Over the years the government has made desperate efforts to effectively rope the participants into the tax net but very little were achieved to that direction. The strategies and methods used include: standard assessment (a scheme in which a fixed lump-sum tax was levied) on individuals or business; occupational (identifiable) grouping taxation (which failed abysmally because of corruption) before the tax stamp (where informal sector operatives pay tax on quarterly basis).

Currently the GRA has reviewed the stamp scheme. The enhanced model abrogates the previous identifiable groupings as defined under the IRS. The new tax stamp is charged on all entrepreneurs at the informal sector at the best judgment of the tax officer. The policy exclusively point fingers to any entrepreneur with neither temporal nor permanent tax file. This amendment was earmarked to tighten the coverage nuts of the stamp scheme.

The mindboggling question one may probe knowing is whether the scheme is now capable of tracking the potential tax payers or not. Though the tax contribution seems encouraging per the preliminary survey conducted relative to the prior tax policies, it appears the scheme has enormous potential returns left, if the need for further consideration is not underscored.

The study then assesses taxpayers' perception and noncompliance on the tax stamp in effort of enhancing the stamp payment at the Ghanaian informal sector targeting Kumasi Metropolis.

1.2 Research objectives

The study addresses the following specific objectives on the bases of the problem defined;

- i. To identify the Level of tax payment at the Ghanaian informal sector.
- ii. To find-out the reasons for tax stamp noncompliance at the sector and precursors’.
- iii. To find-out the perception of tax payers towards the tax stamp system.
- iv. To outline the challenges confronting the effective sanctioning of the tax stamp.

1.3 Research questions

- i. What is the level of tax payment at the Ghanaian informal sector?
- ii. What key reasons and precursors’ account for the tax noncompliance at the sector?
- iii. How do tax payers think of the stamp scheme?
- iv. What challenges confront the current GRA with the tax stamp administration?

1.4 Methodology

A research methodology must be systematic, methodological, rigorous, conventional and unbiased if research is to be considered scientific (Ofori, 2009; Mason & Marchal, 1999). Primary data was collected through structured Questionnaires’ and interviews and buttressed with secondary data. In all, 80 self-employed persons par-took this study through stratified-random sampling technique. Four (4) tax officials from the GRA- Domestic tax Revenue division (DTRD) were also interviewed in addition to the ultimate informal activity movers. Purposive sampling was employed within which the tax officials were reached by convenience. The data were then analyzed with Statistical Package for Social Sciences (SPSS).

1.5 Scope and limitations of the study

There are a number of tax forms sanctioned by the GRA's domestic Revenue Division on the informal sector as indicated above. This study focuses on the tax stamp since it is one type that covers most of the operators at the sector. Apparently, the writers' belief that combating the challenges within this policy shall triumph to augment other revenue forms collected internally. More so, the wideness of the metropolis coupled with the time limit for this study necessitated narrowing the research scope. The researchers restrict data gatherings to only the metropolis suburbs with mass intrinsic and extrinsic features of the informal operatives. The study hence considered Bantama, Suame and Adum for surveying.

The Kumasi informal sector keeps growing overtime as formerly indicated. Currently masses of operators are contained at the sector. The hugeness of the sample population and time constrain did not permit the writers to cover the entire sample target. Prior to the sample size, the aftermath of this study may not reflect the fair but 'true' view of the situation on ground, serving as a limitation.

Adding to the limitations, Ofori (2009) unveiled a leviathan illiteracy level at the informal sector. Otiaku (1988) shares equal view. Therefore the researchers were well informed of the high illiteracy level among the informal sector operators. The survey questions were narrated to respondents understanding using the local dialects either Ashanti -Twi, or others mother tongues for the researchers' to pen down the response in English. As a result, the writers may have a slight degree of arbitration on the respondents' opinions during reporting.

1.6 Significance of the study

The research will add to existing literatures on the informal sector vis-à-vis taxation issues, especially on the tax stamp scheme. This will ally posterity research on the sector. It shall serve as a real but not conclusive blue print to the inland authority (GRA) to be effective with their look forward to taxing the informal sector. The study shall support plan of policy makers especially the Ministry of Finance and Economic planning in deciding tactically on the informal sector's taxation. This write-up will perhaps not be a conclusive mechanism to taxing the sector since variations in social order, dynamics of nature and economic policies may suggest further review by other researchers.

1.7 The study organization

The study is in five sections. The prior discourse presents the components of the chapter one. Chapter two reviews the existing literature on the informal sector in Ghana, examining the history of the informal sector - the working definition, its measurement and size, the level of tax payment, Reasons for high noncompliance, precursors to tax noncompliance, challenges to tax collection, the perception of tax payers on taxation, overview of the stamp policy, empirical evidence on its contribution and current state of the tax stamp. Chapter three considers the research methodology. The Fourth chapter presents findings and analysis of data collected from the respondents. Lastly, Summary, Recommendations and conclusion of findings are discussed in chapter five.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The global informal sector and its taxation issues have won focus of many researchers in the current century. As all tackle the sector with different priorities, not much study has been carried on the Ghanaian informal economy. The section critically reviews' the write ups of the various pundits within and without the nation to make inference on the subject in relation to Ghana's domestic tax mobilizations- stressing on the current stamp scheme.

2.1 Origination of the informal sector-Historical Overview

The term “informal sector” arrived in Africa in the early 1970s. According to Boateng and Ampratum, (2011) the sector's emergence in Ghana can be traced back to the inception of colonial capitalism in the then Gold coast. This was the period where heterogeneity protruded as the true icon of the essential features of labourers maneuvering the sector (Boateng & Ampratum, 2011). The heterogeneous character created varieties of peasant properties and agricultural labourers, distribution agents, buyers, transport owners and employees, porters, repairers etc (Ninsin, 1991; Adu-Amankwah, 1991).

According to Sethuraman, (981), the informal sector grew from international Labour Organization (ILO) reports on Ghana and Kenya early 1970s (Ofori, 2009; Sethuraman 1981). The main challenge in these countries was not unemployment but rather the vast number of

working poor ‘struggling to produce goods and services without their activities being recognized’ according to the study (Ofori, 2009; Sethuraman, 1981).

There was no concrete philosophy on the informal economy from the beginning. The Women in Informal Employment Globalizing and Organizing (WIEGO) Working Paper N^o.1 stated that the concept of the informal sector has been debated since its discovery in Africa in the early 1970s (Chen, 2012).

Currently, many literatures have realized that the operation of the informal sector is not found in Africa or transitional economies alone but also developed nations, despite its emanation from Africa (Ofori, 2009). As an evidence, Kuchta-Helbling (2000) cited both Tanzi (1982) and Portes et al (1989) when they stated that the informal sectors in many industrial countries increased during the economic recession and reorganization of the 1970s and 1980s and continue to exist today – such as the notorious sweatshops that flourish in New York.

The concept of the informal sector was introduced into international usage in 1972 by the International Labour Organization (ILO) in its Kenya Mission Report, which defined informality as a way of doing things characterized by: (a) ease of entry; (b) reliance on indigenous resources; (c) family ownership; (d) small scale operations; (e) labour intensive and adaptive technology; (e) skills acquired outside of the formal sector; (g) unregulated and competitive markets, citing the World Bank article captioned “informal labour Markets in Transition Economies”

2.2 Conceptual Framework of the Informal Sector

Debate on the large and heterogeneous informal economy has evolved in four main approaches regarding its nature and composition, as follows:

2.2.1 Dualist Approach

This school emphasizes on an economic system consisting of a dual model (formal and informal sector only). It sees the informal sector of the economy as comprising marginal activities—distinct from and not related to the formal sector—that provide income for the poor and a safety net in times of crisis (Hart 1973; ILO 1972; Sethuraman 1976; Tokman 1978). The dualist approach proposes that the persistence of the informal sector activities is due largely to the fact that not enough modern job opportunities have been created to absorb surplus labour, due to a slow rate of economic growth relative to population growth (Chen et al, 2004).

Although ‘dualist’ concept was popularized by the international labour organization in 1970s (Ofori, 2009); It is criticized on the grounds of its simplistic and crude assumption that all economic activities are of two chambers since many activities lies the midway of both ‘formal’ and ‘informal’ sectors (Adelino, 2002 & Dlamini, 2002). This suggested the Structuralist approach.

2.2.2 Structuralist Approach

Structuralist sees the informal economy as subordinated economic units (micro-enterprises) and workers that serve to reduce input and labour costs, thereby increasing the competitiveness of large capitalist firms (Moser 1978; Castells & Portes 1989). By definition, other writer like Moyo, (2005) tags this school as the micro-enterprise approach due to its synonymy with the informal sector (Moyo, 2005). Unlike the dualist model that assumed only dichotomous and autonomous sectors in the economy (in view of formal and informal) , the Structuralist argues

that different modes and forms of production are seen not only to co-exist but also to be inextricably connected and interdependent in the economy (Moser, 1978; Castells and Portes, 1989). According to this school, the nature of capitalist development (rather than a lack of growth) accounts for the persistence and growth of informal production relationships (Ofori, 2009).

On further development, Micro-enterprises are seen to promote fund and carry out the activities which address the needs of the poor' and Adelino (2002) stresses that the most important role for the government is to provide the appropriate policy environment for these enterprises. The Structuralist approach then sees the informal sector as complementary to the formal sector activities and can therefore play an important role in the use of resources available and have an important role to play in economic development (Adelino, 2002). Hence there is a need to create an enabling business environment for the sector to flourish through mechanisms including urban planning policies to create dynamic zoning for traders as well as the development of infrastructure that aims to integrate rather than isolate the informal sector (Moyo, 2005).

2.2.3 Legalist Approach

This approach sees the informal sector as comprised of “plucky” micro-entrepreneurs who choose to operate informally in order to avoid the costs, time and effort of formal registration and who need property rights to convert their assets into legally recognized assets (De Soto 1989, 2000).

According to De Soto (2000), micro-entrepreneurs will continue to produce informally so long as government procedures are cumbersome and costly. In his view, unreasonable government rules and regulations are stifling formal private enterprise. By the legalist school of thought, the

inordinate demand placed on businesses by the government's enactment of numerous commercial laws and regulations is acting as a driving force for the participation in the informal sector. The simplification of these rules and regulations for formalization process may reduce the rate of the informality by the entrepreneurs (Ofori, 2009).

2.2.4 Voluntarist Approach

The Voluntarist approach is also known as the illegalist school of thought. This focuses on informal entrepreneurs who deliberately seek to avoid regulations and taxation but, unlike the legalist school. This school is associated with the notion that the informal economy is an underground or black economy. According to this school of thought, informal entrepreneurs choose to operate illegally – or even criminally – in order to avoid taxation, commercial regulations, electricity and rental fees, and other costs of operating formally (Maloney, 2004), and does not blame the cumbersome registration procedures.

Glancing from the arena of women dominance in the global informal market as posited by other scholars, Moyo (2005) suggests the feminist Approach as an added school of thought in his study “Local economic development in Alexandra: a case Study of women in the informal sector”

2.2.5 The Feminist Approach

According to Moyo (2005), the feminist approach is represented in efforts to analyse the structural position of women within the informal sector. The approach is motivated by growing empirical evidence showing the disadvantaged position of women in the informal sector in perpetuating existing gender inequalities (Dlamini, 2002). The link between working in the informal sector and being poor was found to be stronger for women than for men (Sethuraman, 1997), in this approach.

Referring from above, there is an increasing recognition that different segments of the informal economy are driven by different factors from the conceptual review. Ghana's population keeps hiking with leviathan rise in unemployment. The issues cascade to the fact that insufficient job avenues are made available due to sluggish growth of the economy. This phenomenon enables majority of the Ghanaian populace to surround within the informal operations with different activities to make living. The dualist school pinpoints the status-quo of the national economy in the current days from broader scope. It hence functions as the trendsetter to this study's theoretical framework. But looking critically perhaps, one could believe that almost all the five school of thoughts prevail in Ghana. This strikes a wider pace for informality with associated mischievous acts in the economy. Therefore there is no gain constricting the features of Ghanaian economy to only the dualist –for the listed details;

) The World Bank project dubbed “Doing business”, suggested that the Ghanaian legal system proves quite bureaucratic to comply (World Bank, 2014). As a consequent most people admit trading within the informal chamber with little thought of becoming formalized. The claim was supported as the word bank indicates 80% volume of the national population to be found at the informal sector net. In parallel to the World Bank report, the legalist approach could also be seen as making wave to the basis of existence of the sector in Ghana, to some extent.

) Again, Whiles one must not forget the significant supportive role of the micro-enterprises in Ghana-paving ways to ease life for the poor; there is equally a need to agree that most of these informal operators deliberately avoid regulations and taxation on top. The sector's tax evasion has been indicated in the study of Anuradha & Ayee

(2002) when they stated the informal sector is an obvious focus of attention as it forms a significant and growing proportion of the economy in the developing countries, yet pays little in the form of taxes (Anuradha & Ayee, 2002 *ibid*)

J In *Geojournal* 67 (p.2), Awumbila (2006) states that today “Women make up 43.1% of economically active population in Ghana, the majority working in the informal sector and in food crop farming”. But About 91% of women in the informal sector experience gender segregation and typically work for low wages. Within the informal sector, women usually work in personal services. There are various differences in artisan apprenticeships offered to women and men, as well. Men are offered a much wider range of apprenticeships such as carpenters, masons, blacksmiths, mechanics, painters, repairers of electrical and electronic appliances, upholsters, metal workers, car sprayers, etc. In contrast, most female artisans are only involved in either hairdressing or dressmaking whereas the gargantuan operate mobile without permanence (Awumbila, 2006). The scenario also seems a perking contributor to the ever growing informality in Ghana.

2.3 Defining the Informal Sector

Since the promulgation of the term “informal sector” in 1972, the “ILO” reveals that many definitions were introduced by different authors including the ILO itself. There is no agreed upon definition to the sector.

Informal sector or economy covers a vast number of businesses, in terms of ownership structure, sectors, activities, size and formality. The job scope of the sector is viewed as employment or work that is not recorded in the formal labour market data (Moyo, 2005). Informal employment

tends to take the form, in general, of simple occupations such as street trading and any form of home-based work, but could take the form of highly skilled occupations, which take place outside the formal economy (Valodia, 2000). Examples include motor mechanics, electricians, plumbers, artisans and caterers etc.

In effort to defining the sector, the ILO/ICFTU international symposium on the informal sector in 1999 proposed that the informal sector workforce can be categorized into the following three broad groups:

- a. Owner-employers of micro enterprises, which employ a few paid workers, with or without apprentices;
- b. Own-account workers, who own and operate one-person business, working alone or with the help of unpaid workers being family members and apprentices in general; and
- c. Dependent workers, paid or unpaid, including wage workers in micro enterprises, unpaid family workers, apprentices, contract labour, home workers and paid domestic workers.

The definitional parameters are considered from different views by different writers'. Therefore most authors trying to measure the informal economy face the difficulty of how to define it (Schneider, 2002). Disagreement persists about definitions and estimation procedures of the informal economy to date (Schneider & Enste, 2000 *ibid*). But one commonly used working definition is: all currently unregistered economic activities which contribute to the officially calculated (or observed) Gross National Product (Schneider, 2002 *ibid*). Smith (1994, p.18) defines it as “market-based production of goods and services, whether legal or illegal that escapes detection in the official estimates of GDP”.

As these definitions leave explicit to lots of questions, Schneider & Enste (2000) claim that the taxonomy table beneath (table 1) may be helpful for developing a better feeling for what could be a reasonable consensus definition of the legal and illegal underground or informal sector.

From the table it becomes clear that the informal economy includes unreported income from the production of legal goods and services, either from monetary or barter transactions; hence all economic activities which would generally be taxable if they were reported to the state (tax) authorities forms the informal sector (Schneider & Enste, 2000). A precise definition seems quite difficult as stated, if not impossible. The informal economy develops all the time according to the 'principle of running water': it adjusts to changes in taxes, to sanctions from the tax authorities and to general moral attitudes, etc. (Schneider, 2000; Mogensen, et. al. 1995).

Table 1: Taxonomy of Types of Underground Economic Activities

Type of Activity	Monetary Transactions		Non-Monetary Transactions	
Illegal Activities	Trade with stolen goods; drug dealing and manufacturing; prostitution; gambling; smuggling and fraud		Barter of drugs, stolen goods, smuggling etc. Produce or growing drugs for own use. Theft for own use.	
	Tax Evasion	Tax Avoidance	Tax Evasion	Tax Avoidance
Legal Activities	Unreported income from self-employment; Wages, salaries and assets from unreported work related to legal services and goods	Employee discounts, fringe benefits	Barter of legal services and goods	All do-it-yourself work and neighbour help

Source: Lippert and Walker (1997, p. 5)

In the year 2000, Farrell et al offered two approaches to defining informal sector activity: the definitional and Behavioural. Under the definitional approach, the informal sector is economic activity unrecorded in the official statistics such as the gross domestic product and /or the national income accounts. Behavioural approach, on the other hand, maintains that the informal sector is based on whether or not activity complies with the established judicial, regulatory, and institutional framework (Farrell et al, 2000).

Here again, Thomas (1992) argues that there is no gain stiffing the sector's meaning. The definition one uses is driven by the research question: the 'Behavioural approach' explains the causes of the informal sector as the definitional approach' estimates size and economic value of the informal activity.

In effect the informal sector could be viewed as a fast growing sector comprising of all jobs under recognised or not recognized in the national income and on which taxes are unpaid or underpaid. These activities may either be illegal or legal but deliberately hidden venture for tax reasons or other backlogs.

2.4 Measurement and size of the informal sector in Developing Economies

It appears there is no specific parameter – measuring the size of the informal sector. Different study uses diverse approaches but the sector forms a percentage of the various countries economy (Ofori, 2009). According to the Word Bank, the size of the informal labour market varies from the estimated 4-6% in the high-income countries to over 50% in the low-income countries. The size and role of the informal sector in the economy increases during economic downturns and periods of economic adjustment or transition' in general sense.

Research of Schneider (2002) adopted diverse techniques in estimating the size of the informal economy across 110 countries. Among the total respondent nations he used the Physical Input (electricity) Method, The Currency Demand and the model (DYMIMIC) Approach for the developing countries. The results were grouped into Africa, Asia, South America and West-European-OECD-Countries (Schneider, 2002).

The average size of the informal economy in Africa (in percent of GDP) was placed at 42% for the years 1999/2000 (Schneider, 2002 *ibid*).

The size of the economy for 18 South and Latin American states was captured. In either case the economy covers 41% on average (Schneider, 2002). The size of the sector at the South America and Africa were quite synonymous.

On the same study Schneider saw a challenge computing the size of the informal economy in Asia on equity ground; the bloc was that Japan, Singapore and Hong Kong are highly developed states among the Asians. The others are more or less developing. Considering the 26 developing countries in the continent, the size of the informal economy was stated 26% of official GDP for the years 1999/2000 on average (Schneider, 2002).

The size of the sector in percentage of official GDP was also calculated for 16 West-European-OECD-Countries. On average the countries informal economy was 18% for the year 1999/2000.

Conclusively, the Asian informal economy is considerably lower than the African, South and Latin American States whereas that of OECD countries is significantly small on averages, in the light of Schneider's study.

Ghana is considered one of the fast growing countries in Africa and in the world at large- particularly in population-wise. The population appreciates year after year. Notably, it revamped to 18.9 million in 1999, about 80 percent more than the 10.7 million in 1980 with 9 million

labour forces (Ofori, 2009). Fifty-one percent (51%) represent women and men taking the remaining constituent (Ofori, 2009).

The rising nature of the population is trademarked with excessive small enterprises without formality. As a result, the informal economy covers 80 percent of the total labour force (World Bank, 2001), most of which if not evade, under pay their tax quotas to the GRA. A recent study by Schneider and Klinglmair estimates the size of the informal sector in Ghana at 38.4% of the official GDP.

2.5 Level of tax payment at the informal sector

Low and lower-middle income country typically have a large informal sector, very high self-employed rates and low levels of tax collection. A recent project in Sri Lanka to register small firms at the informal sector did little changes, according to Woodruff (2013). The trajectory of most, and registration issues helped some of the firms to generate rapid growth as an outcome to the important policy implication benefit from the government (Woodruff, 2013); but the question is, does it impact their tax payment- ability?

The tendency of small firms to remain in the informal sector may have an even more pervasive detrimental impact on growth than one might expect. The firms' informal status allows them to avoid taxes by keeping cost and revenue off books. However, the lack of information arising from production costs and basic accounting systems on which they rely, mean many cost related errors in pricing can be made, resulting in considerable business loss. Woodruff, (2013) then identified across countries that a strong negative correlation exists between state revenue and informal activities. The more people get abreast to informal activities the lesser they contribute to the national tax fund and the vice versa.

2.6 Reasons for tax noncompliance at the informal sector.

A number of factors have been identified as causing tax evasion at the informal sector. Some of these factors include illiteracy, lack of voluntary compliance, cash transactions, low standard of record-keeping, inaccessibility to tax offices, etc (Otiaku, 1988).

2.6.1 High illiteracy rate

It is well established that about sixty percent of the informal sector entrepreneurs are unlettered. Associated with this problem (i.e. illiteracy) is the problem of filing out of income returns, preparation of accounts and in general the lack of voluntary compliance. Generally, income return forms are complex to complete and hence calls for one to be fairly educated to enable one peruse the return and complete it appropriately. Again, the income return form does not come in the local languages that the illiterates can easily understand, hence the non-declaration of income form of tax evasion (Otiaku, 1988).

2.6.2 Lack of voluntary compliance

A large degree of voluntary compliance on the part of taxpayers is required for satisfactory income taxation. Income taxes cannot be collected by the best administrative organization satisfactorily from the self-employed when evasion is generally attempted and incurs little or no moral disapproval from the public. The use of force in tax compliance is not sustainable over a long period of time hence the need to work at voluntary compliance (Otiaku, 1988)

2.6.3 Predominance of cash transaction

In Ghana, most informal businesses carry out business transactions on cash basis as some do not accept bank cheque for fear of bouncing. The prevalence of cash transactions creates room for tax evasion. Cash transaction leaves no traces of evidence of the income from such transactions. Cash transaction also enables one to manipulate records and figures for tax reduction purposes (Otiaku, 1988).

2.6.4 Low standard of record keeping

In most developing countries many businessmen keep no records of their business transactions. Here in Ghana most self-employed persons are totally indifferent to proper record keeping. However, in tax administration, a very crucial task is the correct determination of the income of the taxpayer so that a proper assessment of the tax liability could be made (Otiaku, 1988).

According to Agyei (1984), three main factors contributing to the low standard of record-keeping could be recognized: illiteracy; general shortage of accountants; and high fees charged by the accountants which makes it more difficult for the few self-employed taxpayers, willing to keep accounts of their businesses to hire the services of the accountants.

A critical review of Ghana tax system by Ofori (2009) pointed 'management and personnel of tax administration' as one key cause to the tax evasion which cannot be ignored. The calibre of personnel running tax administration and the management style can also encourage tax evasion. A corrupt and low-moral tax officer may result to tax evasion as the officer colludes with the

taxpayers in non-payment of taxes. In contra-wise, a strong and effective tax administration may to some extent, curtail tax evasion, according to Ofori, (2009).

2.6.5 Lack of intensive tax education

In the year 2005, the IRS campaigned to educate taxpayer on the need for tax compliance and benefit. The exercise inculcated a dramatic impression on how people perceived taxation and hence effecting massive tax income, as read by the IRS in March 2005 (GRA, 2005). Tax education is very crucial just as the levels of transparency in government use of revenue affects tax compliance (Abdul & Adafula, 2013). It is believed that this exercise of “tax education” is lessly uphold by the GRA-; also contributing to the heavy noncompliance.

The “why factor” behind the sector’s noncompliance seems very obvious. Otieku (1998) examined taxpaying behaviour among players in the informal sector accounting for their relatively low contribution to tax revenue in Ghana. The study also affirmed that the main reasons for the hard-to-tax nature of the informal sector include: predominance of cash transactions, high level of poor accounting practices and illiteracy rates among operators at the sector.

2.7 Precursors’ to tax noncompliance.

Having a full glare of the noncompliance behaviour at the informal sector requires tactical monitoring of the sector as pertains to particular jurisdiction. This will unveil the aging crux preventing thorough comprehension of the sectorial participants’ behaviour to stakeholders including the tax authority. In effect the tax agency can be decisive on appropriate tax collection mechanism to apply on the informal sector. The study adopts “typology of noncompliance”

explanatory variables presented by Kidder & Craig (2000), in evaluating the sector's noncompliance.

Kidder & Craig (2000) examined the noncompliance type variables/ precursors' as listed:

Procedural noncompliance- this results from failure to follow rules about when to file and which forms to file. Such violations do not necessarily result in understatement of tax liability but have to do with the procedures by which the taxpayer declares income and deductions. Compliance with IRS rules and procedures is time and resources consuming hence it is only a few informal sector entrepreneurs who can afford to comply.

Unknowning noncompliance- this involves underpayment of taxes through ignorance of complex, changing, and sometimes ambiguous rules. Since the enactment of the IR Act in 2000 there has been a series of amendments in every year as the government fiscal statement is presented.

Lazy noncompliance- this occurs when individuals discover that they cannot document legitimate expenses for business or health costs or fail to keep track of outside earnings for which there is no withholding. Indeed, recording keeping practices in the informal sector seems to be poor hence the noncompliance.

Asocial noncompliance- this occurs when the income earner arranges his business activities so as to be invisible to the IRS officials. This is done by transacting business in cash and moving from one place to another so as not to attract attention of the tax man. Many informal sector entrepreneurs engage in this form of noncompliance

Symbolic noncompliance- takes place to protest for perceived unfairness and inequities in tax laws. Refusal to pay tax as a protest against what one perceives as unfair tax laws and abuse of tax revenue by the government officials.

Social noncompliance- this results from peer pressure and social influence on the taxpayer not to comply with the tax laws. This is where network of individuals collectively refuse to pay tax hence anybody in that network must conform to the group norm.

Brokered noncompliance- this takes place upon the advice of a knowledgeable expert such as accountant, lawyer, or bond dealer. The taxpayer is advised by the accountant hired to prepare the accounts not to pay tax and in return accountant may be compensated for non-payment of tax.

Habitual noncompliance- this emerges over time as the taxpayer establishes a pattern of non-declaration of income or under declaration of income.

In 2009, the study undertaken by Ofori on the Ghanaian informal sector centred respondents' opinions on the identified precursors' or incidence. Respondents' issues were categorized into the stated noncompliance variables. The study pointed accounting/lazy as the major precursor to the sector's massive noncompliance. Other variables were made secondary. Similar conclusion was drawn from Otieku (1988) when he also stated that accounting noncompliance dominates noncompliance behaviour of the informal sector.

Another precursor may be political Noncompliance. Looking at the trend of growing desire in politics nowadays (especially in developing nations), it is very likely most operators downplay taxation as far as their favourite government regime goes over and the otherwise.

Again, with the advent of Christianity and other foreign norms for instance, most Ghanaians on the bases of doctrine and other “unmerited” beliefs are likely to turn against the essence of tax collection thoughtless of its payment. Such unethical thoughts may piggy back the mind of the masses making them develop gross dissatisfaction with taxation. It is believed the situation perhaps contribute to the up growing disinterest expressed among some number of Ghanaian taxpayers in specific. Religious noncompliance is therefore suggested as a possible precursor.

2.8 Challenges confronting tax collection at the informal sector

In many respects the greatest challenge to tax administrations around the world has been, and remains, the difficulty in taxing the informal sector. While it is rare to precisely estimate the size of the sector owing to the fact that they are by definition hidden from official scrutiny, most estimates assume at 30-60% of official GDP and at substantially higher shares of total employment. While the revenue potential of the informal sector is relatively smaller than in the formal sector due to low average incomes, the sheer size of the informal economy, and the undisputed presence of some very large operators implies that significant revenue collection is possible. But in practice there are three major reasons taxation of the informal sector has been almost universally unsuccessful, the World Bank has indicated:

Capacity constraints. Informal sector operators are actively seeking to avoid taxation and even at the best of times have limited capacity to keep high quality financial records for tax

purposes. Meanwhile, tax administrations lack the manpower to effectively enforce taxation within the sector and face significant challenges of income estimation even after identifying potential taxpayers. Clearer evidence could be traced from the study of Civil Society Legislative Advocacy Centre (CISLAC) dubbed “Expanding the Tax Base in the Informal Sector in Nigeria” Oduwole & Sanni (2015). The authors stated that the Federal, states and local government tax authorities in Nigeria suffer from capacity constraint in a form of lack of adequate manpower and the necessary skills needed to capture the largely untaxed informal sector in Nigeria.

Challenge from Equity notions. Vast number of informal sector operators has very low incomes, and this creates a strong argument for near total exemption from taxation. On the other hand, many informal sector operators have very substantial incomes and should rightly be asked to pay significant income taxes. Meanwhile, in the absence of effective record keeping, the need for equity in the treatment of the low-income group certainly makes it more difficult to target those with higher incomes.

Political challenge. Low-income taxpayers contribute relatively little revenue, but have a potentially large political voice. Politicians therefore have potentially strong incentives to exempt them from taxation in exchange for political support. Put another way, efforts to tax the informal sector are expected to have high political costs for relatively modest revenue benefits. Tendler (2002, p.33) term such attitude the “devil’s deal”. This likely goes a long way to explain the disproportionate focus on taxing the smaller number of formal sector operatives.

2.9 Taxpayers Perception

The study of Mikesell & Birskyte (2007:1069) claimed – “compliance improves when taxpayers believe the tax system is fair, they believe that they receive something valuable for their payments and when society shows no tolerance for tax evasion. This finding is explained by a broad concept of ‘the tax culture’.”

Wang (2010:82) said: “Although South African taxpayers, including business taxpayers, generally hold the view that it is reasonable to pay one’s fair share of tax, they also feel especially in the case of SMMEs, that the tax system in the country is too complex, tax rates are too high and there are too many taxes, which all contribute to high compliance costs”.

Perceptual traits differ in various environs. Ghana like other sub-Saharan African States evidences tax payers’ opinions in divergence; ranging from government accountability front and residents understanding on the various tax policies to the burdensome nature of the tax systems. In the article of Legal Resource Centre (LRC), Ghana (2010) captioned “Reaching Out to all with Law, Justice & Development”; a research project, sponsored by the German Technical Cooperation (GTZ) earmarked to assess the tax culture of Ghanaians highlighted on how Ghanaians perceive taxation. The article claims “In Ghana, people are generally critical and careful about taxation for three historical reasons:

First, the payment of taxes has become an evidence of subordinate status. Research shows that the pre-colonial Ghana paid taxes to their overlord states that would have previously conquered them. Those were the days colonial subjects paid taxes to the colonial

government to foot bills of the colonial enterprise. Secondly, tax issues have historically provided fodder for political mobilization. Good examples are the political mobilization by pro-independence movements that surrounded the imposition of the Poll Tax in the mid-nineteenth century. A more recent example is the political mobilization by opposition forces around the introduction of Value Added Tax (VAT) in Ghana in 1995. Last is the history of overt corruption and opulence by politicians, paving way for many questions on the use to which taxes are put.

It must not be forgotten that people's perception has a positive correlation with their satisfaction. If the informal sector operators are dissatisfied with a tax policy, it will adversely have an impact on their voluntary compliance. Tax payer satisfaction is the paramount factor to look, winning public perception of tax administration. The ways in which government and tax administrators execute their mandate could surely encourage or discourage Ghanaians from meeting their tax obligations. For instance, in a situation where tax payers are chased forcefully for taxes instead of educating and giving them information, why won't they conceive 'devil notion' on the tax system?

Moreover, the political inclination of greater part of the national populace (e.g. NDC/NPP syndrome) may also be a big tumor which has a potency to inflict taxpayers' mentality negatively. There is a high likelihood that some operators may deliberately choose not to comply with taxation when perceive their so called political affiliate is not in power.

2.10 Overview of Tax stamp and Benefit

The Internal Revenue Act, 2000 (Act 592), charges any person earning income from

employment, business and investment to pay tax on a yearly basis. The Year of Assessment ranges from 1st January-31st December of the same year; but the million question is, -are business operators particularly residing the informal sector ready to comply voluntarily? This instance creates some degree of headache- as one dares addressing. To robust taxation at the Ghanaian informal sector, distinct efforts have been made in the regime of emerging governments. Most of these have proven that the informal economy is difficult- to- tax if not impossible (Ofori, 2009). The strategies and methods used over the years include: standard assessment (a scheme in which a fixed lump-sum tax is levied) on individuals or business; occupational (identifiable) grouping taxation (which failed abysmally because of corruption) and the very recent tax stamp (where informal sector participants pay tax on quarterly basis).’ (Ofori, 2009 ibid)

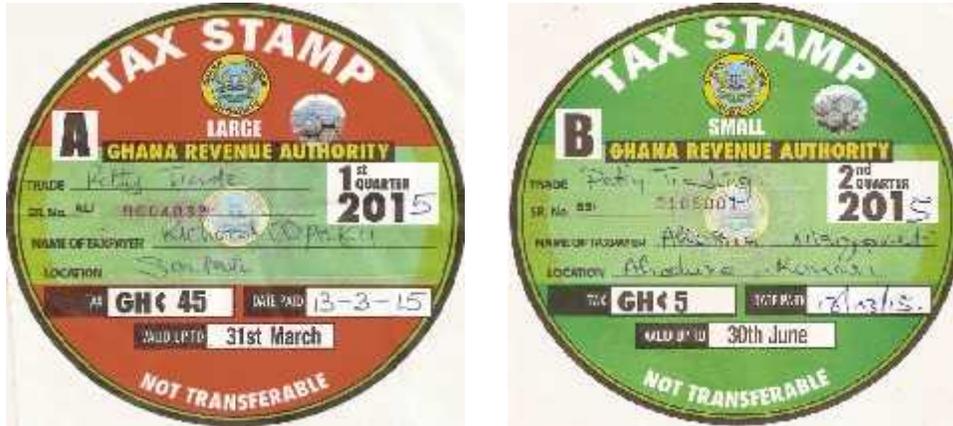
2.10.1 Tax Stamp

The scheme was introduced when the various attempts to rope into the tax net the informal sector failed to achieve the desired results, whereas large number of the informal enterprises lodge outside the income tax net (Ofori, 2009). The Tax Stamp system was introduced by the Internal Revenue (Amendment) Regulations, 2004 and sanctioned solely by the IRS. The system came into effect on Tuesday the 1st of February, 2005. It fairly allowed for easy identification of small-scale self-employed persons in the informal sector, e.g. persons operating in kiosks, on table tops, identifiable groups such as hairdressers, dressmakers and tailors, butchers, market traders, chop bar and cooked food sellers, artisans such as masons, carpenters, welders, mechanics etc effectively in the IRS regime.

2.10.1.1 Looks of the stamp

The Tax Stamp looks circular in shape with features including the name of the taxpayer, the amount paid or payment made and other particulars. The stamp visually looks as shown below;

Fig 1: Ghana tax stamp logo



Source: GRA, 2015

2.10.1.2 The stamp charges

The tax stamp has seven primary classes depending on their face values. Gh¢ 45 is charged for the larger pack and Gh¢ 5 for the lower pack (see fig 1). As of now the GRA does not sanction the stamp standardly to any stratum as it used to be in the IRS regime. Table 2 underpins the various classes and respective rates in the tax stamp.

Table 2: Classes and respective rates (in Gh¢) in the current Tax Stamp

Category	Rate in Gh¢
A-large	45
B-large	35
C-large	25
A-medium	30

B-medium	20
C-medium	15
B-small	5

Source: GRA, 2015

2.10.1.3 Sanctioning the Tax stamp-Classification of traders and the legible buyer.

Akin to other income tax pools, after repealing the IRS in 2009, only GRA is mandated to collect the tax stamp from tax payers. Not all self-employed businesses are called for the tax stamp. However, the stamp is sanctioned on the self-employed. Traders are classified according to their size and volume of business activities under the tax stamp scheme. The sanctioning of the stamp charges thrive on discretionary-base of the tax official thus, under the current GRA. The parameters to official's judgement include the business location of the taxpayer and the monetary value or quantum of goods in the container or shop of the operator or daily turnover. Above all the taxman has the mandate to administer this income tax – on the bases of other reasonable indices deemed appropriate [like the life style of the entrepreneur-where extravagant is offered a temporal tax file instead of the stamp]. So under the current GRA, there is no substantive charge to the stamp a trader ought to buy. Decision on how much to pay is inclusively decisive under the taxman views per the determinants given (GRA, 2015).

2.10.1.4 Obligation of Tax stamp payers

In a wider view the stamp duty targets two major segments'. Those working in substantive locations and the peripatetic- including hawkers like unstationed food sellers etc. Either of these persons has distinct role playing under the stamp regime.

- ❖ Obligations of small scaled-self-employed (with permanence)

Two obligations awaits, as a self-employed affected by the Tax Stamp,

-) Buy the Stamp at any GRA district office on or before the last day in the last month of a given quarter.
-) Display the Tax Stamp at a conspicuous place on the business premise as shown below:

Fig 2: Obligation of tax payers under tax stamp regime



Source: IRS, 2006

By permissive the operators may also choose any way to display the Stamp as long as it is easily visible at the place of their businesses.

❖ Obligation of Hawker/ Table Top Operators

In the case of hawkers/ table-top operators, it is recommended that the Tax Stamp be kept in a plastic sheath and carried along at all times for inspection purpose ones purchased.

2.10.1.5 Benefits accrued- for buying the tax stamp

-) The operator has the peace of mind to pursue his/her business activity uninterrupted.
-) The operator is known to the Tax Authority and can therefore apply for Tax Relief's.
-) The operator can easily obtain a Tax Clearance Certificate (TCC) when the need arises.

A critical moment for the TCC is in times of travelling outside the nation and many more, just to mention a few.

[The person only has to keep all receipts and stamps and add to his application to the Tax Office, to access the TCC].

) It is also a security mark to ones business as stated by the IRS in 2006.

2.10.2 State and Empirical evidence on tax stamp contribution

2.10.2.1 State of the tax stamp

During the IRS regime the Tax stamp mainly focused on table top sellers, hair dressers, fruit and cooked food sellers etc. The tax was paid on quarterly basis as it is today. As stated earlier, the self-employed businesses were seen in identifiable groups and charged with different tax rates. In effect the operators were given a standard tax charges according to the strata they find themselves.

Currently the tax stamp has taking a new trend at the ignorance of many researchers. This was evidenced in the study of Ofori (2009) when he said the tax stamp system has grouped the informal sector businesses into categories based on the turnover of the business. Each business is expected to purchase the tax stamp (sticker) and produce it as and when a tax officer demands it. “Failure to produce the stamp amounts to an offence liable to a fine, not less than GH¢20.00 and not exceeding GH¢50.00” Ofori (2009 p.24).

Researchers’ preliminary survey revealed the cited extract to be sounding the past echo of the stamp scheme under the IRS regime. The various strata posited by the scheme no longer exist on the informal sector. Also, there is no monetary fine for none compliance with the stamp. Any self-employed person who fails to pay the tax or produce the stamp during inspection only finds his shop locked at the subsequent appearance of the tax officer until payment.

Unlike the prior years, now two fellows’ running homogeneous businesses may not necessarily be given a stamp of equal face value. This discrimination is fairly made by applying the best

judgement of the taxman on the bases of the stated indicators at 2.10.1.3. The amount paid is boldly written on the stamp for taxpayers' convenience. Ultimately the taxpayer gains two major documents after making patronage with the tax stamp (i.e. the stamp and the tax receipt).

Compliance officers attend to the business operators to administer the stamp every quarter, in effort of taxing the sector effectively. The operators are not required to be at the GRA office for the stamp though people that manoeuvre this boundary are accepted to buy. Normally the GRA prefers the compliance team reaches the taxpayer at the site of business before deciding to offer the stamp or not, upon considering the operator's type of business and the rate of growth of the business to rightfully assess the tax liability to exercise the taxman's best judgement in good faith.

The scheme had a cheerful compliance move at the introductory stage. Counting that it gathers prolific momentum, currently many businesses are not paying for a gross adverse effect created by the shaky lighting system. The contemporary power outage has apparently affected businesses profitability which the taxpayer would have squeeze part to offset his tax obligation.

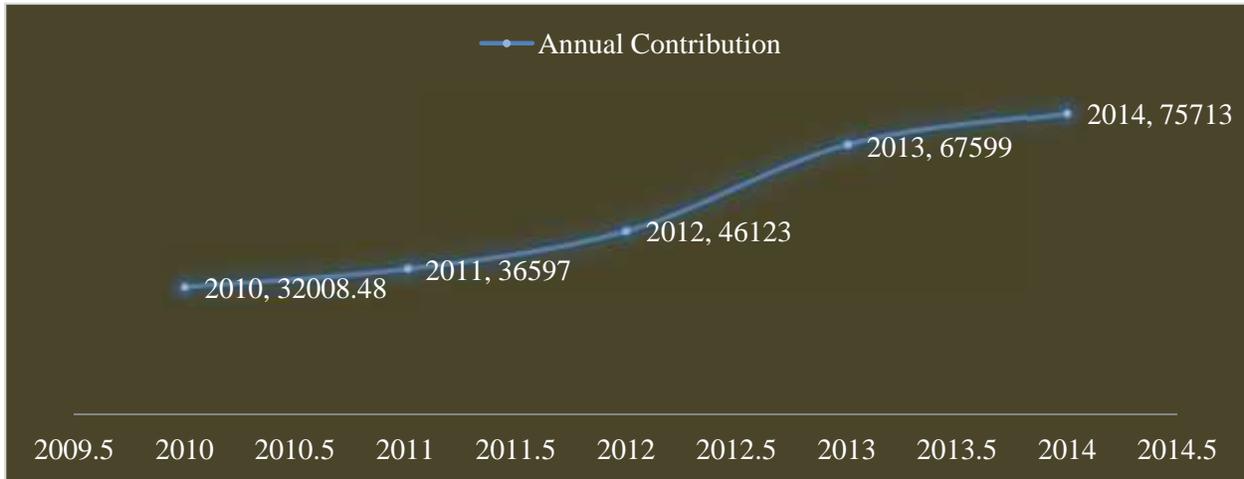
Nonetheless, the tax stamp looks effective compare to the previous tax policies adopted. In contra-wise, Ofori (2009) exploded a myth in the scheme. From his critical examination on the informal sector, he discovered that one key loop of the tax stamp scheme is in its ability to be enforced on the itinerant and mobile informal sector operators. This allows a good number of the entrepreneurs to still remain outside the tax net.

2.10.2.2 Tax stamp contribution to Ghana Tax coffers- An empirical evidence

Fig 3 shows path analysis of the tax stamp compliance from the books of Kumasi-Adum STO (GRA District Office). The unit has about fourteen (14) suburb coverages. The tax proceeds mobilized by the STO kept hiking from 2010 to 2014. The present year is yet to witness a similar

paradigm which can be forecasted with confidence. Depiction below shows quite a commendable effort put by the division though not to the full expectation of the authority.

Fig. 3: The annual contribution of tax stamp to the national tax coffers (in Gh¢)



Source: Adum STO, 2015

The STO collected Gh¢ 32,008.48 in 2010; Gh¢ 36,597 in 2011 and Gh¢ 46,123 in 2012. Gh¢ 67,599 dropped into the tax coffers from the STO in 2013. Year 2014 saw a significant rise to Gh¢ 75,713 per annum.

The contributions look impressive though the division report some hitches encountered during the tax collection exercise. According to the STO most operators have relocate, owing to some circumstances from their old sit. This makes it difficult for the authority to trace their current position for tax purpose, meanwhile those itinerant are many. The officials' assertion has strong correlation with Ofori (2009) claim that the itinerant and mobile operators' trucking is an Achilles heel to the stamp scheme. The persistent rise in revenue was evidenced with the current level of tax education exercise championed by the compliance team in the Metropolis though not intensified, as recorded in the preliminary survey.

No one doubts the potency of this scheme on domestic revenue generation. If an STO could render such output with the stamp; an MTO will undoubtedly surpass to quite a terrific limit

likewise an LTO! It is obvious to conjunct from the illustration that the tax stamp actually has a great input to make to the national tax coffers if thoroughly dissected and given the necessary attention.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This section explains the methodological approach used for the research. Major areas of particular concern to the study execution included: the research design, study area, target population and sampling (both selection technique and size), data collection tools and procedure, and the data analysis techniques used in arriving at the solution to the problem under study.

3.1 Research design

The research was conceptualised to be a descriptive cross-sectional survey employing both qualitative and quantitative methods. Guba & Lincoln (1994) cited schwandt (1989) that some social science scholars perceive some degree of incompatibility in the mixed approach. However, other writers postulate the skilled researcher can triumph the combination of the two approaches (Patton 1990; Reichardt & cook, 1979). Quantitative research generates numerical data or information that can be converted into numbers. Qualitative approach on the other hand

generates non-numerical data. (Explorable.com, 2009)

Descriptive survey was considered the most appropriate design since variables are not manipulated in the study (Godwin & Godwin 1996). In definition, a descriptive research or survey is a scientific method which involves observing and describing the behaviour of a subject without influencing it in any way (Explorable.com, 2009).

3.2 Study Area

Target area for this study was restricted to Kumasi Metropolis suburbs - 'Bantama, Suame and Adum' informal sector operators and tax officials. Year 2000 population census recorded a figure of 1,170,270 on the Metropolis. This increased to 1,625,180 in 2006, based on a growth rate of 5.4% per annum. Kumasi is the capital city of the Ashanti region of Ghana (among the ten sub regions of the state), the estimate accounted for roughly a third (32.4%) of the region's population. The Metropolis has a total surface area of 254sqkm with a density of 5,419 persons per sqkm (population census, 2000). More males (50.2%) than females (48.8%) reside in the jurisdiction, according to the census report with nine sub metros. Whereas population of the central business districts continues to reduce over time, the report included places such as Adum, Ashtown and Asafo etc in the business domain. Currently places like Bantama and Suame are also booming with startup ventures and the like. Casting back to the late 90s for instance, Adum recorded 12,991 businesses in 1970, 9,693 in 1984 and 8,016 in 2000. The size dwindles with time. Adding to other backlogs, many business operatives now operate from shops making it tough for quite a good number lacking financial resource for such facility to maintain customer loyalty in sustenance of their businesses.

The three suburbs were chosen, identifying that they are full of self-employed businesses legible to attract the tax stamp from the preliminary survey. On top of that, the terrains were the most convenient as the researchers are not far located. The choice catalyzed the collection of the primary data within the stipulated time for the submission of the final work in the long run.

3.3 Target population and sampling technique

In reference to Polit & Hungler (1999), a research population is an aggregate of totality of object, subjects or members that conform to set of specification. However, due to the large sizes of populations, it often becomes cumbersome to test every individual in the population because it is too expensive and time-consuming, hence the need for sampling. Population sampling is the process of selecting a portion or subset of the population to represent the entire population (LoBiondo-Wood & Haber 1998; Polit & Hungler 1999)

Target population for this study was the informal sector operators including all self-employed persons and Domestic Tax Revenue (DTR) staff within the GRA in the Kumasi Metropolis. The sample frame was largely restricted to the three Kumasi Metro suburbs stated. This was due to the limited time allotted for the research and resources constraints.

The sample frame covered all self-employed business operatives. As indicated by Lillian Trager (1987) no one doubts the heterogeneity of the informal sector, all data indicates a wider variety of activities among informal sector enterprises and entrepreneurs equally as it are in Ghana. Although Ofori (2009) argues the fact that informal sector activities are very heterogeneous in nature. The perspective of the current GRA contra sounds to side with Trager, (1987). This offers

a justification to stratified-random sampling technique used for selection of the operators. The technique gave a fair representation of the various business activities prevailing at the informal economy, since the sectorial participants were seen from three strata for the purpose of the study; shops operators, petty traders and table tops. The constituents to each stratum are defined under appendix- table 1.

3.3.1 Sample size

The sample size for this study was 84 respondents comprising of 80 self-employed business operatives at the informal sector. It was extremely difficult, if not impossible, to get a representative sample of a given large population like the informal sector entrepreneurs' in the Metropolis. Fisher (2004) said no sample can be guaranteed as a perfect representative. If you could take a large number of different samples from the same population, some would overestimate or underestimate the true figure.

In the United States of America, University of Michigan, sampled 284 households under personal interviews in conducting a research at the informal economy to establish exchanges in the sector (Ferman et al, 1987). Otieku (1988) used a sample of little over 300 in studying the problems of income tax administration in Ghana. Critically examining taxation at the Ghanaian informal sector, Ofori (2009) used a sample size of 200. In the researchers opinion, time and resource availability perhaps are key indicators of the size estimation to a given sample. In the light of similar studies and the sample size used by the other writers', it is the researchers' view that a sample size of 80 suffices this study.

Adding to the ultimate sample size were four (4) senior tax compliance officials sampled purposively from the GRA (Domestic Tax Revenue Unit). The later decision was to ally the

attainment of the challenges set backing the inland Authority's (GRA) effort of taxing the informal sector with the tax stamp. The officials' were engaged by convenience as far as they operate within the Kumasi Metropolis, for easy accessibility of the required information.

3.4 Data collection technique and instrument

To a very large extent, the study used primary data and compliment with secondary ones where necessary. Operators at the informal sector are very averted to talking to 'unknown persons' on their tax payments issues as most of them fail to discharge their tax obligations (Ofori, 2009). In effect they do not willingly nor easily divulge information about their tax obligations for fear of being discovered and made to face sanctions for noncompliance with the tax law. Again, developing empirical research on the informal economy offers a number of major challenges and difficulties. The lack of conceptual clarity and the presence of disciplinary functionalism have created considerable difficulties in formulating an appropriate methodological perspective from which to study the phenomenon (i.e. informal sector) (Ferman, et al 1987). The researchers triumphed these standing blocks with great humility and intelligence. The operators were approached and first established intimacy and rapport with them. Offensive queries were prohibited whereas the researchers frame most of the survey questions in a form of (direct or indirect) story to wet the operators' appetite to talk. The story told primarily concerned the current state of living in Ghana. Combination of both structured questionnaire and interview were used for the data collection. Such a hybrid approach did not only expedite the data gathering and minimized the likelihood of understating respondent opinions but also offered a comprehensive feedback on the various variables presented before the respondents.

3.4.1 Questionnaire design

The structured questionnaire was designed with direct questions to limit and ease the analysis of

response-variation among respondents. A number of question formats were used in designing questionnaire so as to elicit appropriate information from the respondents. This covered the quantitative face of the study.

Opened and close-ended questions with multiple choices were used to limit the interviewee to options to be selected from. Closed-ended questions were largely used in about 99% cases. This was because majority of the informal sector entrepreneurs are illiterates (Ofori, 2009) and to facilitate completion of the questionnaires with ease. The researchers read out the questions and explained to those who may not understand English language before the respondent made a choice which was either ticked or circled.

An open-ended question was used to solicit information to test sureness of the respondents' in relation to the legitimate agency responsible for their tax stamp collection. Those who were able to write completed the question on their own while those unable were assisted to do so as they talked to the researchers. Likert (five and three-point) scaling questions were prevalent in the questionnaire.

The survey questionnaires were interviewer-administered (i.e. where the researchers completed the questions on the basis of the respondents answers and also sourced other peripheral details to the answers given; all to guarantee reliability of the response in about 80% instances) leaving few self-administered (i.e. questionnaire completed by the respondents themselves). Both techniques were used having concrete information on the massive unlettered and aversive nature of the respondents towards tax issues coupled with their busy schedules.

3.4.2 Personal interviews

To complement the data gathered with the questionnaires, the researchers employed structured

face-to-face interview to elicit more information on the reasons puzzling tax payers for their noncompliance, their perceptions and the supposed explanatory factors (precursors) to the respondents' tax evasion. Interviews were very critical as it took a lot of patience and persuasion for people to freely and openly talk of tax issues, particularly when asked whether one had been paying tax. All interviews were executed in accordance to the questions listed on the survey questionnaire. Structured interviews were also carried on the four tax officials afore mentioned. This largely captured the qualitative part of the research.

3.5 Data analysis procedure

The collected data were analyzed using tables and charts to group respondents in order to establish percentages of the groups, interpreting those percentages within the conceptual framework. The Statistical Package for Social Sciences (SPSS) version 22.0 was used for the analysis.

CHAPTER FOUR

FINDINGS PRESENTATION, ANALYSIS AND DISCUSSION

4.0 Introduction

On the basis of the preceding section the analysis was heavily dependent on the 80 self-employers from the informal sector and the 4 tax compliance officials considered for the study. Penultimate chapter defines an interviewer administered questionnaire sanctioned for the data collection purpose. This direct mechanism enabled the study observe 100% responses from the 84 effective sampled respondents considered for the study. All findings were then presented in tables, percentages and bar or pie chart as deemed appropriate.

4.1 Demographic information:

4.1.1 Gender and Educational level

Table 3: Gender and Educational Level

Gender	Educational level								Total Responses	
	No Education		Low(primary)		Medium(Secondary)		High (Tertiary)		Freq	%
	Freq	%	Freq	%	Freq	%	Freq	%		
Male	7	19	6	17	20	56	3	8	36	45
Female	11	25	15	34	16	36	2	5	44	55
Total	18	23	21	26	36	45	5	6	80	100

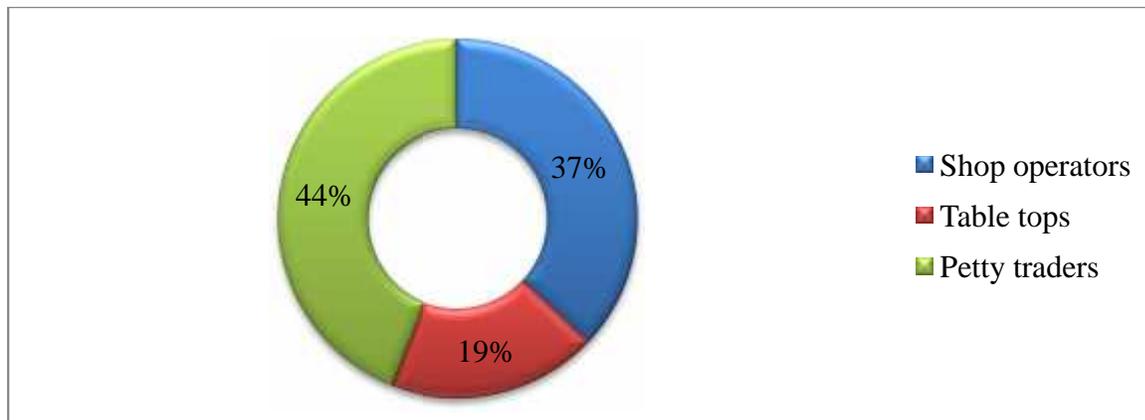
Source: Field Survey May 2015

The table shows 45% male and 55% female participation at the Kumasi informal sector; 19% of the respondents being men had “no” education, 17% had primary education, 56% had secondary while 8% posits tertiary educational pedigree. Twenty-five percent of the female respondents were completely illiterate with no education, 34% had elementary education, with 36% moving their businesses with insight from the second cycle institutions. Relatively, 5% exhibits quite a great sense of knowledge, running their businesses at the sector. They had tertiary educational background. Cumulatively 23% of the operators have no educational base, 26% have primary education with majority falling under secondary at 45% coverage. The Kumasi Informal sector is driven by only 6% tertiary graduates according to this study.

The survey had a bias participation in favour of females. More of the said gender participate the survey than male. Women indulgence is rising in terrific at the Ghanaian informal economy than men. The assertion is supported by the feminist approach frame-working the Ghanaian informal sector [see literature review 2.2]. According to Moyo (2005 *ibid*), the feminist approach is motivated by growing empirical evidence showing the disadvantaged position of women in the informal sector in perpetuating existing gender inequalities (Dlamini, 2002). Although the study did not capture position of both genders at the sector; the increasing participation is an affirmative to the crux of the cited approach as fairly rebutted by the assertion of Awumbila (2006 p.2). Awumbila stated “Women make up 43.1% of economically active population in Ghana”. It even worth arguing that since year 2006 of his study, there has been an infinitesimal rise in the percentage occupancy of women at the Ghanaian informal economy. Also the findings disputes the assertion made in year 2000 census report that more males (50.2%) than females (48.8%) reside at the Metropolis except that the educational level of the operators appears not that encouraging though comparatively appreciable with growing second cycle leavers

4.1.2 Nature of Business

Fig 4: Nature of Business



Source: Field Survey May 2015

Fig 4 saw 44% of the operators doing petty trading at the sector. Nineteen percent were table top operatives. Thirty seven percent of the respondents were shop operators. All contributes to the leviathan growth of the sector.

Petty trading is dominating the Ghanaian informal economy. Equally, a smaller sect of the operators transact on table tops in meager volumes. It seems most businesses at the sector only runs from hand to mouth of their entrepreneurs. [See appendix- table 1]

4.1.3 Permanence for Business

Table 4: permanence for Business

Responses	Respondents	%
yes	64	80
No	16	20

Total	80	100
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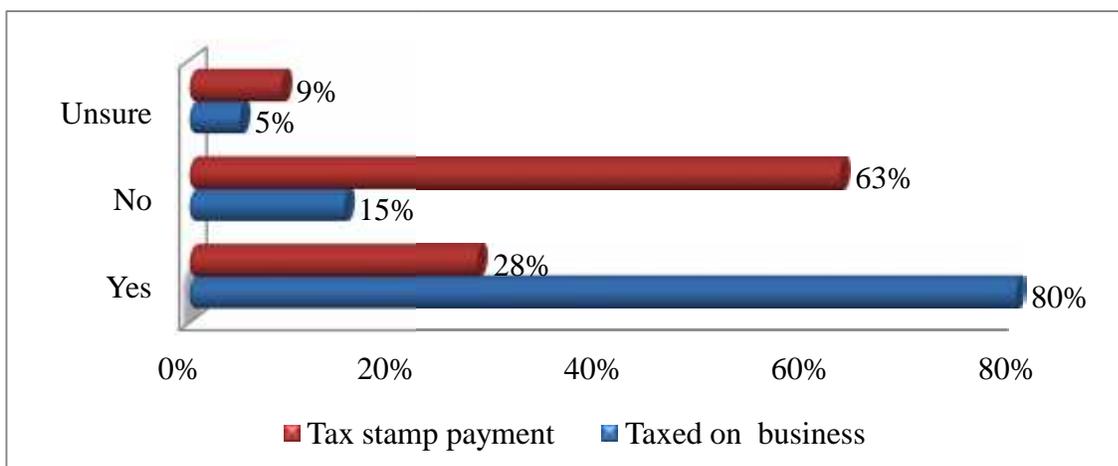
Source: Field Survey May 2015

Table 4 shows 80% of the sampled businesses having permanent locations. Twenty percent of the self-employers remain mobile at the Kumasi informal sector.

It appears most of the operatives have permanent location for their businesses. Very few were peripatetic. Relating this finding to 4.1.2 extract, the implication is that few petty traders (about 24%) have solicited permit to sell their activities at a point, adding to the table top operators having no shop but privileged to run their point-of-sale substantive with the shop operators at the sector. Of course taxation is made easier and legitimate with permanent establishments. Ofori (2009) cited that most of the operators remain mobile and itinerant, hence the difficulty in taxing the sector. From the looks of this study however, it seems the current days is seeing a gradual transition with how the informal sector operates in Ghana. Most of the operators now have substantive locations. The responds therefore is in contrast with Ofori (2009) assertion. The sector's evasion to the tax stamp is, but lessly correlates to the said claim.

4.2 Level of tax payment at the Ghanaian informal sector: Fig 5-Table 5

Fig 5: Tax payment level on businesses and Tax stamp payment



Source: Field Survey May 2015

NB: Variables on this chart were mutually exclusively analyzed with all the 80 self-employers

Eighty percent of the respondents alleged “we pay taxes on our businesses”. Fifteen percent do not comply. Five percent were ignorant as to whether they pay tax to the government or not. Among the 80% compliants were 28% paying the tax stamp in particular. Sixty-three percent nonconformant of the stamp plus other flat evaders of tax asked whether the stamp is another form of tax. Nine percent as usual suggested they are not sure of the stamp payment but remember the KMA usually reaches their end for tokens.

Despite the appreciable rise in permanent locations (point 4.1.3), quite a good number of the operators refuse taxation at the informal sector. Conventionally, taxation hangs the neck of each citizenry. It seems most of the operators have gained a bit understanding with this ideology. Eighty percent reported their adherence to the various tax charges made applicable to their stay in business. The survey however saw a great pretense on the part of the operators. As if they respond fairly to a particular tax form. On the contrary, the study discovered an overly noncompliance with the tax stamp in particular despite the hullabaloo (fig 5 indicates). The stamp was exclusively set for the self-employed until one is rated to temporal or permanent tax file. Yet very few entrepreneurs patronize the tax stamp (see fig 5). So what tax form do the operators claim adherence? The enquiry made during the interview unveiled that most of the operators foresee the KMA charges encompassing property rate and asset licenses charges etc as a GRA tax. There is a whole lot of confusion and contradictions at the Ghanaian informal sector vis-à-vis their tax issues (Table 5 evidences).

As stated in the literature review, two documents are offered to the taxpayer upon paying the tax stamp. This includes and not limited to the tax receipt, exclusively given in all by the GRA. One cannot miss hearing the so called complaints responses when asked whether they get receipt, paying the tax stamp. Very intriguing to say, almost all the operators said in one chorus “yes we are”. There is some element of tragic-comedy play identified at the Ghanaian informal sector. Some of the operators scarcely draw dichotomy between the GRA and the KMA activities. Why?

During the interview few of them argued the two agencies carry interchangeable responsibilities to the government. Whereas the agencies activities may be parallel in reality, there is a great deal of divergence. But the conception motivates a number of the operators to discharge their tax obligation to the Kumasi Metropolitan Assembly (KMA) although the GRA is the sole collector of the tax stamp. The operators claimed during the survey and exposed that sometime they are pushed to commit this blunder (now made explicit) most essentially when the KMA force declare that they are collecting an income tax from the sector, instead of saying property rate or store license etc which the Assembly is entitled to. Well! In the aftermath, the operators are equally given a receipt from the Assembly (as reported in most cases, see table 5). Most of this victims end up challenging and resisting the GRA tax directives on the bases that they have paid. The fancy aspect is that you request for their receipt and that of the KMA is shown; inquire for their stamp sticker and they respond “we were not given”. The operators become too myopic to detect the GRA compliance officer and that of KMA workforce. These are, but not too surprising. All these are significantly tangential to the high level of mediocrity on the participants end, if not illiteracy as far as tax education is concern (Ref: fig 5 and Table 5). This assertion was firmly made on grounds that most of the operators have now attended the senior

high education, which refutes beyond reasonable doubts that they are highly illiterate as Otieku (Otieku, 1988) claimed. (Relook table 3)

4.2.1 Delivery of stamp payment receipt and Agency Responsible

Table 5: Request for stamp receipt and Agency Responsible

Agency	Delivery of stamp Payment Receipt				Total Responses	
	Yes		No			
	Freq	%	Freq	%	Freq	%
GRA	12	86	2	14	14	64
KMA	4	57	3	43	7	32
Don't know		-	-	-	1	4
Total	16	73	5	23	22	100

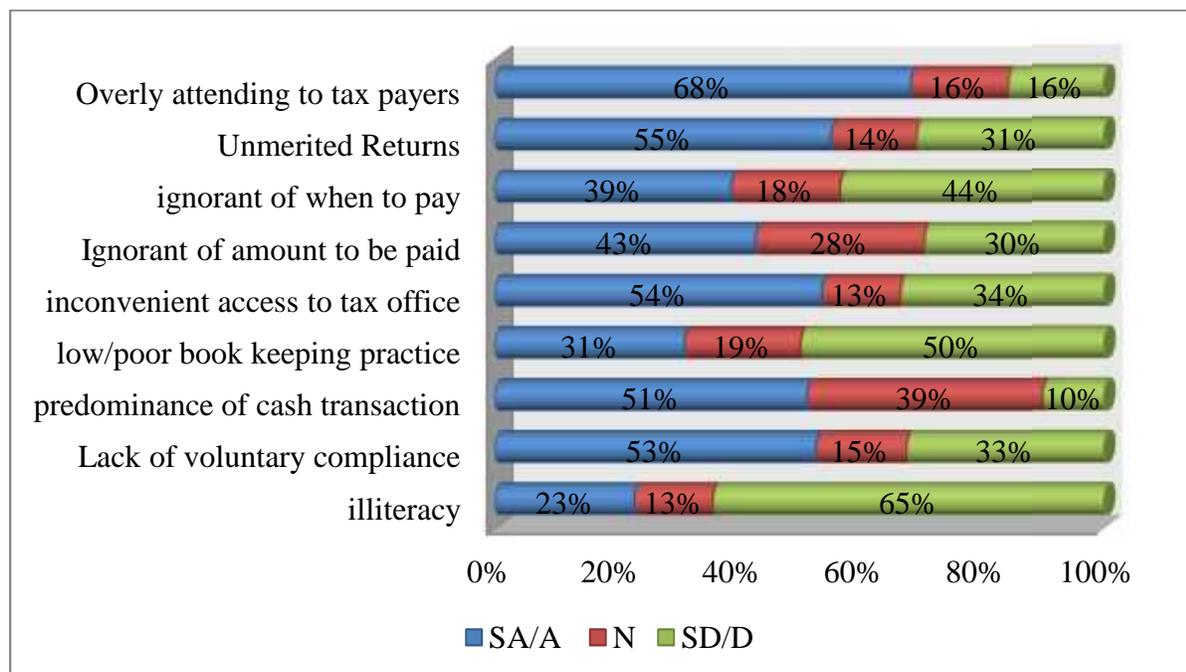
Source: Field Survey May 2015

NB: Variables in this table were analyzed with 28% of 80 i.e.22 tax stamp compliants [see fig 4]

Sixty-four percent of the tax stamp compliants ideally pay to the Ghana Revenue Authority. Thirty two percent mistakenly sanction their quarterly stamp to the KMA for which the Assembly accepts this crap. In either case, the sector exhibits good senses of maturity to demand a receipt. Eighty-six percent collect receipts after making the payments to the GRA. Fourteen percent refuse to take, having paid the charge with gross disinterest. On the contra wise, 57% are given receipts after paying the stamp to KMA. Forty- three percent refuses if not denied by the officials. Four percent never bother to inquire the name to the agency collecting their stamp charges left alone demanding for receipt.

4.3: Reasons for tax stamp Noncompliance

Fig 6: Reasons for tax stamp Noncompliance



Source: field survey May 2015

Variables on this chart were analyzed with (100%-28%) of 80 i.e.58 noncompliance

Fig 6 shows the overall responses recorded vis-à-vis the operators' reasons for noncompliance with the stamp. In extremities, 53% agreed to their lack of voluntary compliance as a true reason to the rising noncompliance level of the stamp, when 33% respondents wailed against the

opinion. Fifty-one percent supported the assertion that predominance of cash transaction makes them refuse the stamp compliance; 10% refuted this claim. Fifty-four percent cited inconvenient access to tax offices as a factor; 34% discarded the factor under scrutiny. Fifty-five percent said the benefit one derives from the tax stamp unmatched the price charged, hence the massive evasion. Thirty-one percent argued contrary to the factor, saying ‘the scheme is quite rewarding’. Sixty-eight percent opined that the GRA tax force is more than intruders. The respondents viewed the enormous noncompliance also from this angle as 16% disagreed to the conjecture.

In effect many reasons correlate the taxpayers’ noncompliance to the tax stamp. Although some of them seem very accentuating and irreversible in the short run. To some extent, the government, the operators and the tax agency equally have been roles playing, to making the scheme go viral in Ghana. Most of the reasons produced by the operators yet though proves genuine, others happen to be of great blockage to the expected volume of compliance with over 50% input to taxpayers downplayed desire to offer their quota to the national tax fund. According to the responses given, the operators expressed their solemn dissatisfaction to the forceful means the tax authority uses in tracking them for the tax. Some argued that the GRA should free them than being infantile with persistent chase and forceful tax collection approaches. Most of these operators affirmed that until their concerns are prioritized, “voluntarily-nil” compliance should be expected. Lack of voluntary compliance then postulates as one of the true reasons to the self-employers’ noncompliance. Not only that; in most cases the operators engage in cash transactions more than any. The informal sector has very less feel of transacting business with cheques, for fear of being bounced and other conventional reasons (Otiaku, 1988). This is a big blow since cash transactions to them; do not necessarily have to be

recorded. Others even opined that ‘the goods were bought in cash, so why recording? After all, it has come back to the same cash’. It seems this culture makes it difficult for the operators to determine their true in and outflows, creating uncomfortable room to offer “the penny” to the government. How would one gather enthusiasm with tax charges when even the value of amount in hand remains hidden? No wonder, some asserted that they only consider their business performance on virtual grounds i.e. gauging whether capital is rising or decreasing from daily “non-documented cash stock taking” except to record intra or joint business events. Also, inconvenient access to tax offices appears one of the standing blocks; this is in line with Otieku (1988) opinion that inaccessibility to tax offices generally results to tax noncompliance at the informal sector. The respondents argued on the bases that offices to the tax authority look very constricted to particular locations. According to them, the tax to be paid is even insignificant, so why they should border heads travelling to places at an extra cost only to access GRA is a question. Besides the returns one obtains for buying the stamp is unmerited. The worse of all was the overly attendant to the operators. The tax payers reported that the tax forces interrupt them a lot with persistent attendance. As the scene grows so boring, the best option, they reckon, is to extricate and hide for comfort.

One needs to stern and gauge at the informal sector from both far and near before making utterance on it. Traditionally, literatures show that illiteracy resulting from “no” education is sweeping the informal economy. Well, yet though it is, the situation is not extremely pervasive like it used to be. Majority of the operators debunked that stereotype with comparatively high response and also disagree with the claim that they have low or poor book keeping skills. The recent two points are essentially in contrast with the claim set by (Otieku, 1988), when he suggested low standard of record keeping and high illiteracy rate as part reasons promoting the

evasion. The result at 4.1.1 partly affirms why “illiteracy” cannot be a reason to the noncompliance. In relation to the record keeping, some of the operators said they have some portable notebook mainly to capture their routine intra-business and joint venture transactions. Those that proved incapable of writing argued their wards mostly undertake these activities on their behalf. Few operators refuse completely (among the respondents). The question then remains, why the operators refuse filling their tax returns or most importantly pay for this economized stamp?

Given the privilege to evidence few transactions some of the respondents have recorded (to substantiate their claim), it was uncovered in the interview that the recording phenomenon though might be “enhanced” compare to the former, the discrepancy was not widely different from the low standard of recordings propounded by Otieku (1988) against the sector. Two neighbour operators finally defended their position that in spite of “our claims, we think the tax stamp purchase has less to do with standardized book keeping!” speaking from experience the two operators suggested that unlike the PAYE; here, they only need to know their cash in and outflows to arrive at proper profit from which they can pay for the stamp, hence their doings. Having debunked the accepted accounting practice in the premise of tax stamp payment, the taxpayers believe standard book keeping is a good culture in business (Check fig 6).

4.4 Precursors to tax stamp Noncompliance

Table 6: precursors to Noncompliance

		SA/A	N	SD/D
	Precursors	%	%	%
Unknown	Ignorant of payment location	43	14	43
Noncompliance	Ignorance of Amount to be paid	78	14	8
	Lazy/ accounting non compliance	46	25	29
Habitual	fellow private businesses pay enough	34	40	26
Noncompliance	preposterous to pay tax	26	19	55
Asocial	Dominance of mobile activities	79	8	13
Noncompliance	indulgence in cash transaction	24	38	38
	symbolic noncompliance	31	36	33
	Social Noncompliance	22	23	55
	Political Noncompliance	32	9	59
	Brokered Noncompliance	9	14	77
	Religious Noncompliance	18	23	59
	Procedural Noncompliance	32	15	53

Source: field survey May 2015

Variables in this table were mutually exclusively analyzed with 72% of 80 i.e.58 noncompliant

Statistics on table 6 shows that among the unknown noncompliance claims, the issue of ignorance on amount to be paid was highly rated when the other received fair consideration. Seventy-eight percent agreed that unknown noncompliance is a major precursor to the stamp

compliance excuses. Only 8% embraced the factor as a major precursor. Habitual noncompliance rated by the notion that tax payment is preposterous had only 26% support as a major precursor; 55% respondents argued on it being a true precursor. Asocial factors lead by the entrepreneurs' dominance in mobile activities had the greatest backing with 79% responses. Thirteen percent disagreed that the factor so mentioned is major. Thirty-two percent suggested procedural as a precursor, when 53% failed the variable.

Seventy-seven percent section of the 58 noncompliers refuted brokered as a major explanatory variable to their noncompliance; 32% buttressed the claim as a key precursor. Symbolic noncompliance responses somewhat distributed normally in the debate. This made it unrealistic factor precursing the tax stamp evasion. Social noncompliance was refuted by 55% of the respondents. Twenty-two percent agreed to it as a key precursor.

Newbie factors introduced in this study were the political and religious noncompliance. Generally both had slight reflection as precursors but insignificant to register as major variables to the operators noncompliance reasons. Tracing from the table, 59% argued that both political and religious view of taxpayers cannot be master indicators. Appreciable 32% and 18% were respectively emphatic to political and religious noncompliance as real precursors.

Yet though politics and religious doctrine proved infinitesimal (explaining why taxpayers refuse the tax stamp) to some extent, it appears the two feature the self-employers reasons to their noncompliance which cannot be override. The invariable precursors to the escalating noncompliance at the Ghanaian informal sector were identified in the domain of this study. Nonetheless, the sector is probe to lots of peripheral factors pushing the tax stamp evasion to aggravate, but there were some cataclysmic components that spearhead the operators' noncompliance the most. Such factors contributed over 50% meaning to the quest of taxpayers

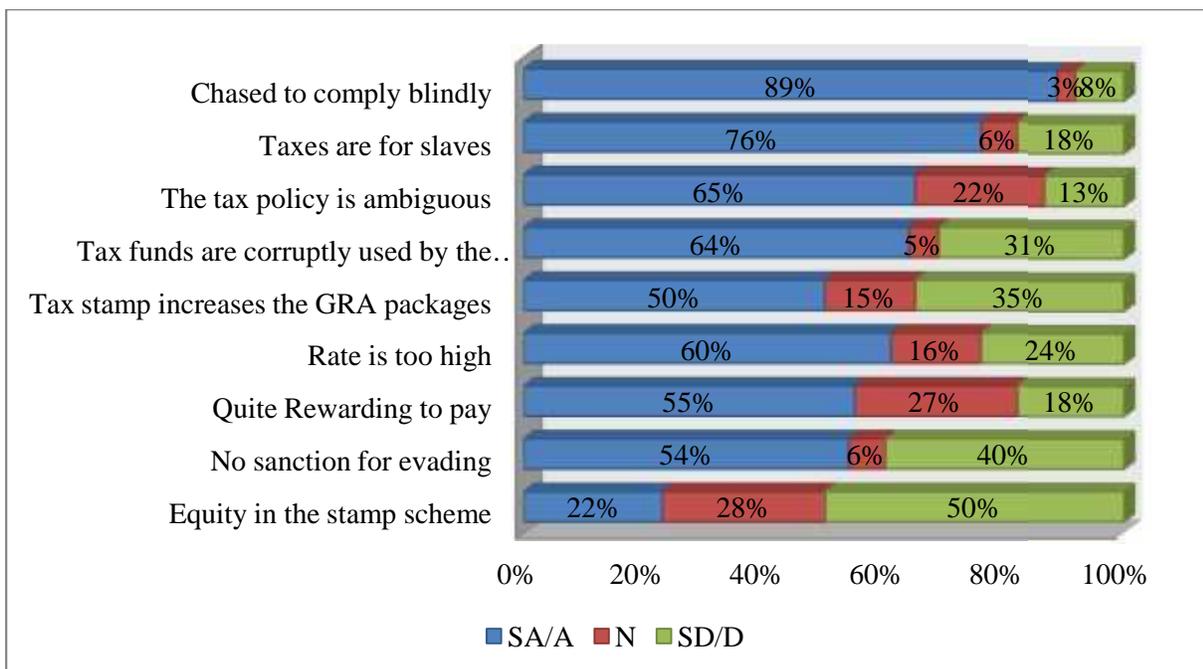
evasion in Ghana. The survey showed that the taxpayers' noncompliance is core rooted on two major instincts technically termed "Asocial" and "unknown". The analysis indicates that although the undesirability to the tax payment is there, the key explanatory variables to the operators' intention and flimsy excuses is the fact that most of their business activities need to be carried around. Such mobile operators', citing the view of Kidder & Craig, (2000) constitutes the Asocial noncompliance. Point 4.1.2 shows a larger section of the operators trading at permanent locations; admitting mobility of their operations as a precursor shows that even the substantive locators still gallivant with part of their businesses other times. This becomes one unique feature of the informal sector most especially when the market is not booming to expectation (particularly in Ghana). Moreover, many of the operators argued effectively that since the introduction of the stamp scheme, they have never been privileged to get acquainted. Therefore, the issue that the stamp is to be bought quarterly is at their ignorance, which was a great dismay. Further citing the scholars, the "unknown noncompliance" resulted to the latter issue suggested. Technically the responses displayed that the entrepreneurs noncompliance to the tax stamp entails but less associated to procedural Noncompliance (i.e. no handling directions), Habitual Noncompliance (the operators thought that it is ridiculous/preposterous to pay tax), Lazy/ accounting noncompliance (deliberate failure to keep record), symbolic noncompliance (previous protest against a tax official), Social Noncompliance (peers influences), Political Noncompliance (the claim that a particular government don't deserve their tax quota), Brokered Noncompliance (tax expert's advice), Religious Noncompliance (religious doctriated faith).

Shocking but unsurprisingly, the result from the study significantly varied from the parameters streamlined in the prior literature by Kidder & Craig, (2000). The scholars enlisted all the factors displayed on table 6 as true precursors' to the massive noncompliance at the informal sector,

excluding the Religious and Political. The variables though proved contributory; however seven were not strongly justified on the Ghanaian informal sector in ‘the premise of the tax stamp scheme’ (as shown). Only ‘Asocial and Unknown noncompliance’ appeared pervasive to conclude why the self-employers’ reasons posited at 4.2 exists. Adding to studies contrasting this finding is that of Ofori, (2009) and Otioku, (1988). Both scholars stated that accounting/ lazy noncompliance is the major precursor at the Ghanaian informal sector, other factors were made secondary.

4.5: Perception of taxpayers on the tax stamp

Fig 7: Perception of taxpayers on the tax stamp



Source: Field Survey May 2015

Variables on this chart were mutually exclusively analyzed with the 72% of 80 i.e.58 tax stamp noncompliance

According to fig 7, 50% of the respondents said the stamp scheme lacks equity, as a good tax system. Twenty-two percent said the scheme is unbiased, serving as a plus to the GRA. Fifty-four percent said it is feasible to extricate the stamp for no severe sanction. Forty percent discarded the view. Fifty-five percent agreed that it is quite rewarding to pay the tax. Only 18% disagreed with implicit evidences as to why the stamp isn't rewarding. Sixty percent proposed the stamp rate is too high to bear though taken on quarterly basis; 24% refuted. Fifty percent claimed that upon all the ten other tax packages internally sanctioned by the GRA, topping up with the stamp to make eleven (as chapter 1 stated) is too burdensome to comply; 35% debunked the opinion. Sixty-four percent noticed the government corruptly uses their tax proceed. Thirty-one percent disfavoured the opinion. As much as 65% respondents suggested the stamp scheme is ambiguous. Thirteen percent doubt the ambiguities in the scheme. To 76% of the Kumasi self-employers, taxes are purely meant for slaves. Eighteen percent strongly bustardized the view (on the bases of tax fund benefit to the state). Eighty-nine percent evidenced that the inland authority merely believes in chasing operators to effect compliance whereas their understanding is almost zero on the scheme. Eight percent argued the assertion is not true.

Innumerable thoughts flow through the taxpayers minds at the mentioning of tax stamp (fig 7 illustrates). The study shows all factors enlisted on fig 4 as key thoughts the operators have on the stamp system. From the figure, the listed factors held 50 or above percentage contribution to the operators' dissatisfaction with the stamp scheme. The operators believe there are huge traces of bias in the scheme. According to the respondents, in as far as the operators reaches their end and use their discretion to prescribe the payable amount, there is no way the scheme will be just and devoid from prejudice which meritoriously conflicts with equity trait of a good tax system.

Some argued they pay high compared to other fellows doing homogeneous business without glare differences. Other operators said the scheme is almost a “toothless lion”.

Their fate was that one rarely attract sanctions even if evade. The presumption is true with except that the shop is closed if the excuses persist, according to the GRA. Again, Most of the entrepreneurs suggested that despite the mismatch they identify with the stamp cost and returns’, pushing them not to comply (Ref: point 4.3), the tax stamp is quite rewarding to pay. After all “you are freed to operate without frustrations from the tax officials”. They said this without leaving that the tax stamp is too exorbitant to pay for. According to the operators the stamp charges ranging from GH¢5-GH¢45 for three months is too high meanwhile the stamp scheme has terribly increased the GRA tax packages. Both factors are in line with the assertion of Wang (2010: 82) when he stated that South African taxpayers including businesses believes that it is reasonable to pay tax but expresses same feeling (disclosed in this study) with the nation’s tax system especially the SMMEs. The informal sector ponders and communicates over their tax contribution usages by the emerging governments. More than half of the sector believes that in spite of the tax quota made to pay, the government corruptly utilizes the ‘stressfully toiled for’ tax proceed. However, the stamp policy seems ambiguous to the operators’ understanding. This is not too shocking because it reflected on their compliance, where some operators were paying the tax to the KMA other than the GRA. This ambiguity syndrome was also found in South African tax system as confirmed in the study of Wang (2010: 82). Perhaps, the ambiguities some perceive make them pay the tax to the KMA as point 4.2 discusses. Majority of the respondents cited that in the colonial days Ghanaian’s were cajoled if not pushed to offer taxes to their masters ‘British’. According to them if Ghana claims independent then “why taxation, besides we are not under slavery?” same issue was highlighted in the project of GTZ (2010) which

earmarked the assessment of Ghanaians tax culture. The study also stated majorities opinion as disclosed in this study (literature review indicates). Almost every operator wailed out that the GRA merely mount tax forces on to chase them on blind taxes spectrum. The emphasized that the tax authority offers no information nor educates them on the scheme but only demands compliance.

4.6 Challenges confronting effective sanctioning of tax stamp: GRA perspective

Appendix- table 2 gives a vivid account of the major challenges militating against the GRA's effective tax administration at the informal sector. Interviewing the 4 compliances officials revealed three major realistic factors serving as a standing block to the tax authority, in schematic.

One of the tax officials stated 'Limited staff strength' as the major factor piggy-backing the GRA's smooth sanctioning of the stamp. According the officer, a complete mismatch exists comparing the coverages of the GRA district offices and the tax force available. This was firmly defined from the Kumasi Metropolis subsidiaries of the tax authority. For instance Kumasi Adum STO has about 14 coverages (as reported by the STO). The compliance staffs to the station till this date is only seven (7). It can be seen from a rational ground, that the number is very porous to cover such a vast terrain. No one doubts the issue of most sectorial performers' perforation at the oversight of the GRA, as the officers disgustfully proposed. The issue is that the operators do hide-and-seek with the minute officers; so ones their presence is felt at an end, operators at the other end quickly drain off leaving the game cyclical.

Again only the second interviewee suggested 'Less tax education at the sector' as a big challenge preventing the stamp sanctioning. The officer said the GRA keeps trying but has offer less education on the tax stamp. This is a conviction that the informal sector though has a weak feel to comply, they are as well denied with factual guidance which could move the non-recalcitrant's to pay voluntarily or otherwise. No wonder the officer stated the taxpayers mostly propose "we thought the tax is for big businesses" in their effort of charging the taxpayer with the stamp.

Finally, most of the officers however cited 'Lack of logistics' as the key challenge facing the GRA: The analysis sheet [Appendix- table 2] shows that most of the official get to the field and become quite confused to exercise their best judgments; deciding who to pay and how much to be paid. This is an indication that the tax official lack ample and intensive training to exercise their best judgment as the current phase of the scheme requires. Moving for tax administration requires patrol vans if to be made effective in a wider scope. Whereas some of the officers manage to visit the operators without GRA van, it is inevitable to run through all the demarcated areas to (even) an MTO or STO without a moving van. In the interview process the third interviewee proposed this fact and was affirmed by the fourth respondent. For instance, in the Adum STO, there are very few vehicles for such activities. This is also an inference to the "why factor" behind the GRA's ineffectiveness, taxing the informal sector.

Previous literature identified three major challenges preventing effective sanctioning of taxes at the informal sector from the World Bank view. This include capacity constrain, political and challenge on equity notion. From this study, it appears almost all the points do not hold, so far as the tax stamp is concerned at the Ghanaian informal sector with the except of capacity constrain. The tax officials affirmed this assertion by reporting 'limited staff capacity' as a sub replica to

the impediments against proper execution of the stamp scheme on the sector, adding to others factors.

During the discussing at 4.3, the self-employers reported that the tax forces mostly use intrusions to sanction the tax stamps at their discomfort. The operators partly attribute their noncompliance to this attitude of the GRA. On the other hand, Appendix- table 2 gives an exposition of the period and frequency of visiting a tax payer. According to the officials the tax stamp is sanctioned on quarterly base. The GRA then sends compliance officers' to offer fresh stamps to the operators so far as a new quarter approaches. However, because of evaders and new entrants, the tax forces are always on the field to ensure compliance, which is not necessary attending to one who has paid already. The GRA made it clear in example that for the officials operating a particular territory today does not guarantee that they cannot pass there tomorrow. Again, ones the compliance team attends to a business unit and refuses paying, the follow-up certainly has to be made. The Agency expressed convincingly that this perhaps may be the operators issue. Low-and-behold the operators' complaints given was almost not indifference from the case presented by the tax authority. This gives a fair resolution to the diverging views expressed in the study among the two parties: tax officials and the self-employers on the Tax stamp.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

Capacity of a country to provide for welfare, security and develop is determined by its ability to raise enough monetary and other resources (Armah-Attoh & Awal, 2013). This study assesses taxpayers' perception and noncompliance on Tax stamp scheme in effort to enhancing domestic revenue collection through the stamp at the Ghanaian informal sector. Targeting all self-employed business operatives in the nation, the study assumed Kumasi Metropolis as the center of focus, culminating the taxpayers' views with perspective of the Ghana Revenue Authority. This chapter presents the summary of the research findings, conclusion drawn from the study and recommendations.

5.1 Summary of findings

Five specific objectives were set for this study. These were to: identify the level of tax payment at the Ghanaian informal sector, find out the reasons to tax stamp noncompliance at the sector and precursors; find the perception of tax payers towards the stamp system and outline the challenges confronting the effective sanctioning of the stamp. The following summaries are presented on the bases of the chapter four:

Quite a good fraction of the sectorial participants refuse taxation in Ghana. Eighty percent (80%)

of the informal operatives alleged their adherence to the various tax charges of the state, ones made applicable to their stay in business. In generic, it is incumbent on every entrepreneur to contribute to the national tax coffer through the stamp scheme. The survey however saw a great pretense on the part of the operators. The chunk part of the 80% claiming compliance does not really comply with the tax stamp. 28% out of the claim goes into the stamp pot in particular which isn't funny. This shows a low level of tax payment featury an overly noncompliance at the sector.

Many reasons correlate the taxpayers' noncompliance. Some of these reasons seem very accentuating and irreversible in the short run. The study saw a strong tire between the following keys and the skyrocketing noncompliance evidence with the tax stamp: Lack of taxpayers' voluntary compliance (resulting from force collection of the tax), predominance of cash transaction, and inconvenient/distant access to the tax offices, unmerited returns on the stamp and the tax force over attendant to taxpayers, serving as a discomfort.

On the bases of Kidder & Craig (2000) typology for noncompliance, the study made a substantiated inference that "Asocial" and "Unknown" noncompliance are prevalent traits explaining the cited reasons the informal sector do not pay attention to the tax stamp. With the Asocial, 79% of the operators were caught massively engaged in mobile activities. 'Unknown noncompliance' variable brought to light the high level of ignorance on part of 78% of the operators, so far as the tax stamp rates are concerned. Most of the entrepreneurs have no idea of the stamp charges under the current scheme. This was reiterated in the study of Armah-Attoh & Awal (2013) when they discovered that 68% Ghanaians difficultly find out the taxes or fees they

supposed to pay to the government

Diverse notions circulate the minds of the self-employers at the mentioning of tax stamp. The ones creaking for immediate attention at the informal economy includes the tax payers believes that; the scheme is without equity, for fear of the taxman mis-exercising his best judgment as supposed. Adding to this was the operators believe that the scheme is toothless for its “Legal sanction free look” on evaders. The operators exposed the returns one achieves for paying the tax stamp is unmerited. However in a slight glance the operators envisaged a slimy reward in the scheme (being the freedom permits to operate). The tax payers suggested the stamp rate is too high yet the scheme has pave way for the GRA to increase her tax burden on the informal sector. Others participants believe that government corruptly uses the tax proceeds even if paid; the scheme seems ambiguous to understand as they contemplates that taxation is a sign of slavery. The taxpayers’ said the tax authority only demands blind compliance.

From the survey three major challenges battle the tax authority in its effort of ensuring effective sanctioning of the tax stamp. The following underpins the challenges in schematics: Limited staff strength/capacity, less tax education at the sector and Lack of logistics to sanction the tax as supposed. The logistics’ proclaimed in the survey incorporates tax officials ability to exercise their best judgment and vehicles for patrolling the informal sector.

5.2 Conclusion:

Apparently the study concludes that taxpayers’ perception influences their compliance and noncompliance with the stamp scheme. The system was introduced to positively alter direction of tax compliance at the informal economy. However, it has gained little attention in the light of

bombarding reasons, precursors and thoughts seen in divergence among the taxpayers' as the study shows. Probably the meager compliance has a direct correlation with the tax authority's effort to offer the sector a bit of tax education (as stated in the survey). Looking critically to the challenges confronting taxation at the sector and the scheme's contribution to the national tax fund, it can be resolved that there is potential revenue awaiting the government if the phenomenon is stirred down and intercede with little hesitation at both the GRA and the taxpayer end.

5.3 Recommendations:

Trending of the findings suggests the need for the following mechanisms streamlined to the perusal of Ghana Revenue Authority and the Ministry of Finance and Economic planning (MOF), in effort of tracking prolific returns from taxing the informal sector, most essentially having the self-employer in mind at the decision table.

Intensify tax Education

The Kumasi self-employers attribute their noncompliance to lots of reasons made clearer with Kidder & Craig (2000) explanatory variables. In simple put, over engagement in roam-about (mobile) activities and ignorance of amount to be paid promulgates the operators' noncompliance attitudes. The later reason was confirmed in the study of Armah-Attoh & Awal (2013) when they said 68% of Ghanaians perceive it is "very difficult or difficult" to know what taxes or fees to pay to the government. The tax authority in collaboration with the MOF has a key role playing here. The agencies may arrange for at least a monthly tax educational forum with the self-employers. This possibly will keep them up-breast with fluctuations arising in the tax rates adding to other relevant concerns that may be brought on board for expedite solution.

The tax education can be made more effective if initiated in primary or basic educational curriculum thereof. The posterity will grow to be responsible tax payers for that purpose. More so, opinion leaders encompassing church leaders and kings could be greatly engaged in the tax educational campaign. The latter strategy will be much and more effective at the rural segments.

Boom compliance staff strength/capacity at the informal sector

The GRA is under stocked with compliance officials, hence the rising waggle compliance with the stamp. Ultimately the government has two-optioned decision to take. First the government may resort to recruit more compliance officials at the direct budget effect of the nation or outsource few independent agencies to handle the task on contract base. Of course it is believed that the standard tax regime and especially the occupational grouping did little only to be swayed by corruption of the third parties. The question is; has there been a superfluous change to the quantum of tax mobilized, since the abrogation of the former regimes? Essentially the off book survey made indicated less impact today relative to those days.

But on the bases of Cost Benefit Analysis (CBA) the government will be at ease, going for outsourcing than direct recruit. For instance the government can outsource single agencies on regional zones as a supplement to the GRA's business and set tactical Control or monitoring Mechanisms' inclusively.

Adequate provision of logistics

As stated in the study, the logistics GRA lacks involves both technical training to the compliance team and provision of vans for tax patrolling purpose. The official interviewed expressed their challenges they mostly faced as discussed above. Almost all finds difficulty applying their best judgments as the new stamp model requires adding to scarcity of vans reported as affecting their movement. It is advised that the government turns to the tax agency with ample moving vehicles

buttressing with intensive technical training to the existing staffs, thus should there be a need to entirely focus on the GRA without outsourcing other agencies as suggested.

Finally, Intensify shop lock-ups

At the Kumasi Metro, most of the self-employers notice the stamp scheme is legal sanction free. Perhaps this contributes to the galloping noncompliance. However, it is believed that intensifying shop locking may cajole the lackadaisicals to show-up with the tax stamp. The strategy may be the only language the taxpayers will understand with all things being equal.

5.3.1 Future Research

Resource and time limitations counteracted the coverage of this study. The researchers' highly recommend the following areas for posterity buildup.

-) To establish relationship between taxpayers' perception and the tax stamp noncompliance
-) Establish the linkage between Adams smith cannon of taxation and the tax stamp payment.
-) To measure correlation between the stamp compliance level and tax education offer to taxpayers.

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APPENDIX

[I] INFORMAL SECTOR RESPONDENTS' QUESTIONNAIRE

This questionnaire seeks to address mechanisms for enhancing the tax stamp policy in the Ghanaian informal sector. The findings would surely add to the existing knowledge on taxation at the informal sector most especially that of Ghana. The paper is exclusively for academic purpose. Therefore the researchers assure all respondents the confidentiality and anonymity of the data being requested.

Part I. Demography of Respondents:

1. Gender:

a). Male [] b). Female []

2. Educational level:

(a) No education [] (b) Low (primary) [] (c) Medium (Secondary) [] (d) High (Tertiary) []

3. Nature of Business:

a) Petty trader [] b) Shop operator [] c) Table top []

4. Do you have permanent place for your business

a) Yes [] b) No []

Part II. Level of tax payment

Questions	YES	NO	UNSURE
1. Do you pay tax on your business?			
2. Is it the Tax stamp you pay for?			
3. Are you given receipt after buying the stamp?			

4. From which Agency do you buy your Tax stamp

NB: Kindly continue with the following ‘parts’ only if said “no” to part II question 2

Part III. Reasons for Tax stamp Noncompliance

Why you refuse buying the tax stamp? *(Tick as many as possible)*

Possible reasons for taxpayers noncompliance	SA	A	N	SD	D
1. Because I don't know how to read and write					
2. the GRA apply force in collecting the tax					
3. I mostly engage in cash transactions.					
4. I don't keep financial record on my business					
5. it is difficult to locate a nearby tax office					
6. I don't know how much to pay for the stamp					
7. I don't know when to buy the tax stamp					
8. I get no benefit buying the stamp					
9. tax officers make too frequent attendance to me					

NB: SA=strongly agree, A=agree, N=neutral, SD= strongly disagree, D=disagree

Part IV. Precursors' to Tax stamp Noncompliance

The following explain taxpayers' noncompliance and associated reasons. Respond as you believe is the case to the 'why' you do not buy the Tax stamp. *(Tick as many as possible)*

Possible precursors to tax noncompliance at the informal sector	SA	A	N	SD	D
1. I don't know where to buy the stamp					
2. There is no direction to the handling of the stamp even if bought					
3. I don't keep accounting record on my business					
4. I believe that enough is sourced from fellows in other private businesses					
5. I mostly takes to mobile business activities					
6. I purely undertakes cash transactions					
7. I ones protested against corrupt practice of tax officials					
8. Colleagues influenced me not to comply with taxation					
9. I believe it is unnecessary to pay tax					
10. I realised some governments do not deserve tax collection					
11. An expert teaches me how to escape heavy taxation					
12. My church or religion forbid tax payment					
13. I am unawareness to the tax payment durations					

NB; SA=strongly agree, A=agree, N=neutral, SD= strongly disagree, D=disagree

Part VI. Tax payers' perception on the Tax stamp

Tax payers' perception differs with a particular tax policy. Tick as many as possible - how you see the tax stamp scheme.

Possible thoughts of taxpayers	SA	A	N	SD	D
1. The stamp scheme is fair					

2.Escaping the tax stamp is possible for no sanction					
3.Few people that pay tax stamp gets some benefit					
4.The stamp scheme is complex to abide					
5.The tax stamp rate is too high					
6.GRA charges too many taxes					
7.Government uses the tax fund corruptly					
8. The law on stamp duty is not understandable					
9.Taxes are for slaves					
10. Tax payers are chased to pay the stamp duties instead of GRA educating (giving requisite information).					

NB: SA=strongly agree, A=agree, N=neutral, SD= strongly disagree, D=disagree

Thank you.

[II] TAX COMPLIANCE OFFICIALS INTERVIEWER

This interviewer is structured to collect information on the challenges the GRA faces in taxing the Ghanaian informal sector. All information is exclusive for academic work and will be treated confidential.

1. Gender.....
2. How many years have you been working with the tax authority?
3. How often do you approach the operators with new stamps?
4. How do the business operators react to you when you approach them?
5. Give at least one common sayings of the participant when you approach them to buy the stamp
6. In brief account, what challenges have you faced so far - selling the tax stamp to the operators?
7. Do the operators use the stamp as it should be used?
8. Could you envisage at least one major factor preventing the GRA from effective execution of the Tax stamp scheme in particular at the informal sector?

Table 1: Nature of business

Category	Respondents	%
shop operators	30	38
Table tops	15	18

petty traders	35	44
Total	80	100

Source: Field Survey May 2015

-) *Petty traders:* These entrepreneurs comprised of those selling sachet water, “foes” retailers, bread retailers, flip-flop and other footwear sellers, food stuff and other vegetable sellers, traditional medicine promoters etc.
-) *Table top operators:* They included Butchers, Mobile diesel operators and Bead sellers, kenkey sellers, coconut crackers.
-) *Shop operators:* Dressmakers, chop bar operators, other food sellers, Hairdressers, Mobile phone repairers, Electronics, photographers, motor vehicle mechanics, Building material operators.

Interviewees'	Gender	Years worked	frequency of tracking operators	Operators reactions When approached with new stamp	One common excuse of the operators	Individuals Tax force challenge experienced on the operators	The stamp usage. How do operators use it	Major challenges confronting the current GRA
1st	Male	15	Every Quarter	Not compromising (very hostile)	"we don't have Money"	understanding level of some operators	we show them	Limited staff strength
2nd	male	9	Every Quarter	some voluntarily comply, others resist	"We thought the tax is for big businesses"	Ability to decide who to pay for which rate	we show them	Less tax education at the sector
3rd	Female		Every Quarter	some voluntarily comply, others resist	"What do you do with our money?"	operators are lessly sensitized on tax stamp	we show them	Lack of logistics (e.g. patrolling van, and ample training)

4th	Male	6	Every Quarter	some voluntarily comply, others resist	"What do you do with our money?"	Ability to decide who to pay for which rate	we show them	Lack of logistics (e.g. patrolling van)
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Table 2: Analysis sheet to the Challenges confronting GRA-in sanctioning the stamp:

Interview Report

Source: Field Survey May 2015