

CHRISTIAN SERVICE UNIVERSITY COLLEGE
SCHOOL OF BUSINESS
DEPARTMENT OF ACCOUNTING AND FINANCE

**AN EXAMINATION OF TAX EVASION AND ITS EFFECT ON GHANAIAN
ECONOMY: A CASE STUDY OF THE SEKYERE CENTRAL DISTRICT IN THE
ASHANTI REGION OF GHANA.**

BY

DORIS ASARE

ERIC WIAFE AKENTENG

PAUL BOAKYE AGYEMANG

RITA MAINOO

WISDOM NANKPAN

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ABSTRACT

This study surveyed tax evasion in the Sekyere Central District of the Ashanti Region, using a sample size of 64 respondents involving 60 taxpayers and 4 revenue officials. Engaging evocative statistics, the fallouts of the study exposed the following factors as the causes of tax evasion in the district; deficiency of tax education, high tax rates, non-application of sanctions, perceived unsuitable use of taxes by governments and businesses not being profitable. Insufficient staff and logistics, inability of tax officials to reach all liable taxpayers and nonexistence of database, are the challenges that tax officials face in collecting taxes. Tax education and team work among others are recommended as a way of embarking on the minimization of tax evasion in the district and the country at large.

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DEDICATION

This work is dedicated to our Supervisor, Mr. Clement Oppong

LIST OF ABBREVIATION

GRA	Ghana Revenue Authority
VAT	Value Added Tax
CST	Communication Service Tax
PTC	Personal Income Tax
CGT	Capital Gains Tax
MNE	Multinational Entity
SMEs	Small and Medium Enterprise
CEPS	Customs, Excise and Preventive Service
IRS	Internal Revenue Service
RAGB	Revenue Agencies Governing Board
ICAG	Institute of Chartered Accountant Ghana
S.C.D.A	Sekyere Central District Assembly
NGO	Non-governmental Organization
ECG	Electricity Company of Ghana

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CHAPTER ONE

INTRODUCTION

1.0 Background of the Study

Revenue is an essential need of every government to develop a nation. Common to every nation, there are so many sources of government revenue either internally or externally. A few among them are borrowings, grants, service charges from state owned organizations and most commonly, tax. There is no country without a tax system in place. A tax is a mandatory financial charge or some other type of levy imposed on individuals or legal entities by a governmental organization in order to fund various public expenditure.

To a very large extent, the development of every nation depends mainly on taxation. A solid revenue base is one of the foundations of every great nation and this includes taxes imposed on entities. Revenue gained from taxes is very important in developing every economy. According to the World Bank Report on the finances of government of Ghana in 2016, percentage of tax revenue to GDP in Ghana was measured at 20.8%. Also, according to the Bank of Ghana Monetary Policy Report on fiscal developments, preliminary fiscal data from the ministry of finance and economic planning showed that for the first quarter of 2016, total revenue and grants amounted to GH¢ 33,678 million representing 20.0% of GDP (BoG report, 2016). Tax revenue alone has 15.2% out of the 20.0% of GDP. Tax revenue is thus an important issue of concern in Ghana.

Ghana has a corporate income tax rate of 25% compared to 30% or 35% in some other African countries. Value Added Tax (VAT) is chargeable at 3% on all supply of services imported except those goods and services exempted, all imports of goods and all supply of taxable goods and services made within Ghana. Communication service tax (CST) is applicable at 6% on charges for the use of communication services in Ghana. The rate of import duty ranges from nil to 20%

depending on classifications in the harmonized Code. Excise duties are generally applicable on the ex-factory price of goods and ranges from 10% to 17.5% depending on the type of goods. Personal Income Tax (PTC) is also relatively low with the marginal tax rate being 25% on incomes earned over GHS 1,350 each month for resident individuals (Pwc Country Study: Ghana, 2016). Non-resident individuals are taxed at a flat rate of 15% on their total assessable income derived from or accruing in Ghana. Capital Gains Tax (“CGT”) is applicable at 15% on capital gains accruing to or derived by any person from the realization of a chargeable asset owned by that person. Gift tax is charged at 15% of the total value of taxable gifts received within a year of assessment (Pwc Country Study: Ghana, 2014).

Multinational entities (MNE) contribute significantly to the tax revenue of Ghana in the form of corporate income tax, VAT, personal income taxes and withholding taxes. Pwcs discussions with some GRA officials confirm that multinational entities make up approximately 5% of the total number of registered traders for VAT purposes but contribute 80% of the total revenue collected. It is obvious that the importance of the contributions of MNEs to Ghana’s economy cannot be overemphasized. Thus, taxation contributes so much to the revenue of the country and as such taxation issues are top priority issues in the development of the nation. There are two main systems or types of taxation levied by every government including Ghana, which are direct and indirect taxes. (Pwc Country Study: Ghana, 2016)

Without discounting the importance of tax to every government, there are several problems surrounding its collection. Bird (2003) opines that, even though tax laws propel citizens of a country to contribute to the government’s revenue, it is the effectiveness of its tax administration that will determine the revenue amount that flows into the national revenue coffers. Inadequate

collections of tax are the result of some weaknesses in the revenue collections. Kangave (2005) is of the opinion that, even though some countries have the problem of driving its citizens and businesses into the taxation process, governments also face such problems as inadequate administration staff who also possess low skills. Other problems faced by the government tax officials are the huge percentage of illiterate tax payers, inadequate working equipment and lack of reliable data. Again, one great challenge in the administration of tax is the inadequate resources to alleviate and aid the operation of tax officials. In this regard, the resources of tax administration can be classified into two main groups: human resources and physical resources. With regards to human resources, the focus is on the number of quality tax officials available. Physical resources can be seen in a wide perspective, ranging from office buildings and equipment to vehicles and communications systems. Tanzi and Zee, (2000) suggests that because of financial limits, some tax officials lack the key principles of accounting necessary to analyze business returns which in turn is aggravated by inadequate training facilities and opportunities. One of the other challenges faced by tax officials is high levels of illiteracy on the part of taxpayers in the country. According to the Ghana Statistical Service in a survey conducted in 2010, 51.5% of the adult population in the country is illiterates. This high illiteracy rate shows that most taxpayers are not able to file their returns or even record their sources of income and expenditures, and thus tax authorities are usually to collect appropriate taxes from such people (Bird, 2003).

In Ghana, tax evasion is also a major problem bedeviling the tax system (Aba, 2013). Tax evasion is an illegal practice where a person, organization or corporation intentionally fails to pay a tax liability truly owed or in other words, an unlawful attempt to minimize tax liability through fraudulent techniques to circumvent or frustrate tax laws. In Ghana, it is known that the

informal sector accounts for a major source of employment. There is no gainsaying the fact that most informal sector operators are self-employed and they often operate from homes, while some others use any public space available. Thus, with table and a chair one could easily start up his/her own business with family assistance (Farrell et al, 2000). How to tax the informal sector remains a pressing issue? 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 and Ayee, 2002). The Minister of Finance in 2017 expressed concern that widening the tax net remains one of the main problems that Ghana is facing. The simple fact that a greater percentage of Ghanaians are all engaged in informal private sector businesses makes the generation of revenue a tedious task. (Budget of Ghana, 2017)

1.1 Problem statement

It has been noticed that most businesses in Ghana are found in the informal sector and are made up of small and medium scale enterprises (SMEs). A report in 2016 reveals a study conducted by the Integrated Social Development Center (ISODEC) which reveals that Ghana loses nearly \$2.1 billion dollars to tax evasion and incentives annually. According to study, which was conducted on behalf of the National Coordinating Council of the Public Services International (PSI), there was the loss of revenue in excess of \$4.9 from 1970 to 2008, as results of the tax evasions by corporate groups, individuals, multinationals and other organizations operating in the country. This was reported by Mr. Bernard Anaba, a Policy analyst at ISODEC. Also according to Mr. Adogla Bessah, Assistant Commissioner at the Takoradi Medium Tax Office of the Ghana Revenue Authority (GRA), with regards to economic activity, the self-employed sector constitutes 80% and these self-employed mostly operate in informal facilities. Out of the total registered informal sector self-employed operators, a little below 30% are duly registered and are

assessed to tax. Although tax payment is compulsory, some SMEs are able to evade tax. This is the case of various businesses in Nsuta, the district capital of Sekyere Central District in the Ashanti Region. In evading tax payment, the nation loses the revenue it would have earned from them.

Tax evasion has a negative impact on the economy. According to Franzoni (1999), the resulting tax revenue loss due to tax evasion may impede the proper functioning of the public sector, and as such threaten its ability to finance its basic expenses. As Soos (1991) rightly said, though tax evasion leads to a loss in revenue, a tax system that is characterized by some widespread non-compliance places an unfair burden on the honest taxpayers.

Notably in Ghana, it is realized that there have been several times the government, having supposedly conceded that the revenue from taxes is very low with regards to the expectation of growth and development, and decided to introduce another form of tax, or shift focus to one already existing by way of increasing such taxes. Despite this it has been very difficult to collect all the taxes due from the informal sector (SMEs). Regarding this, the study wished to find out why there is such a large extent of tax evasion and the challenges the Ghana Revenue Authority (GRA) faces in collecting taxes from these businesses.

1.2 Objectives of the Study

The general objective of the study was to ascertain how evasion of tax affect the Ghanaian economy.

A case study of the Sekyere Central District of the Ashanti Region of Ghana.

The specific objectives of the study are as follows;

1. To assess the extent of tax evasion among SMEs in Sekyere Central District.
2. To examine why SMEs in the Sekyere Central District evade taxes.
3. To investigate the challenges, the GRA faces in collecting taxes from the SME operators in the district.

1.3 Research Questions

This study seemed to provide answers to the following questions to aid in finding a solution to the problem identified:

1. To what extent do SMEs evade tax in Sekyere Central District?
2. Why do SMEs evade taxes in Sekyere Central District?
3. What are the various challenges that GRA faces in collecting taxes from SME operators in the Sekyere Central District?

1.4 Significance of the Study

By far a lot of research has been done but regarding the aim of this study, the government's attention will be drawn to the fact that a lot is being lost and as such appropriate measures should be put in place to that effect. GRA on the other hand, will strengthen its systems by way of employing all the necessary strategies probably going beyond what they do to close the loop holes thereby reducing the rate of tax evasion. The informal sector will realize the benefits of paying taxes, the reasons why they should not evade tax and how they can contribute to the building of the entire economy when they pay tax.

1.5 Brief Methodology

This study adopted the case study strategy for its research design. This is because case study approach has a considerable ability to generate answers to the questions, why? As well as „what? and „how? To be successful in doing this, the qualitative method of data collection would be vastly used because it would allow the researchers to understand and explain tax evasion. Cooper and Schindler (2006) describe qualitative research as one conducted to find out what people do, think, know and feel. At some instances, the quantitative method of data collection was also employed. According to Henning (2004), the qualitative method of inquiry allows one to understand the respondents in terms of their opinion, feelings, and provide a detailed and deeper understanding of phenomena.

Purposive sampling technique was used because of the need to obtain responses from a particular group of respondents. Questionnaire and face-to-face interview were used to obtain primary data from the respondents. Data obtained was analyzed through the use of descriptive statistics, by SPSS.

1.6 Scope of the Study

This study focused on SMEs in the Sekyere Central of the Ashanti region, the district capital and its environs. The study covers those businesses in the informal sector considering people who are into manufacturing, service oriented businesses, retailing and distribution, and among others. The study will as well cover the district as a whole involving the work of the Ghana Revenue Authority at the Sekyere Central District Assembly

1.7 Limitations of the Study

It was the researchers' objective to cover the entire district but time and resources did not permit this and as such some of the designated areas could not be captured. In addition, the researchers' objective was to interview at least five tax officials but only four of them could be interviewed.

However, the researchers intended to go out with the tax operation team to make some observations.

1.8 Organization of the Study

This study has five main chapters. Chapter one gives an introduction to the study and this consists of the background of the study, followed by the statement of the problem, significance of the study, brief methodology, scope of the study, limitations of the study and organization of the study. Chapter two consists of theoretical and empirical review on the subject. Chapter three consists of the methodology of the study. Data analysis and findings are discussed in the fourth chapter and finally, chapter five summarizes and concludes on the major findings followed by recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature relating to the two variable of the study – tax evasion and economy of Ghana. Part 1 deals with the tax evasion and followed by economy of Ghana. The study focuses on tax evasion and its effects on the economy of Ghana. The literature is reviewed as follows:

- Overview of Taxation
- Brief History of Taxes in Ghana
- Evolution of Ghana Revenue Authority
- Meaning of Taxation
- Types of Tax
- Role of Taxation in the National Economy
- Concept of Tax Evasion in Ghana
- The Extent of Tax Evasion in Ghana
- Reasons why People Evade Tax in Ghana
- Challenges of Ghana Revenue Authority
- Effects of Tax Evasion on the Economy of Ghana

The study seeks to find out how evasion of tax affects the Ghanaian Economy. For the easily understanding of the subject matter, key concepts of the topic have been defined and explained namely – tax evasion and economy.

2.2 Overview of Taxation

Altus Directory, 2006-2010, defines a tax as a levy imposed by government or a legal entity in a country, on its citizens. Pratt et al (2001) also sees tax as an exaction to support the government, which means, that tax provides a way for government to obtain a greater portion of revenue needed to keep it in operations. It can be seen therefore that a tax is not just a source of revenue, but an instrument that policy makers use to achieve socio-economic goals. According to Selma et al, (1951) taxation is the process by which a government obtains supports from its citizens to maintain the economy. Louis (1991) also opines that governments use taxation to raise money for public spending. It can therefore be said that most of the projects undertaken by governments are through taxes.

2.3 Brief History of Taxes in Ghana

According to Randolph (2011), taxation was introduced in Ghana in the year 1943. Before the introduction of tax in 1943, governments had made some attempts to introduce it already. In 1852 for example, in order to obtain revenue to fund the increased cost of British Administration, the government introduced the Poll Tax Ordinance. Citizens under British protection were made to pay some taxes – thus one shilling (1/-) per head per year as a poll tax ordinance. As a result of some weaknesses in this system of tax collection coupled with the fact that the revenue collected were not used for the purpose made the system fail. That was how taxation started in Ghana and since then, important amendments in the tax laws have been made. According to (Abdallah, 2008), Income Tax Ordinance was introduced in 1943 and it was the first income tax law. As a result of the fact that there was an Income Tax Act already in United Kingdom, the Ordinance tax was modeled on that Act. The Ordinance levied the tax primarily on incomes that had their source in Ghana which meant that income from foreign source was not taxable unless it

was remitted in Ghana. Our ordinance contained some numerous personal reliefs and deductions and these were one important feature of the ordinance. The initial consolidated edition of the Income Tax Ordinance was released in March, 1953. Subsequent to it was the amendment to the consolidated edition Act 68 in 1961 and this was preceded by Act 178 and Act 197 in 1963 and Act 312 in 1965. In September 1966, the second consolidated edition, Tax Decree 1966 (No.78) was released. Next, in December 1975, the Income Tax Decree 1975, SMCD 5, the third consolidated edition was released. Later in the year 2000, the prevailing government introduced new tax laws to manage the administration of income tax, capital tax and gift tax in Ghana and thus make tax administration generally better in Ghana.

2.4 Evolution of Ghana Revenue Authority

The Ghana Revenue Authority is the government of Ghana agency responsible for the overall oversight of the all the taxation agencies in the country. It was established in 2009 as a merger of the Internal Revenue Service (IRS), Customs, Excise and Preventive Service (CEPS), Value Added Tax Service (VATS), and the Revenue Agencies Governing Board (RAGB) Secretariat. Based on the establishment, the GRA issued a statement to the effect that the revenue agencies would cease to exist and be subsumed up into the Ghana Revenue Authority with the passage of GRA Act 2009, (Act 791). This Act established the GRA as a body corporate to replace CEPS, IRS, VATS and RAGB for the administration of domestic tax. Different divisions were created headed by a Commissioner while the remaining management support functions, including Communication and Public Affairs, Internal Audit, Internal Affairs, Modernization Program Office and Board Secretariat and Legal Affairs were headed by Deputy Commissioners, who all reported directly to the Commissioner-General. In accordance with the provisions of the GRA

Act, 2009 (Act 791), all dealings and businesses with the former revenue agencies were to be redirected to the Ghana Revenue Authority with immediate effect.

2.5 Types of Taxes

There are two basic different types of tax namely direct taxation and indirect taxation.

Direct taxes: This refers to that form of taxes collected from the individual or organization on which they are apparently imposed. For example, income taxes are taken from the person who earns the income or in the case of paying a gift tax. Direct tax is also defined as a tax which is levied on organizations and businesses and as such is paid by such organizations. According to ICAG Taxation Study Manual, 2014, direct tax includes capital gain tax, corporate tax, gift tax and income tax. In Ghana, the Domestic Tax Revenue Division has the authority to administer this taxation. Direct tax is very important since it is a kind of progressive tax and therefore takes more from rich people. This decreases the consumption of luxury goods by the rich and facilitates the diversion of resources from luxury goods production to that of capital construction. Ali, (2001) is of the view that direct tax ensures a degree of flexibility in the system of tax, increasing the possibility of tax revenues rising as income increases. The progressive ability direct tax makes it ideal for developing countries like Ghana. This promotes distributive justice in developing countries. Akakpo (2009) opines that inequalities are prevalent in developing countries, and with economic development these inequalities tend to become broader. One can understand that the development of a nation relies on the citizens, and their ability to pay taxes. It is easy to determine the incidence and yield in direct tax as compared to indirect tax. According to Ali (2001) in spite of these positives, there is huge administration cost.

Indirect Taxation

Indirect taxes are opposite of direct taxation. Indirect taxes are collected from someone other than the person responsible for paying the taxes, and are collected by an intermediary body, an example is a retail store, which collects the sales taxes from the proceeds during the purchase. The intermediary body later files a tax return and forwards the tax proceeds to government. Simply put, indirect tax is that tax levied on expenditure. Basically, this is a tax that is imposed on one person with the expectation that, the tax will be transferred to another person. In this case the impact and incidence are on different persons (Akakpo 2009). Excise duty, customs duty and value added tax (VAT) are examples. Ali (2001) opines that Authorities assigned for this tax are the CEPS and VATS. The tax authorities do not directly deal with the consumer as in tax collection but rather do so indirectly through importers, manufacturers or other intermediaries and that is why it is called indirect tax. According to ICAG Manual: Taxation and Fiscal Policy, 2015, the transfer of this tax liability is effected by levying the tax element on the selling price of the commodities to the next person in the commercial chain until it is finally borne by the consumer. Akakpo (2009) is of the opinion that with indirect tax, the value of the goods determines the rate of duty which means that the attributes of the commodity determine the tax rate which is also based on a fixed amount. For instance, a bag of rice may be taxable at GH¢30.00 per kg and drinks may be taxed based on their volume. Some of the advantages of indirect taxes are as follows. First and foremost, an increased indirect taxation allows for labor market incentives since the government can decrease the whole tax on income and capital. This is especially true based on the fact that income tax and corporate tax rates have been reduced in Ghana over the years.

According to Ali (2001), most people prefer indirect tax to direct tax as in the case of indirect tax, employees are able to retain more of their incomes. This explains why returns on working

extra hours rise when income tax rates are reduced. However, in the case of income tax, people are able to earn a particular target post-tax income with relatively fewer working hours compared to previous working hours before the tax cut (Ali, 2001). If leisure is regarded as a normal good, employees would choose not to work and in order to enjoy more leisure time and still earn the same income. The next advantage of indirect taxes is that they are only collected from businesses, and so it is cheaper to administer than direct tax. Government gets more control over its use of fiscal policy with indirect taxation. Also, even without parliamentary approval some indirect taxes can be changed between budgets. Examples are VAT and excise duty whilst the direct taxes can only be changed in the annual budget. Despite all these positives, one may argue that an indirect tax is regressive. The reason is that with indirect taxation, each taxpayer pays the same rate of tax considering the different levels of income, meaning that those who earn low income pay more as compared to those that earn more income. On the part of direct tax, those that earn more income pay more tax as compared to low income earners. That is, as earlier said, direct taxes are progressive.

2.6 The Role of Taxation in the National Economy

According to Altus Directory, (2006 - 2010) the reasons for Taxation from the viewpoint of the authorities can be classified as follows:

Revenue

The taxpayers money serves as the source of government revenue for the provision of social amenities like hospitals, clinics and infrastructure like roads and also provide quality education systems.

Redistribution

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

Narrowing budget deficit

Where government expenditure exceeds its revenue, taxation comes in to reduce the deficit.

2.7 The Concept of Tax Evasion

The payment of tax demonstrates the desire of every citizen to develop the country. Tax payment is a civic responsibility and this is imposed by governments on its citizens to help the government develop the country by providing such things like infrastructure and utilities for the people. Revenue derived from the tax payment forms a greater part of government revenue. Despite this, tax evasion is a nightmare for many countries including Ghana. Tax evasion refers to the intentional failure by taxpayers to fulfill their tax obligations. Tax evasion causes a loss in national revenue, and this is a great set back in the public sector and economic development. Investigation into tax evasion can be traced as far back as the work of one of the pioneers of "law and economics", Cesare Beccaria (1797), In order to appeal to the attention of tax authorities and ensure that much effort is put into finding its solution, tax evasion has long been separated to stand alone. Rynoids (1963) is of the opinion that because tax forms a greater part of government revenue, when taxpayers evade tax or otherwise avoid it, there is not equity in that tax system. The evasion of tax does not help the government to realize the revenue on taxation due herwhich creates a gap between the real amount of tax collected and what should have been collected.

Legally, tax evasion is different from tax avoidance in that, tax evasion is unlawful, and so it is punishable if revealed. Avoidance is legally accepted while evasion is an offence. Tax avoidance is the modification or arrangement of one's financial affairs, in order to decrease tax liability in a way permitted by law. According to Muhammed and Muhammed (2012), even though government protest against tax evasion and avoidance, taxpayers use tax avoidance strategies or at times willfully use fake strategies with some form of help from tax officials to eventually evade tax. Tax evasion is an outright dishonest action whereby the taxpayer tries to reduce his tax liability through the use of illegal means. Tax evasion is achieved by intentional omission or commission, and these two are offensive as far as the laws guiding taxation are concerned. For instance, a tax payer can either intentionally or ignorantly take a decision not to declare his income to tax authorities and even where the income is declared, certain items may not be included in order not to ensure that the true financial position of such businesses is revealed. Moreover, a tax payer can also take a decision to include certain category of people in his family data so as to gain a tax relief. All these are criminal offenses as far as taxation is concerned. Thus it can simply be explained that tax evasion is a situation where the taxpayer pays less tax than what he is legally requested to pay, using illegal means. According to Abdallah, (2008) defines tax evasion as employing illegal strategies to decrease tax. Thus tax evasion is a term used to describe efforts by some individuals, firms and other entities to evade the payment of taxes by illegal means. It basically concerns taxpayers who use intentional means to misrepresent or decides not to show the true state of their affairs to tax authorities in order to reduce their tax obligations. Examples include declaring less income and profits or inflating expenses. Mirrles (1971) opined that tax evasion deserved to be a topic for theoretical investigation. In 1972, Allingham and Sandmo reviewed the topic income tax evasion in their article "Income Tax Evasion: A Theoretical Analysis". The objective of that paper was to

analyze the reasons why the taxpayer decides to evade or not to evade and afterwards to determine the extent to which taxes are evaded. Tax evasion has negative effects on the revenue of a country and usually when it is revealed, there should be imposition of crime proceedings against the offended taxpayer. It should be noted that the issue of tax evasion is not a new phenomenon since it has existed for some time now. Various authorities continue to find issues on tax evasion very challenging due to its nature.

2.8 The Extent of Tax Evasion in Ghana

Myles, (2000) says that the importance of developing a theoretical understanding of tax evasion can only be assessed by estimating the actual extent of evasion. An article on Today Ghana News website on February 18th, 2015, quoted that "Information reaching Today Ghana News from the corridors of power indicates that the Special Operations Unit on Tax Evasion at the Presidency has uncovered about two hundred and eighty (280) public and private companies which had evaded taxes in the country." This is a worrying situation of tax evasion in Ghana. According to the news article, "This illegal act, has caused the state to lose US\$367 million within seven years (from 2005-2012) and as such this has compelled the police to investigate the said companies which were alleged to have evaded taxes and process those purported companies for court. The article further revealed, "...nine more dockets have reached advance stages of investigations and will soon be sent to court. More dockets are being prepared and will be forwarded for prosecution," In October 2013, the presidential 23 taskforce uncovered that over \$367 million had been lost to the state as a result of the tax evasion. This is a clear indication that tax evasion is an issue that needs to be tackled in Ghana. In February 2015, myjoyonline also published an issue concerning officials of five companies to be persecuted for tax evasion. The news article quoted "Police will by close of this week put officials of five Ghanaian companies

alleged to have evaded tax before court for prosecution. This followed investigations by the special operations unit on tax evasion at the presidency. The unit has so far retrieved more than one billion cedis from some companies engaged in the illegal act. The article further explained that, the police have investigated a number of companies which have evaded custom duties and tax. The police have meanwhile refused to disclose the identities of the companies involved but Joy News checks indicate that over 280 public and private companies were involved. The Ghana Revenue Authority on numerous occasions has expressed concern on the issue regarding tax evasion and its crippling effect on Ghana. In a news publication by adomonline in the month of December in 2014, GRA spoke on the matter of evasion. According to the news agency, Mr. Adogla Bessah who was the Assistant Commissioner at the Takoradi Medium Tax Office of GRA urged the media to join forces with the tax authorities in educating the general public regarding their need to pay taxes liable to them in order to help in nation building. The Assistant Commissioner in that interview revealed that 80% of people who work in the informal sector of Ghana's economy were not paying taxes and this, according to him, was the result of the lack of historical database to track such people and he also advised on the need to come up with computerized database to capture the informal sector as a developing nation. We start with a recent study by Cobham (2005), which focuses on tax evasion, rather than avoidance. We do so for the following reasons. Firstly, this is a frequently cited paper. Secondly, Cobham (2005) is transparent about the approach used, so that his results can, in principle, be replicated using publicly available data. Thirdly, most studies on tax evasion and avoidance in developing countries focus on the international component only whereas Cobham (2005) addresses the combined impact of domestic and international tax evasion, with a focus on the domestic component.

2.9 Reasons why People Evade Tax in Ghana

The Decision to Evade

When one decides to comply with tax laws, it means the person will correctly reveal his tax base and calculate tax liability correctly, file returns on due times, and subsequently pay the tax due. Many decisions to evade tax emanates from these simple points. Those who evade tax first of all may decide not to correctly reveal their tax base, and as such will not give a correct determination of their tax liability. Most tax evaders decide not to file their correct returns and subsequently evade tax. For the problem of tax evasion to be tackled properly, it is imperative to ascertain some factors behind people's decision not to pay tax. In order to come out with methods and instruments to fight tax evasion, it is vital to first of all establish a broad understanding of the different reasons why people evade taxes. Some causes of tax evasion are specific to some countries, by and large; the various causes of tax evasion are general and can be applied to almost all countries. “Pommerehne et al. (1994) conducted study in order to recognize the determinants of tax evasion. They used the presence of grievance in absolute terms in their study. Results indicated that as the sentiments of grievance increased in absolute terms, the level of tax evasion also increased and the level of tax moral belief decreased”. In 1957, a researcher called Orewa scrutinized the features of tax evasion. At the end of his investigation, it was revealed that because people can move from one district to another easily and continue with their business, there was the chance of saving that legal money. He also found out that some operators do not keep proper or adequate records of their transactions and as such submit on their interim income to tax authorities for tax purposes. Again, it was revealed that people who earn wages or salaries freely dislocate at certain times in order to prevent tax authorities from locating them and thereafter collecting tax revenue. Some basic reasons why people evade taxes can be outlined below. The Absence of a “Quid Pro Quo” Basically, people do not like the idea of paying taxes.

This is mostly because people feel they do not receive anything of value in return for the tax they pay. Most people always argue that they should not pay tax because those taxes are not used to provide the basic things they need. They prefer rather using that money to provide those amenities for themselves.

Inequitable Distribution of Amenities

It is common in most countries- and Ghana is not an exception- that people always blame the government for being partial in the distribution of its social amenities. Mostly, tax evaders feel that since a certain part of the country enjoys a greater share of amenities, those working there should be taxable. This is justifiable in the sense that one pays tax and still does not have the amenities others enjoy in their part of the nation.

Perceived Mismanagement of Tax Revenue by Government

There has always been issues of corruption and misuse of public money on radio stations and televisions. There are evidences of how people in government positions have been carelessly using public funds mostly to their personal benefit. Typical in Ghana is the issue of judgment debt. Various projects for which government assigned huge sums of money have reportedly failed and these issues are always discussed by the media. By this perception, people decide either not to pay the tax at all or pay just a small portion of the real amount, because they think that this mismanagement of public funds will not stop.

Remoteness of Taxpayers from the Government

Most people believe that taxes are paid to cater for the well-being of government officials who belong to that class higher than that of the tax payers. People in government in most cases become enemies to the average Ghanaian, given the way of life, which is wholly apart from the

average tax payer. Most tax payers are aware of the various tax reliefs given to these people who already live rich lives. The taxpayer lives quite apart from the government specially and thus feel no need to pay tax to those government officials living in big cities. Probably, a little education will be able to help taxpayers understand this issue very well.

Absence of Spirit of Civic Responsibility

A greater percentage of the adult population in Ghana is illiterates as indicated earlier on. For this reason, most people do not comprehend that they are liable to certain obligations like payment of tax. Regardless, anytime the government tries to educate the public on such poor attitudes, these same public try to suggest that government rather prints enough currencies to alleviate the challenges faced by the country. The absence of this form of patriotism accounts for increased tax evasion in Ghana. Other writers in other countries have also come out with several other causes of tax evasion. According to Orewa (1957) in Nigeria that partial evasion may occur because of the improper bookkeeping and accounting records maintained by traders and also the belief by some illiterate taxpayers that only workers who earn wages or salaries should be taxable. This belief however is a wrong perception. Kiabel (2001) is of the opinion that, various entrepreneurs and business operators do not understand the need to pay taxes even though they earn much in their business. This clearly shows signs of unpatriotic by the citizens. Some people just decide to keep their income to themselves just for that sole reason. Song and Yarbrough (1978) conducted a study in 1975 to explore both attitudinal and behavioral aspects of tax ethics. After their studies, it was revealed that whilst most people feel that the tax laws should be obeyed, they do not regard violations as serious crime meriting a severe punishment. Kaldor (1962) suggests a good link between tax evasion and the perception of inequality in the payment of tax. That is, the higher people's perception of tax inequality, the higher the incidence of tax

evasion. Spicer (1976) also opined in one of his dissertations dubbed, the behavioral model of income evasion that, there is a positive relationship between those who evade tax and the rate of tax evasion among such evaders friends. Dean, Keenan and Kenny (1980) also conducted a survey on taxpayers' attitudes in 1977. Majority of the respondents representing 93% thought that "income tax is (much/little) too high" while a substantial proportion of 62% also asserted that the governments do not spend taxpayers' money wisely. With this latter point, most people feel that the taxpayers' money is not correctly spent by government. The survey also showed that many respondents felt they were paying too much income tax as compared to other people, even when compared with those on same incomes. Excerpts of the survey also showed that "two thirds of respondents thought that all or most taxpayers would exploit an opportunity for small scale evasion if they thought they could get away with it. Likewise, nearly a quarter of respondents thought that all or most taxpayers would attempt large scale evasion if they felt that it would go undetected". Beattie (2010) suggests that, people evade taxes probably because of the motive of amassing more income. This is because every businessman's aim is to get a greater net income after deducting all expenses incurred and these expenses include tax. His ultimate objective is to minimize cost and obtain huge sales by decreasing sales price and thus increase the cash balance of the business at the end of the accounting period. From an ordinary perspective, one can understand that people evade taxes because governments do not provide enough tax incentive to tax payers. As Ablordeppey (2005) puts it, "the tax incentives offered by government have neither hind up to the expectation or motivating investors into the country nor influencing the location of business". It can thus be deduced that, if government gives enough tax incentives, people will be willing to pay taxes rather than evading it. Again, people who are relatively poor, try the best they can to evade taxes. This is because they always want to gather enough money to support their standard of living. The little income they get at the end of their sales is not so huge

that they would be willing to use part of that money to pay taxes. Loopholes in tax laws implementation, is another reason why people evade taxes. On the average, where law enforcements are weak, people are tempted to take advantage. At some times, inadequate tax personnel results in a situation where tax officials mistakenly omit some 30 tax payers' name from the tax list. At some odd times, some people also evade taxes without a clear knowledge of it. Nightingale (2001) puts it well, that „When a loyal taxpayer gets to know of the rate of tax evasion in the country, he may also try to employ some strategies, mostly legal, to ensure that he reduces his tax liability or tax burden.

2.12 Challenges Faced by Ghana Revenue Authority in Tax Collection

Despite the fact that there are taxes laws that compel people to pay tax to enable government embark on developmental projects, the effectiveness of tax laws will determine the tax revenue realized by the tax officials. (Bird, 2003). At some points, inadequate tax officials accounts for some weaknesses in the revenue collections. Kangave (2005) is of the opinion that, even though developing countries have the problem of ensuring tax compliance in businesses and individuals, there are other problems of insufficient administration staff that in some ways possess low skills, high illiteracy rate among tax payers, lack of equipment and lack of reliable data. One of the major challenges in the administration of tax is the lack of adequate resources to sustain and facilitate the operation of tax officials. In this regard, the resources of tax administration can be grouped in two main categories: human resources and physical resources. With regards to human resources, the focus is on the number of quality tax officials available. Human and physical resources work hand in hand. Physical resources can be seen in a wide perspective, ranging from office buildings and equipment's to vehicles and communications systems. Thus, the human resources require physical resources to ensure tax laws compliance. Tanzi and Zee, (2000) is of the opinion that, „financial limitations have caused many tax officials to lack the accounting concepts necessary to analyze returns and this situation is worsened by

lack of adequate training facilities and opportunities. 31 One of the other challenges faced by tax officials is high levels of illiteracy on the part of taxpayers in the country. According to the Ghana statistical service in a survey conducted in 2010, 51.5% of the adult population in the country is literates.

2.10 Measures to mitigate tax Evasion in Ghana

In the light of the above, the following basic recommendations are made at face: The Government should embark on various means advertisement to educate the public on the need to pay taxes. In the case of Ghana, since the government has a state-owned television station, the government should seize that opportunity to use that platform to education the public especially on some misconceptions about the use of the taxpayers' money. Qualified personnel should be employed and trained occasionally as time pass on, so that they become abreast with various dynamics. There should also be enough motivation to prevent officials from conniving with some taxpayers to evade or avoid tax. Also, there should be proper review and evaluation of the assessment and collection process to encourage tax compliance. Usually tax officials send printed parts of tax laws to taxpayers and most of these laws are written in legal language and this makes it difficult for the average taxpayer to understand. Improving the design of the printouts can be a great step in improving tax assessment and collection processes. It is the sole responsibility of government therefore to look at the trend of inflation to ensure equality in tax payment. Furthermore, the government should try as much as possible to provide certain basic utilities and amenities to all individuals and citizens in the country. Again, employment opportunities should be provided for all, so that people will feel the value the get in return for the payment of tax. The taxable population should be determined occasionally and relevant documents duly updated to cover all taxpayers and make the tax data reliable. Once most if not

all taxpayers including businesses are captured in the data, tax evasion would be greatly decreased. The Ghana Revenue Authority must ensure that systems are put in place to determine each employee's needs and the efforts needed to prevent regression. According to Hoe (2010), to enhance tax efficiency, tax administrators must follow these recommendations; Simplification: The administration of taxes should not be as complicated to assess and collect as is necessary which invariably result in lower cost to tax administrators and tax payers. Shorter audits: A tax audit should as far as possible begin as soon as possible after a return is filed. This gives the taxpayer the ability to respond quickly to the needed information.

Certainty

The tax which each individual is bound to pay ought to be certain, and not arbitrary. The time of payment, the manner of payment, the quantity to be pay, ought all to be clear and plain to the contributor and to every other person (Adam Smith 1776).

The tax payer must be certain on: The rate of tax, the time of payment and the place of payment.

Conveniences

There must be conveniences both in the collections and payments of tax to the tax officials as well as the tax payers. Tax officials in some remote areas find it very difficult in locating tax payers which becomes a very big problem, therefore paving way for tax evasion. Some willing payers at times also encounter difficulties in locating tax agencies, of which there should be several agencies as it is with the ECG.

Training

Various tax officials should be updated, or trained so to say in carrying out their various duties. This will ensure also they are informed about all emerging issues in tax administration. Cost of Compliance: Tax payers should be educated to keep proper books and records in order to reduce the cost of tax compliance. This is because at most times, only the records kept are essential for the prerequisites of tax compliance.

Confidentiality

Most taxpayers at times feel that their returns information will be leaked to the public domain. For this reason, tax officials should ensure utmost confidentiality in handling taxpayers' information. This will ensure that taxpayers willing provide information requested on hand. Impartial Appeal Process: When there are disagreements amongst taxpayers and tax officials, an impartial appeal process should exist to be responsible for the publication of its decisions, bearing in mind the confidentiality of those affected. One can therefore conclude that, to improve tax compliance, tax rate should be reduced, and there should be strong surveillance system in place. Again, tax laws should be simplified, and all should be covered so that people do not take undue advantage.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This section presents the description of samples, measures and procedures used for the study. Methodology describes the methods adopted to obtain the relevant data on tax evasion and how it affects the Ghanaian economy with emphasis on Sekyere Central District of Ashanti Region. Specifically, the chapter presents the research design, sources of data, description of the target population, sample and sampling techniques, the instruments employed in collecting the data, data analysis techniques and the profile of the district under study.

3.1 Research Design

Research design deals with the type of research and the procedure for carrying out data collection and analysis. It thus gives a general plan of how research questions will be answered. The study adopted the case study research strategy. Robson (2002: 178) defines case study as “a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence. The case under this study is an examination of tax evasion in the Sekyere Central District of the Ashanti Region. Out of the various research strategies, the study found the case study approach to be the most appropriate for achieving its objectives because the approach has a considerable ability to generate answers to the question “why?” as well as “what?” and “how?” questions. The case study strategy will be relevant if one wishes to gain a rich understanding of the context of the research and the processes being enacted (Eisenhardt and Graebner, 2007). However, the study blended both the qualitative and the quantitative methods in both data collection and analysis in getting to the bottom of issues. The study used interview and questionnaires in

arriving at the collection of data. Case study approach is characterized by data triangulation. According to Saunders et al., (2007), triangulation refers to the use of different data collection techniques within one study in order to ensure that the data are telling you what you think they are telling you. For example, qualitative data collected using semi-structured group interviews may be a valuable way of triangulating quantitative data collected by other means such as questionnaire.

3.2 Sources of Data

The study relied solely on the use of primary data. The study needed to collect first-hand information to describe the extent of tax evasion in the Sekyere Central District (specifically at Nsuta, the District Capital) of the Ashanti Region. In view of this, primary data sources were used. According to Busha and Harter (1980) primary source of data involves first-hand information from the field or study population.

3.3 Population of the Study

Just like every research, the study could not be complete without a target population. As such the researchers targeted the informal sector (SMEs) in Sekyere Central District basically artisans in the likes of hairdressers/barbers, fashion designers, carpenters, fitters, masons among others. These artisans form 20% of the entire population of (Sekyere Central District-Planning Unit). The GRA at Sekyere Central District Assembly was also targeted.

3.4 Sampling Techniques

“Sampling techniques enable you to reduce the amount of data you need to collect by considering only data from a subgroup rather than all possible cases or elements” Saunders et al. (2007). In view of this, the researchers used the purposive sampling techniques, the most

common technique employed in qualitative research, to collect data from various Artisans and the GRA staff. Purposive sampling method was used so as to select GRA staff that best helped in answering the research questions. Purposive sampling can simply be explained as a kind of non-probability sampling where decisions concerning the individuals to be included in the sample are taken by the researcher, based upon a variety of criteria which may include special knowledge of the research issue. According to Neuman (2003), purposive sampling is often used when working with very small samples such as case study research and when you wish to select cases that are particularly informative. Some advantages of purposive sampling include:

- i. It is economical- less costly and less time consuming.
- ii. It ensures proper representation of the population and is free from bias.
- iii. It avoids unnecessary and irrelevant items entering into the sample per chance.
- iv. It gives better results if the researcher is not bias and has the capacity of keen observation and sound judgment.

Despite the advantages of purposive sampling method, the following are the disadvantages.

- i) There is enough scope for bias of the researcher to play and influence the selection.
- ii) There is no equal chance for all the items of the population to be included in the sample.
- iii) The method is not suitable for large samples where the size of both population and sample is considerably large.

3.5 Sample Size

The researchers could not reach the entire population and therefore there was the need to select a sample. A sample is a finite part of a statistical population whose properties are studied

to gain information about the whole. The study selected **Sixty-four (64)** respondents as a sample size.

3.6 Data Collection Instrument

Questionnaires and interview were the main tools used to collect primary data for this study. A questionnaire includes all methods of data collection in which each person is asked to respond to the same set of questions in a predetermined order (deVaus, 2002). The self-completed questionnaires which are usually completed by the respondents were used but then those who could not complete it by themselves due to the level of literacy or any other reason were assisted by the interviewers. In ministering the questionnaires, the researchers delivered them by hand to each respondent and collected them where the respondents were able to complete and went for them later where they were not able to complete the same day.

3.7 Data Analysis Techniques

The study employed the use of descriptive statistics to analyze the data. The results are presented in tables and charts. The study also used cross-sectional survey to examine tax evasion and its effects on the Ghanaian Economy. The questionnaires were administered to people in Small and Medium Enterprises (SMEs) within the Sekyere Central District of Ashanti Region. The Researchers also interviewed some of the people and officers working at GRA in SCD. Regarding the analysis of the administered questionnaires, the researchers after collecting the data input them using Statistical Package for Social Sciences (SPSS). The results were used for the analysis.

3.8 Ethical Consideration

With the issue of ethical consideration, respondents were assured that, every information that they will provide, would be treated with utmost confidentiality. In view of this, the researchers ensured that things were done in an ethical manner by way of fulfilling their promise to the respondents. A letter was sent to the District Assembly to seek approval before the collection of the data and interviews were conducted.

3.9 Profile of the District

Sekyere Central District was created in the year 2008, by Legislative Instrument (LI) 1900 as one of the thirty (30) administrative districts in the Ashanti Region. This was as a result of the high growing population and the need to spread development to other parts of the District. The district capital is Nsuta. The district is located in the north-western part of the region and lies approximately between latitude 6° 45' - 7° 32' North and longitude 0° 22' West. The district shares boundaries with other districts like the Sekyere-East districts to the north-east, Sekyere South District to the west. It covers an estimated area of about 730.5sqkm and has forty (40) communities of varying sizes. The district has twenty-six (26) electoral areas and one Parliamentary Constituency known as the Nsuta/Kwamang constituency. The 2010 population and housing census indicated that the district had a total population of 62,935 (Ghana statistical Service). However, the current estimated population (2014) for the district is 69,164 at a growth rate of 3.5% (Sekyere Central District-Planning Unit). The population density is estimated at 113.5 persons per square kilometer. The average household size in the district is 5.8 compared with the national average size of 5.0. The sex distribution of the population according to the 2010 census stands at 30,887 (49.3%) and 32,048 (50.7%) males and females respectively. The major economic activities in the district are farming and small scale processing of agricultural

produce like hair-dressing, tailoring, carpentry and masonry. The agricultural sector employs over 60% of the active population, commerce 18%, manufacturing (industry) 10% and service about 5% (Sekyere Central District Assembly-Planning Unit). Cocoa is the major cash crop cultivated by the people. The major food crops cultivated in the district include cassava, maize, yam, cocoyam and vegetables. It consists of the thirty-eight (38) assembly members (consisting of 26 elected members and 12 appointees of the President, one Member of Parliament and the District Chief Executive). The Assembly exercises political and administrative authority in its area of operation. It guides and supervises all other administrative authorities in the districts. As such, the Assembly exercises deliberative, legislative and executive functions. The District Assembly has four Town Councils, three Area councils and one hundred and fifty-six Unit Committees which enhance effective communication between the Assembly and the indigenes. The sub-district structures oversee the activities of the Unit Committees and also assist the Assembly in the administration of the Towns and Area Councils. The three Area Councils are: Kyebi Area Council, Amoamang Area Council and the Afram Plains Area Council. There are two main traditional councils in the district. These are Nsuta and Kwamang Traditional Councils. Apart from ensuring the physical development of their respective areas, they also serve as arbitrators in their areas of jurisdiction.

3.10 PHYSICAL FEATURES

This section provides information on the District's profile including location and size of the District, climate, vegetation, the political administration and social structure, the economy, living conditions, demographics, and organization of the report.

3.10.1 Location and Size

Sekyere Central District, which is one of the thirty (30) administrative districts in the Ashanti Region of Ghana, it is located on the northern part of the region, and shares boundaries with Mampong Municipal, Atebubu District, Sekyere East, Sekyere South, and Ejura Sekyere dumasi. The land size of the District is 1,631.1 sq. km and it is located within longitudes 0.05 degrees and 1.30 degrees west and latitudes 6.55 degrees and 7.30 degrees north. It has about 150 settlements with about 70 percent being rural. The rural areas are mostly found in the Afram Plains portion of the District where communities with less than fifty (50) people are largely located.

3.10.2 Climate

The District has two rainy seasons with an average annual rainfall of 1270mm. The major rainy season starts in April, with a major peak in May. There is a slight dip in July and a pick in August, tapering off in November. December to February is dry, hot, and dusty.

The average temperature in the District is about 27 degrees Celsius with variations in mean monthly temperature ranging between 22 degrees to 30 degrees Celsius throughout the year.

3.10.3 Political Administration

The District has one constituency, namely Nsuta-Kwamang-Beposo. There are four (4) Town Councils namely Nsuta, Beposo, Kwarmang and Atonsu, three (3) Area Councils .Kyebi, Amoamang and Afram Plains (Birem and Asubosu), one hundred and fifty six (156) Unit Committees and forty eight (48) Electoral Areas. The Town and Area Councils constitute the sub-administrative units.

3.10.4 The District Assembly Machinery

Sekyere Central District Assembly consists of 31 Assembly Members. The District Chief Executive doubles as both the political and administrative head of the Assembly. The District Assembly is presided over by a Presiding Member who is elected from among the members of the Assembly by at least a two-third majority.

The District Assembly is responsible for the overall development of the District. It is charged with program formulation, budget preparation and the promotion of fairly distributed development programs across the District.

The executive and administrative function of the Assembly are performed by an Executive Committee, membership of which are elected from among the Assembly members but not exceeding one- third of the numerical strength of the Assembly. The Executive committee is chaired by the District Chief Executive, excludes the Presiding Member, and operates through sub-committees such as.

1. Development planning sub-committee
2. Social services sub-committee
3. Works sub- committee
4. Justice and Security sub-committee
5. Finance and Administration sub committee
6. Agriculture and Environment sub-committee
7. Such other sub-committees as the District Assembly may deem fit.

The Sub-committees deliberate on specific issues and submit their recommendations to the Executive Committee, which in turn presents them to the District Assembly for ratification.

A District Planning Coordinating Unit (DPCU) is established for the District Assembly to provide secretarial and advisory services to the Executive Committee and its planning and programming functions.

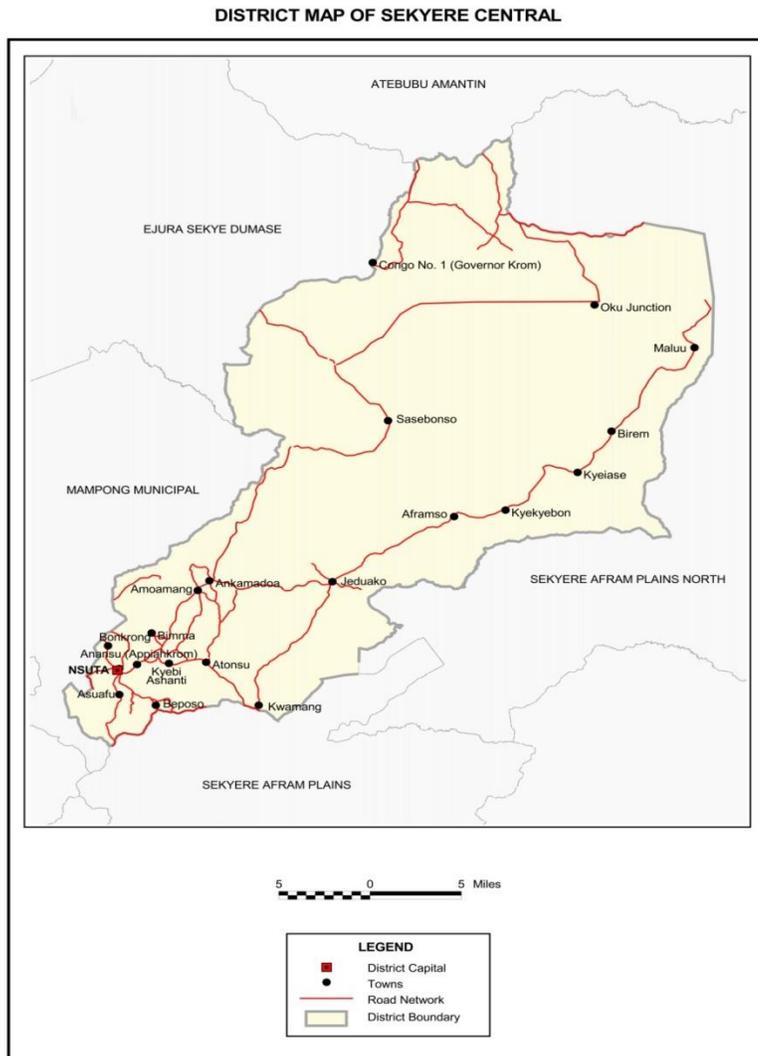


Figure 3.10.1

3.11.0 Economy

3.11.1 Structure of the Local Economy

Farming is the predominant economic activity and employs about 75 percent of the economically active labor force. The District has a vast arable land; however, farming is at

subsistence level. The geographical location of the District and its closeness to other districts enhances trade activities. Market days in the various districts experience inflow and outflow of both agricultural and manufactured goods. The result is that the Assembly's revenue is enhanced and traders' income improved because of the large market.

The vast land in the north-eastern part of the District is a potential source of agricultural land for modernized agricultural development. The rainfall pattern of the District support two cropping seasons.

3.11.2 Small scale manufacturing and the services industries

Small-scale industries in the District can be categorized into 5 groups, namely, agro-based forestry, textiles, metal works, and services. Fifty-Six percent of all these industries are agro based. These include Akpeteshie distilling, pito brewing, baking, corn milling and gari processing.

The next major groups are forestry-based industries. They include carpentry and charcoal burning. This group accounts for 15 percent of all establishments. Mechanics and blacksmiths are considered as metal-based industries and both account for 3 percent of all establishments.

The service industry includes recreation (hotels, chop bars, beauty salons and barbering shops).

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.0 Introduction

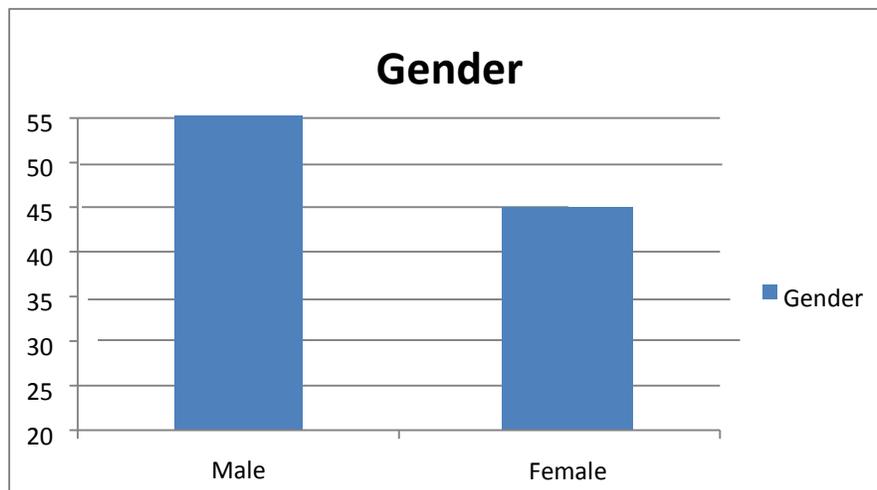
Data demonstration, analysis and discussion of the various findings obtained from the field of study are captured in this chapter. Tables and charts were used to scrutinize the data that was obtained from the questionnaires. In all, Sixty (60) questionnaires were administered to respondents with which they were all valid for the analysis. Only four (4) of the revenue Officials could be interviewed.

RESPONSES FROM TAX PAYERS

4.1 Gender Distribution

The study discovered that 33(55%) of the respondents were males whiles 27(45%) were females. This data has been represented in Figure 4.1 below.

Figure 4.1.1: Gender Distribution of respondents

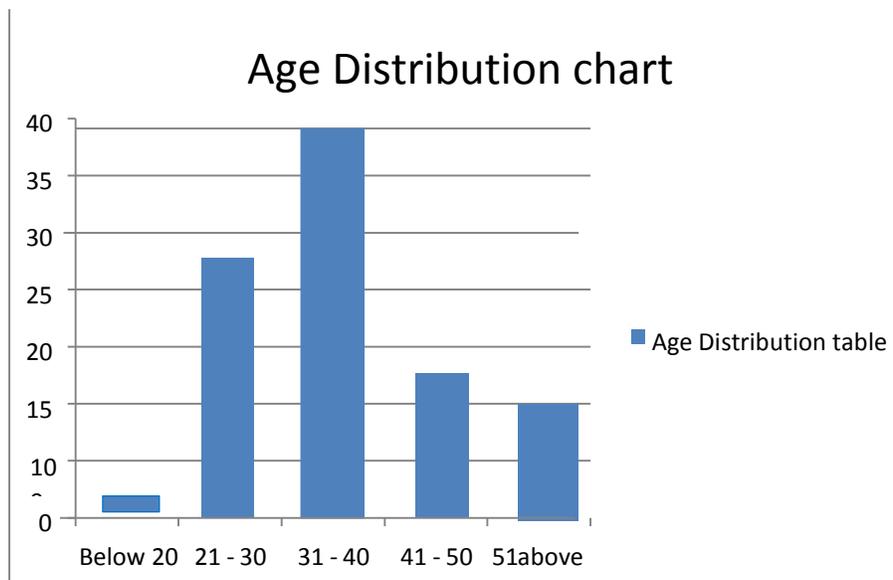


Source: Field survey, April, 2018

4.2 Age Distribution of Respondents

The researchers sought to find out the age distribution of the respondents and the following were the findings. The data for the study revealed that 1(1%) of the respondents was below 20 years whiles 16(27%) were within the ages of 21-30 years. Also, 24(40%) of the respondents fall within 31-40 years whiles 10(17%) of the respondents fall between 41-50 years. However, 9(15%) of the respondents were within the category of 51years and above. This has been represented in the Figure 4.2.1

Figure 4.2.1: Age Distribution of Respondents



Source: Field survey, May, 2018

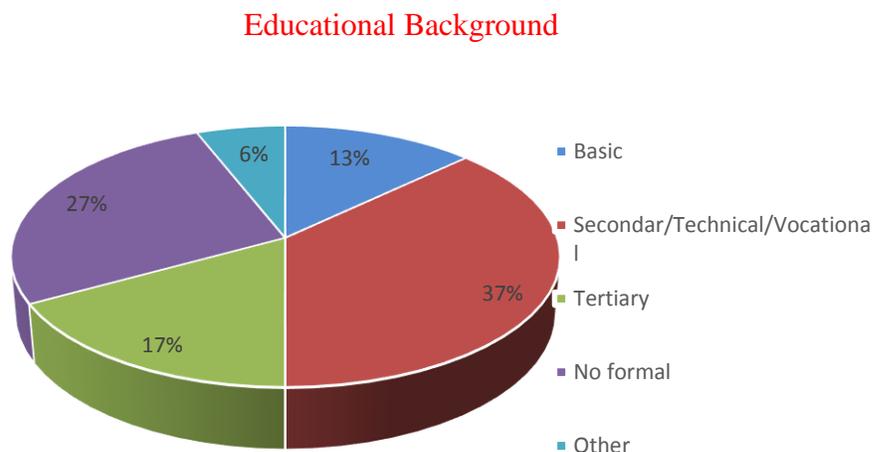
From figure 4.2.1 it could be observed that, 27% and 40% of the respondents fall within the ages of 21-30years and 31-40 years respectively. This represents the youth, either those who have completed their schools and have started their own businesses or those that have completed learning a vocation and have started their own businesses or working for others. 10 of the respondents fall within the ages of 41years to 50years. This probably represents the men and

women who are probably either working for or are entrepreneurs themselves. Also, 9 of the respondents who are 51years and above are probably the old aged men and women who are traders in the Sekyere Central District.

4.3 Educational Background of Respondents

Education is a relevant key in all studies and this study is no different. In fact, education has a greater influence in the studies of tax evasion since it is considered an essential key to human development and the foremost agent of empowerment. Figure 4.3.1 presents the educational background of respondents.

Figure 4.3.1: Educational Background of respondents



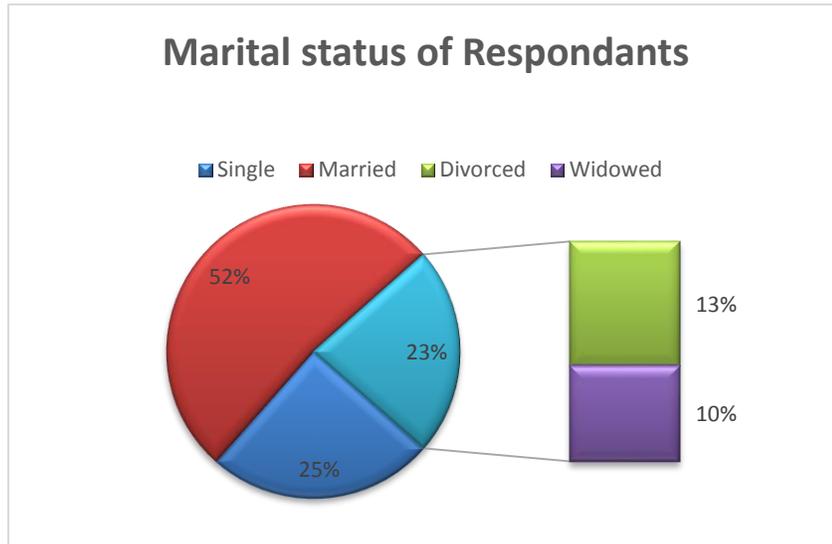
Source: Field survey, May, 2018

It could be observed that, 8 (13%) of respondents were basic school leavers, 22(37%) were secondary/technical/ vocational leavers. Also 10 (17%) of respondents were tertiary school leavers whilst 16 (27%) of respondents had received no formal education. Then again, 4(6%) of the respondents fell within other level of education specifically, middle school leavers. This means that only 17% of the respondents have had tertiary education and probably the 37% who also received secondary/technical/vocational school education may have a theoretical knowledge in taxation and as such the issue of tax evasion. Thus, 46% of the respondents are likely to have little or no knowledge on taxation and tax evasion, aside what they may have heard in the news or from friends and co-workers. This has a greater influence with respect to the issue of tax evasion.

4.4 Marital Status of Respondents

The study revealed that, 15(25%) of the total respondents were single, 31 representing 52% of the respondents were married. 8 representing 13% had divorced with 6(10%) of the respondents being widows. The information above is represented in the Figure 4.4.1

Figure 4.4.1: Marital status of respondents

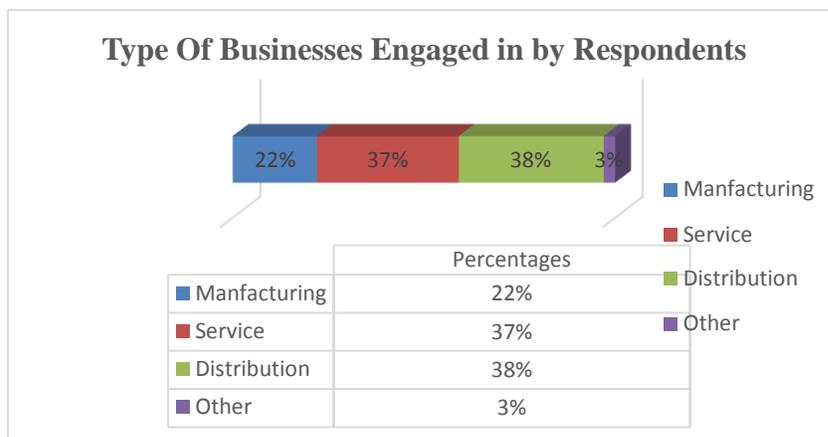


Source: Field survey, May, 2018

4.5 Type of Businesses Engaged in by Respondents

The researchers then sought to find out the type of businesses engaged in by the respondents and the following data was retrieved and has been presented in the Figure 4.5.1

Figure 4.5.1: Type of business engaged in by respondents



Source: Field survey, May, 2018

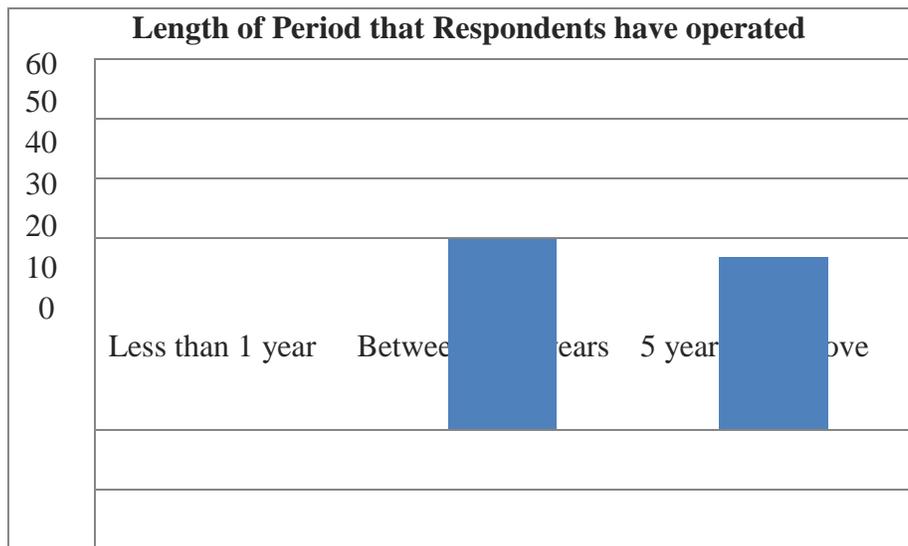
From the Figure 4.5.1 above, as revealed by the study, 13 respondents representing 22% of the total population were engaged in the manufacturing of goods, with 22 respondents representing

37% were involved in service oriented business. Respondents that are involved in distribution and retailing were 23 representing 38% of the total population of respondents, with 2(3%) engaged in other businesses. It is a true reflection of the gender results obtained earlier on which showed that the number of males in businesses in the Sekyere Central District is greater than that of females. Women are mostly engaged in a service oriented and retailing business while the men are mostly engaged in manufacturing and distribution as well as service oriented businesses.

4.6 Period that Respondents have operated so far

The researchers sought to find the length of time the respondents have been in operation in the district. The data obtained from the questionnaire have been represented in the Figure 4.6.1

Figure 4.6.1: Period that respondents have operated so far



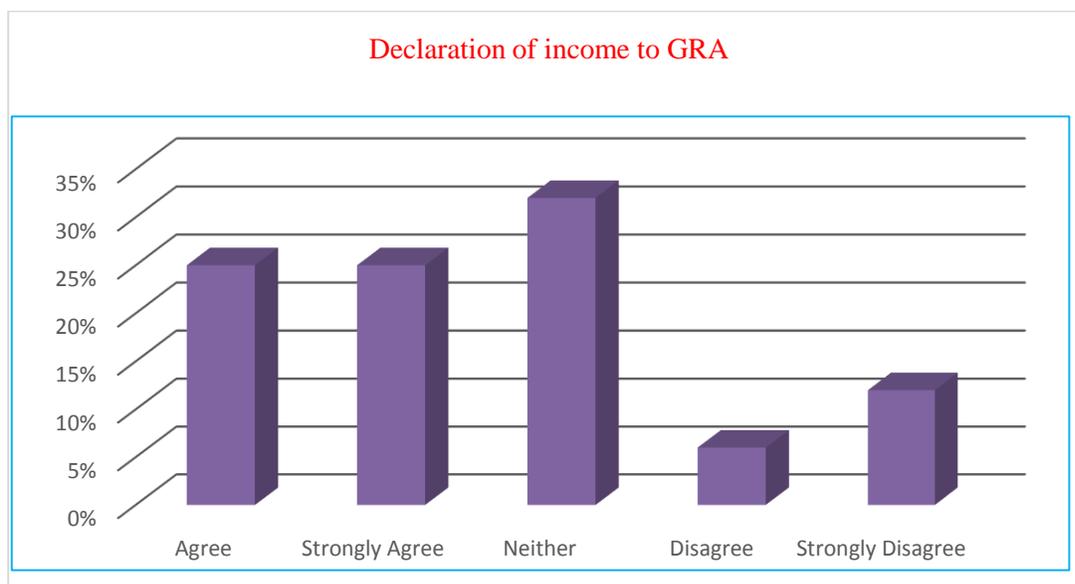
Source: Field survey, May, 2018

From the data collected, it is revealed that only 8 people representing 13% out of the respondents had operated for less than one year. Also, 31 respondents representing 52% of the total respondents have traded in the district within 1 year to 4 years. However, 21 respondents had operated in the district for 5 years and above and that represents 35% of the total number of respondents.

4.7 Respondents response as to whether they agree to declare their income to GRA or not.”

The respondents were then asked to share their views on the declaration of their income to the Ghana Revenue Authority. Their responses have been presented in the Figure 4.7.1

Figure 4.7.1: Requirement to declare income to GRA



Source: Field survey, May, 2018

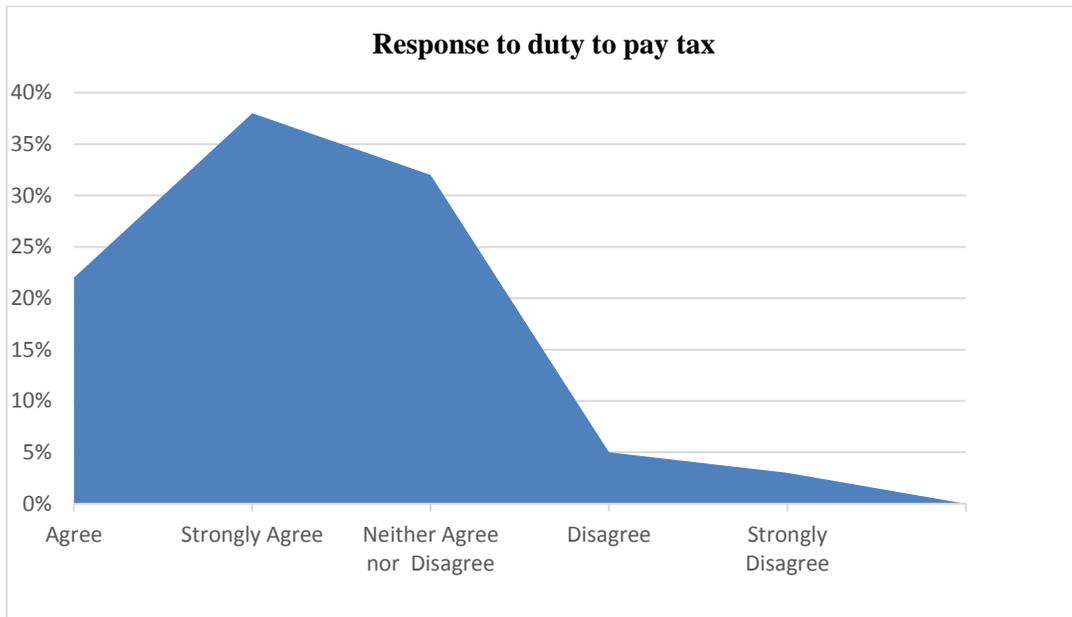
From Figure 4.7.1, it could be observed that, only 11 respondents representing 18% out of the total respondents do not agree that they are to declare their income to Ghana Revenue Authority while 30 respondents representing 50% of the total respondents said they agree to declare their income to the Ghana Revenue Authority. However, the remaining 19 representing 32% of the

respondents said they neither agree nor disagree they should declare their income to the Ghana Revenue Authority. It could be that, some of these respondents might not have the idea of their income declaration at-all. This result goes a long way to influence the tendency of tax evasion. This is because those that do not know of such declaration wouldn't know about tax payment to tax authorities and its importance.

4.8 Response to Duty to pay Tax on Income Generated from Business.

The respondents were asked whether they know of their duty to pay tax to tax authorities. The responses obtained from the questionnaire are represented on the Figure 8 below.

Figure 4.8.1: Response to duty to pay tax on income generated.



Source: Field survey, May, 2018

Figure 4.8. It is a clear indication that, 36 respondents representing 60% of the total respondents for the study said they agree to their duty to pay tax on the income they generate from their businesses. However, 5 respondents representing 8 % of the total respondents said they do not agree that they have to pay tax on the income they generate from their business. The same

number (19) of respondents who had no idea of declaring their income repeated that they neither agree nor disagree to pay tax. This comes as surprising taking into consideration the fact that a greater percentage of the respondents are not aware of their obligation to declare their income to the Ghana Revenue Authority but rather know of their duty to pay tax to tax authorities. Probably this happens because revenue or tax collectors are always seen in markets collecting taxes mostly from the retailers. In addition, some respondents could even quote from the bible supporting the fact that it is ones duty to pay tax as a citizen. Again, most tax officials are mostly concerned with only letting these sellers and operators know of their duty to pay tax and not necessarily their obligation to declare their income to GRA. Thus, some form of education will be required in getting operators and sellers to understand this.

4.9 Response to regular payment of tax by Respondents.

The researchers sought to find out from the respondents their view on the regular payment of tax to the authorities and the responses obtained are presented in table 4.9.1 below.

Table 4.9.1: Regular of payment of tax

Response	Frequency	Percentage (%)
Agree	16	27 %
Strongly Agree	15	25 %
Neither Agree nor Disagree	22	37 %
Disagree	6	10 %
Strongly Disagree	1	1%

Source: Field survey, May, 2018

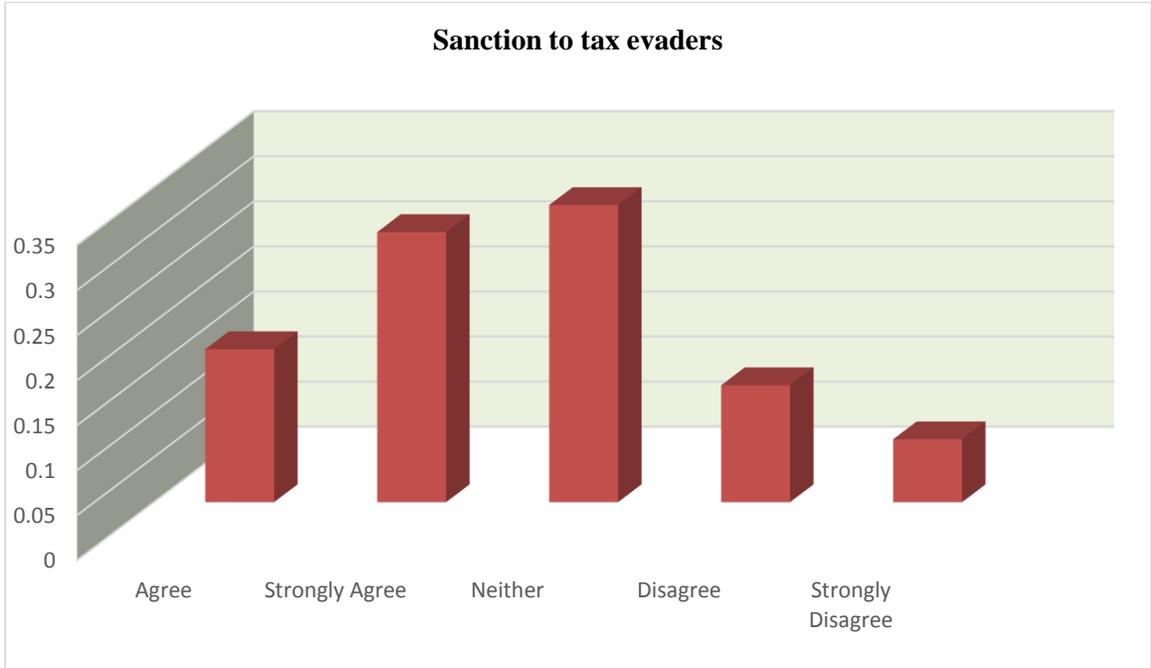
From the table 4.9.1 above, 31 respondents, representing 52% said they agree to pay their taxes regularly whilst 7 respondents representing 11% said they disagree to pay regularly. The

remaining 22 (61%) responded that they neither agree nor disagree to pay it regularly. Some of the respondents who said they neither agree nor disagree said they occasionally pay tax and made it clear that the tax officials seldom come to collect the taxes and that contributes to their occasional payment of the taxes. Thus, the problem they say, originates from the tax officials. According to them, if the tax officials regularly locate them, they would pay their due tax.

4.10 Sanction to tax evaders

The respondents were asked concerning their views on sanctioning people who evade tax. Their responses are presented in Figure 4.10.1 below.

Figure 4.10.1: Response to sanction of tax evaders by Respondents.



Source: Field Survey, May, 2018

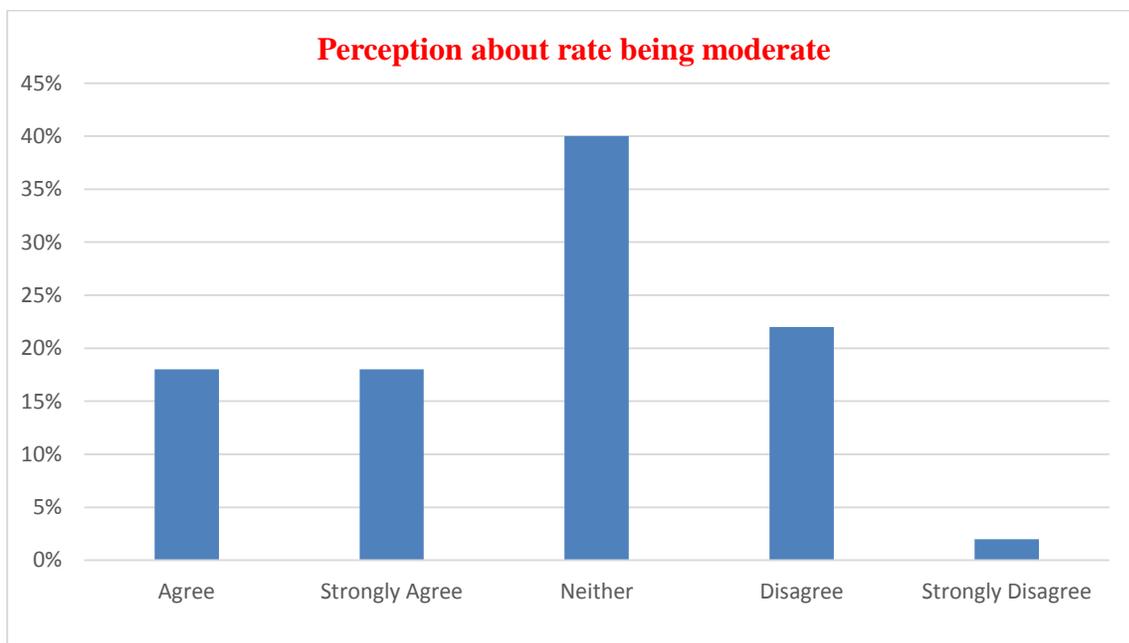
The figure 4.10.1 above is a clear indication that some people are not ready to be sanctioned even when they evade tax. 28 respondents representing 47% agreed to the sanction, whilst 12 respondents representing 20% disagreed. However, the remaining 20 (33%) said they neither

agree nor disagree. It could be said that, those respondents (12) who said they disagree and those who neither agreed nor disagreed are not ready to face sanction even when they evade tax.

4.11 Respondents “Perception about rate being moderate”.

The researchers then sought to ascertain from the respondents their perception about the current rate of tax in the country. Their responses are presented in the Figure 4.12.1

Figure 4.11.1: Perception about current tax rate



Source: Field Survey, May, 2018.

Figure 4.11.1 above, indicates clearly that few of the many respondents perceive the tax rate to be high. This can realistically be understood due to no one would embrace the idea of paying so much tax to the government’s revenue collecting agencies. 22 respondents representing 36% said they see the tax rate to be fair. These respondents were of the view that, since the country is facing economic challenges, the citizens need to pay taxes to help the government provide the needs of the people and as such there has been some reductions in the previous year. However,

24% representing 14 respondents perceive the tax rate to be high, with 14 (40%) responding that they do not know since that is determined by the officials and as such they cannot specifically tell either it is low or high. Those that are of the view that the tax rate is high gave such reasons that they do not see accompanying benefits derived from the payment of tax and the rate therefore is high. Others also compared the tax rate in Ghana to other countries in similar economic situations and responded that the rates in Ghana are too high. Most of these respondents would probably evade taxes with the least opportunity available.

4.12 Perception about taxes paid being used for their intended purposes.

Table 4.12.1: Taxes paid are used for their intended purposes.

Responses	Frequency	Percentage (%)
Agree	12	20%
Strongly Agree	16	27%
Neither Agree nor Disagree	15	25%
Disagree	10	17%
Strongly Disagree	7	11%

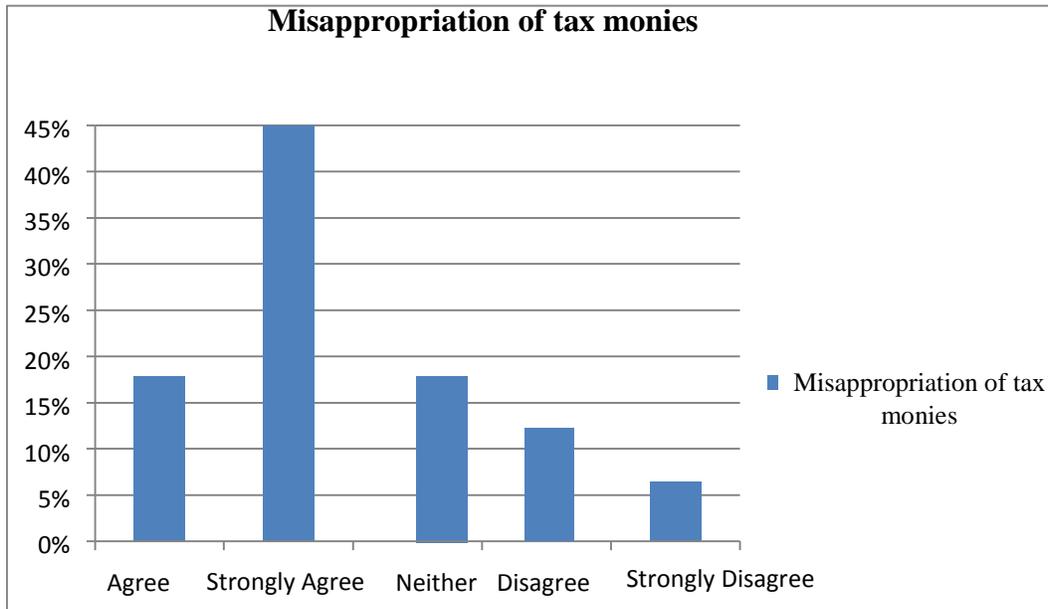
Source: Field Survey, May, 2018

Ideas were solicited from respondents as to whether they think the taxes they pay are used for their intended purposes. Their responses are presented in the Table 4.12.1 above. The study revealed that, 28 respondents representing 47% are of the view that the taxes they pay are used for their intended purposes, whilst 17 (28%) are also of the view that they are not used for their intended purposes. However, the remaining 15 (25%) of the respondents suggested they neither agree nor disagree. Some were of the view that, at least most of them are used for their intended purposes of which others also opposed to that.

4.13 Misappropriation of tax monies by Government officials.

The respondents were asked concerning their view on how Government Officials spend tax monies. Their responses are presented in Figure 4.13.1 below.

Figure 4.13.1 Misappropriation of tax monies.



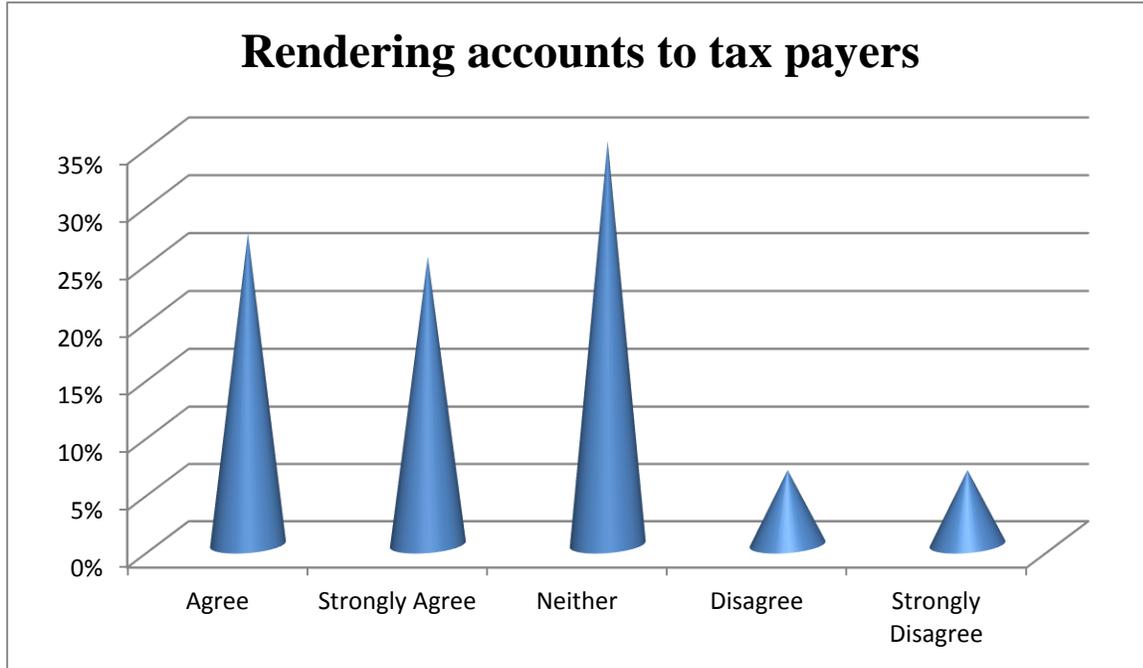
Source: Field Survey, May, 2018.

The study revealed that majority of the respondents think the money they pay for taxes are misused by Government officials. 38 of the respondents representing 63% agree to the misuse of tax monies, whilst 11 respondents representing 18% disagreed to that. The remaining 19 % responded that they neither agree nor disagree.

4.14 Rendering of accounts to tax payers

The researchers' sought to find out from respondents, their views on rendering accounts to them on the taxes they pay. This is presented in figure 4.14.1 below.

Figure 4.14.1: Respondents' responses on accounts rendering.

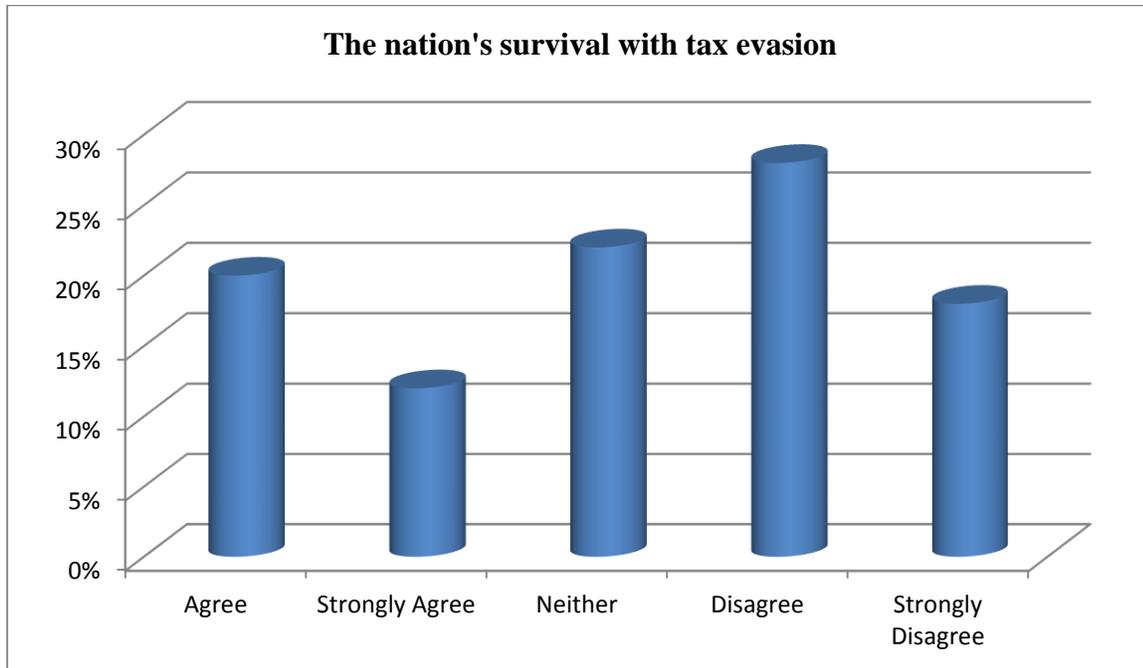


Field Survey, May, 2018.

Figure 4.14.1 reveals that, majority of the respondents representing 31 (52%) wants accounts to be rendered to them on the taxes they pay, whereas 8 respondents representing 13% disagreed to that. However, the remaining 21(35%) neither agreed nor disagreed. It is a real indication that people want to know what goes into the taxes they pay.

4.15 The nation's survival with tax evasion

The respondents were asked whether they think the nation will still survive even if people evade tax. Their responses are presented in Figure 4.15.1 below.



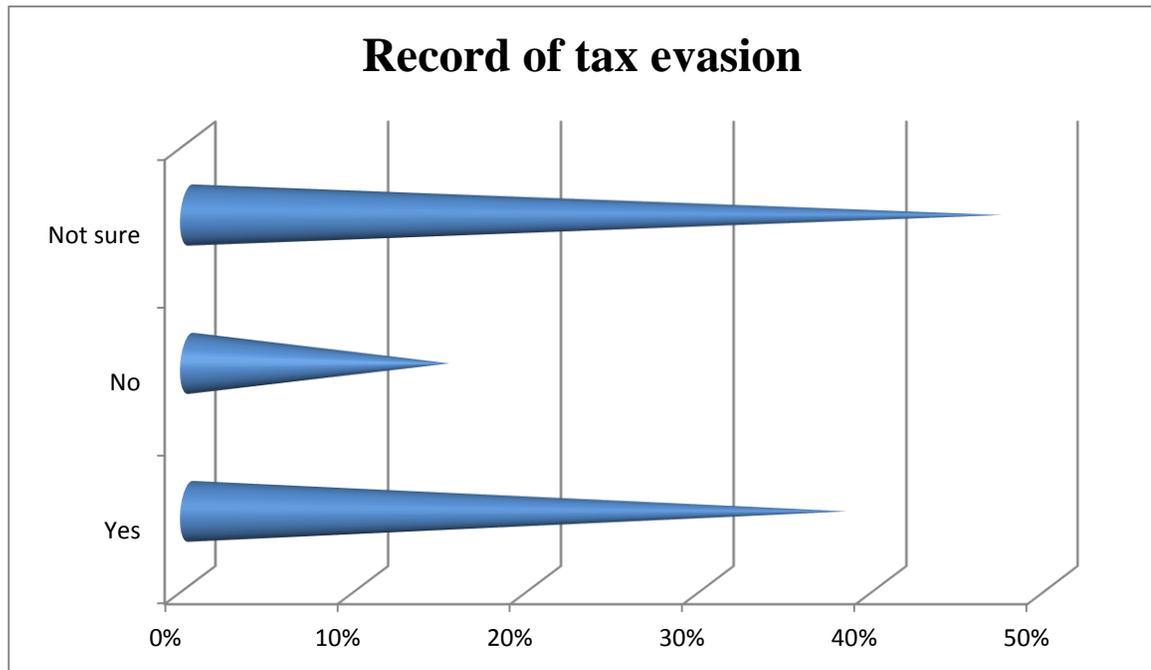
Field Survey, May, 2018.

It is very surprising from Figure 4.15.1 above that, majority of the respondents disagree to the fact that, the nation would still survive tax evasion but still people evade tax. 19 respondents representing 32% said they agree to the survival of the nation even when there is tax evasion, whilst 28 respondents representing 46% said they disagree to that. However, the remaining 13(22%) neither agreed nor disagreed.

4.16 Response to whether they have Evaded Tax before

The respondents were then asked whether they have ever evaded tax before and their responses have been presented in the Figure 4.16.1

Figure 4.16.1: Any Record of Tax Evasion



Source: Field survey, May, 2018

From the figure 4.16.1 above, it can clearly be seen that, 23 respondents representing 38% of the total respondents said they have evaded tax before. Again, 9 respondents representing 15% said they have never evaded tax whiles the remaining 28 respondents representing 47% responded that they are not sure that they have evaded tax before. Thus, they could not specifically say whether they have evaded tax before or not in that they cannot recall all their contacts with the officials. It can thus be concluded about half of the total respondents do not pay taxes in the District. This is of course a worrisome situation for the Ghana Revenue Authority and tax agencies.

4.17 Payment of tax by colleagues

The respondents were asked whether they were their colleagues pay tax and their responses have been presented in Table 4.17.1 below.

Table 4.17.1: Payment of tax by colleagues.

Options	Frequency	Percentage (%)
Yes	21	35
No	8	13
Not sure	31	52

Source: Field survey, May, 2018.

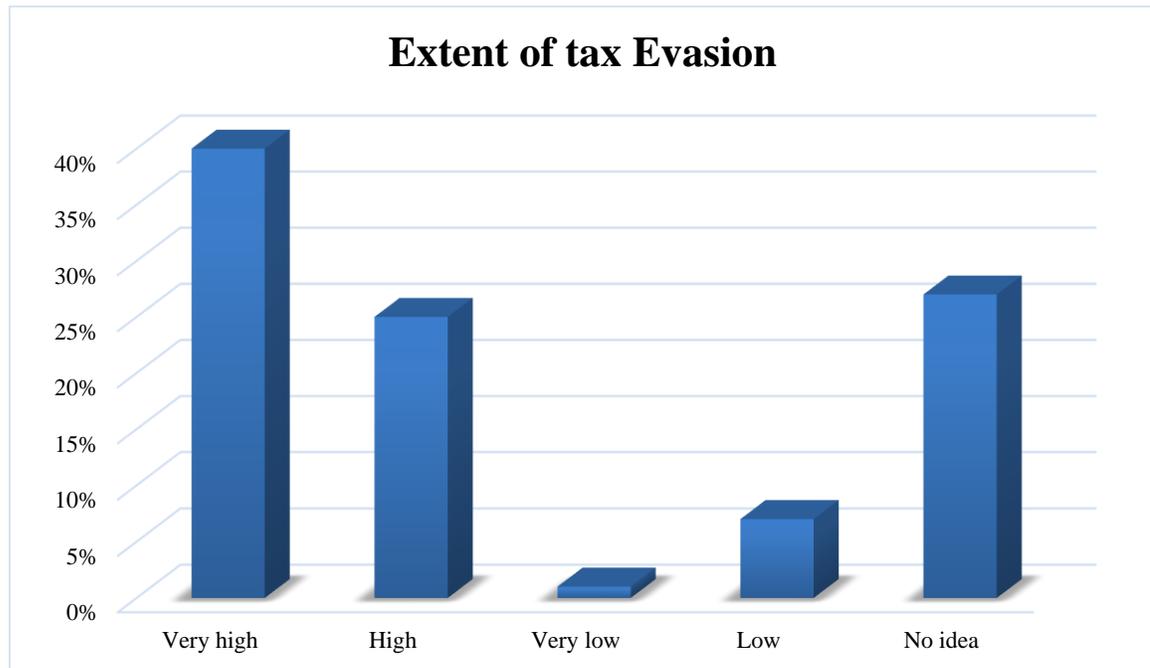
From table 4.17.1 above, majority of the respondents said they are not sure as to whether their colleagues pay tax or not and this represents 31(52%) of the respondents. 21 of the respondents representing 35% said they think all colleagues pay tax, whilst the remaining 8 respondents representing 13% said not all colleagues pay tax.

4.18. Extent of Tax Evasion in Nsuta

The respondents were asked concerning their knowledge on the extent of tax evasion in Nsuta.

Their responses are presented in the Figure 4.18.1 below.

Figure 4.18.1: Extent of Tax Evasion in Nsuta



Source: Field survey, May, 2018

The study revealed that, 24(40%) out of the total respondents said the extent of tax evasion in Nsuta is very high. Thirty eight (15) out of them representing 25% of the respondents responded that the extent of tax evasion in Nsuta is high. Out of the total number of respondents, 4 of them representing 7% said the extent of tax evasion is low as far as they know. Only one respondent opted for the option of very low. However, 27% representing 16 out of the total of 60 respondents said they have no idea of the extent of tax evasion in Nsuta. Thus, it can be seen that about 65% of the respondents admit that tax evasion is high in Nsuta. Even though 8% said the extent of tax evasion is low as far as they are aware of, it is a matter to worry about if more than half of the respondents admit the high level of evasion in the district. The remaining 18% probably in line with the earlier response of having no idea whether their colleagues pay tax or not and cannot clearly ascertain whether they are tax evaders themselves.

4.19 Respondents view about the reasons for Tax Evasion

Having ascertained the respondents views concerning the extent of tax evasion and their perception about the rate of tax in Ghana, the researchers sought to find out the possible reasons that could be attached to tax evasion, especially in Nsuta. The Table 4.19.1 represents the data obtained from the respondents.

Table 4.19.1: Reason for Tax Evasion

Options	Frequency	Percentage %
Unawareness	21	35
Intentional/ deliberate	13	22
Tax is too huge	10	17
Business not profitable	8	13
Distance difficulty in paying tax	8	13

Source: Field survey, May, 2018

From Table 4.19.1, it could be observed that, 21(35%) of the respondents are of the view that they unintentionally evade taxes because they are unaware of their duty to pay tax. This is in line with the earlier responses of some of the respondents that they are not aware of their duty to pay tax. Also, 13 respondents representing 22% said that people deliberately evade taxes due the issues of corruption that have engulfed the country. They are of the view that some government officials are only using their taxes for their individual benefits. Again, 10 respondents representing 17% of the total respondents said they evade taxes due to the high tax rate in the country. They were of the view that if the tax rates were to be low and manageable, they would comply and pay them. Moreover, 8 respondents representing 13% of the total respondents said people evade taxes possibly because they record low incomes in their business and as such see

no reason in paying taxes out of that low income. 8 of the respondents representing 13% clung to distance problem of tax agencies as possible reasons why people evade taxes.

4.20 The Resultant effect of Tax Evasion to the Country as a whole

The respondents were asked of the view about the resultant effect of tax evasion, given their knowledge on the importance of tax payment to the development of the economy. The Figure 4.20.1 below represents their responses.

Table 4.20.1: Resultant effect of Tax Evasion

Options	Frequency	Percentage (%)
Reduction in revenue	20	33
High cost of living	10	17
Cease in social benefits	15	25
Nothing will happen	13	22
Other	2	3

Source: Field survey, May, 2018

From the Table 4.20.1, 33% of the respondents admit that tax evasion will reduce government revenue while 17% of the respondents also admit that tax evasion will result in high cost of living. Also, 25% of total respondents are of the view that tax evasion will cease or reduce the social benefits enjoyed by citizens because the government will not get money to provide such amenities. 13 respondents representing 22% who thought taxation isn't the only source of revenue to the government said nothing will happen. The remaining 2(3%) gave other resultants. This means that majority of the respondents were aware of the pejorative effects of tax evasion to the development of the nation.

Response from Tax Officials: (Four (4) of the officials were interviewed.)

4.21 Response to Length of service as Tax Officials

Table 4.21.1 Respondents response to length of service with tax officials

Respondents	Length of service (years)
1	7
2	5
3	9
4	3

Source: Field survey, April, 2018

Table 4.21.1 indicates that, the tax officials have worked for a longer time and as such it is perceived that they are well experienced and knowledgeable enough in the matters of interest to the study.

Response to Compliance level in Sekyere Central District

All the respondents responded that the compliance level in the district is average.

The researchers then went further to inquire from officials whether people evade tax in the district and they all gave yes as an answer. With yes as an answer, the researchers went further to find out the extent of tax evasion in the district. The respondents said they can conclude that per statistics, the extent of tax evasion in the district is high.

The researchers went on to find out from respondents why they think people evade tax and their thought as to what brings about tax evasion.

The information gathered from the respondents were that, some people evade tax deliberately while others evade tax because of their unawareness of their obligation to pay tax. Again, the respondents answered that some others evade tax because tax officials are not able to reach them owing to the fact that, the officials are not many and that makes the work tedious hence their inability to reach all tax payers. Further responses were that other tax payers also pretend not to be the owners of the various businesses and always claim they are caretakers in order to prevent tax officials from holding them responsible for tax evasion. However, the respondents also revealed that they have also detected that when some sellers and operators are hinted of the coming of tax officials, they lock up their stores and disappear. Besides, some gave excuses that the problems of the current economy and power crisis make it difficult in recording profits and hence almost unlikely for them to continue paying taxes.

The researchers asked officials the resultant effect of tax evasion on the district and the economy as a whole. The officials said that tax contributes a greater percentage to government revenue, used for the payments of salaries, putting up infrastructure such as roads, schools, etc. Therefore if this situation continues, revenue will reduce which will in turn affect the level of development. The researcher then inquired of the way forward. One official said that, they are trying to come out with a database that will provide them with information of all business men and women to ease their work. Others also suggested that more revenue personnel should be employed to help ease their work thereby reaching out to those within the various suburbs. He added that it is better to outsource to increase revenue than to lose the entire money though outsourcing comes at a cost and also taken into consideration the pros and cons. The above is a clear indication that, measures are being put in place to help solve the issue of tax evasion.

Officials were asked the challenges that they face in carrying out their duties. They responded that lack of database makes it difficult for them to be able to locate all the tax payers. Besides, some areas are inaccessible. At other times, some tax payers even fight with them as if they are collecting the money for their personal use. Some also lockup their shops as if they did not come to work but for all you know they were hinted this means that they will have to go there another time meanwhile they could have gone to other areas and notwithstanding, it is also at a cost.

They also added that, the workers (tax officials) are not many and as a result, the work becomes tedious with which they are unable to go regularly as scheduled which also results in tax evasion. Also workers who do not have fixed locations cannot easily be traced which results in tax evasion. However, other logistics are not forth coming. This is a clear indication that as long as these challenges exist, tax evasion will continue to increase.

The researchers therefore asked the officials the possible way forward in solving these challenges. They all concluded that once tax generates revenue to the government, all possible measures must be put in place to ease its collection. Officials are of the opinion that, adequate logistics must be provided, funds must be released to educate tax payers, inaccessible roads must be fabricated, more workers must be employed so that vantage points will be created at business centers where they can frequently reach out to tax payers just to mention few.

A conclusion can therefore be drawn that; they are willing to do the work but the government must come to their aid to help make their work successful.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter captures the summary of the research findings, conclusions and as well, recommendations.

5.1 Summary of Findings

The research was undertaken to examine tax evasion in Ghana with the Sekyere Central District of the Ashanti Region as a case study. Below are summaries of the findings of the study.

Inability of tax Officials in Locating and Reaching Tax Payers

One of the questionnaire items revealed that some people did not know whether they evade tax or not and that they pay tax as and when tax officials located them. The respondents admitted that they do not often see these tax officials and this obviously has a negative effect on the collection of taxes and as such leads to decrease in revenue in the country. This indirectly relates to the provision of logistics and funds to these officials, and a failure in that regard has the chance of impeding that progress.

Tax Officials not applying sanctions

Even though some respondents admitted that the level of evasion was high, none had ever heard of any sanction to anyone found liable. Most respondents were of the view that since they have stayed in the district with the same tax officials for years, it is sometimes difficult for these officials to mete out any punishment on tax evasion victims. Most especially, the tax officials

seen at toll booths and markets rather stop drivers and sellers respectively from operating. This is not any kind of punishment as these sellers and drivers will only have to find another place to continue with their businesses.

Reasons for Tax Evasion

Respondents made it clear that they know it is their duty to pay tax and as such the tax they pay help to increase governments revenue but some of the total respondents said that there is a high level of tax evasion because they see the government not to be using the taxes collected appropriately. However, others responded that, there is evasion because the business they are into is no longer profitable as a result of economic hardship while some were also of the views that, the tax rate is too high thereby resulting in tax evasion. Few responded that people evade taxes probably because they may not be aware they are supposed to pay tax or they do that deliberately.

Lack of Database

One of the issues that were revealed was that the tax officials did not have up-to-date database of all tax payers. The revenue collectors in market areas only collect tax from the sellers and operators they meet and see around. This contribute greatly to the tendencies of tax evasion in that, people are only willing to pay when they come into contact with tax officials. This situation is very worrying and must be looked at. The tax officials made it clear that the absence of database is providing room for a lot of people to evade tax.

Inadequate Staff

Looking at the size of the district and the population, all things being equal all the tax officials are to go out for operation and the rate at which they can cover the entire district is high so even if people are willing to pay, the inadequacy of staff is in a way enabling people to evade tax.

Technological Changes

With respect to technological changes, the researchers visited the mechanic zone. The mechanics admitted that in some times past, they made lots of income because they were very much conversant with the technological base of the then gadgets they operated on. Recently, they perceive the current machines to be of different technological base and as such they are not able to operate on them, and this obviously go a long way to bring a decline in their income, hence reducing the percentage of tax to be paid.

Extent of Tax Evasion

Tax payers responded that the extent of tax evasion is high in the district and the tax officials confirmed that, the statistics show that tax evasion is high in the district. Various reasons for this increase were revealed by the respondents.

Knowledge of Duty to Pay Tax

Majority of tax payers said they know it is their duty to pay tax but they evade due to the reasons they gave. Quite a few number also said they are not aware of their duty either to declare their incomes and let alone pay taxes.

Likelihood of Tax Evasion to Increase

Per findings obtained, the likelihood for tax evasion to increase to a much higher level in the next years all things being equal is high. This is because a huge percentage responded that it is likely they will evade if things continue to persist. Most of them gave reasons that if economic hardships still continue in the country without them deriving any benefit from the taxes they pay, they will evade taxes as and when the opportunity arises.

Rate of Tax

Some of the tax payers perceive the tax rate be high hence wished it could be adjusted to help decrease the level of tax evasion, with which others taught the current rate is very moderate.

5.2 Recommendation

Embark on Tax Education, relate well with Tax Payers

Tax officials should embark on tax education to brief tax payers about their duty to pay tax and importance of tax to the nation as a whole. The study revealed that some people had no idea about the declaration of their income to GRA and even the payment of tax. Many respondents alleged without proving that the government misuse the tax payers money at all times. The tax officials should educate the payers so as to convince them in the payment of their taxes.

Effective Implementation of Sanctions that will not make evasion attractive

Another way of ensuring tax compliance and as such reducing tax evasion is the institution of punishment to those who are found of evading tax. Most times, it is only those who evade huge sums of taxes who are convicted but attention must be given to those is small businesses, retailers and even drivers. This will deter other people from making attempts to evade taxes.

Provision of Adequate Logistics to Tax Officials

The tax officials should be provided with the needed support and logistics to reach out to all tax payers, regardless of distance issues. At some times, tax officials are tasked with going to some remote areas to collect taxes. Certain times, they are not provided with logistics and transportation means. This makes such work difficult and leaves the tax officials with no other choice than to leave some areas unattended to. The intake of tax officials should also be increased and moreover, they must be motivated with adequate logistics or probably outsource some of the sub-districts if only the outsourcing turns out to be successful.

Tax Officials must team up with ECG

The researchers are of the observation that since the ECG has complete data of all houses, it could furnish the tax officials with that data, to help them in their search for people liable to pay taxes. This will not eradicate the entire problem of tax evasion but will ensure the collection of taxes which have long eluded the tax officials for so long.

5.3 Conclusion

Taxes help government a lot and obviously forms a greater part of governments revenue. As a matter of fact, the government must do everything possible to encourage its payment. Per the findings, tax education has not been enough, inadequate staff and logistics, improper implementation of sanctions, inability of tax collectors to locate some liable tax payers. The researchers conclude by suggesting further studies to focus on increasing tax compliance through tax education.

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APPENDIX A
CHRISTIAN SERVICE UNIVERSITY COLLEGE
SCHOOL OF BUSINESS
DEPARTMENT OF ACCOUNTING AND FINANCE

**AN EXAMINATION OF TAX EVASION IN GHANA AND ITS EFFECT ON THE
NOTATIONAL ECONOMY: A CASE STUDY AT SEKYERE CENTRAL DISTRICT.**

Dear Sir/ Madam,

This study is being conducted in partial fulfillment of the requirements for the award of a Bachelor of Business Administration. All information received would be used only for academic purposes and treated with utmost confidentiality.

QUESTIONNAIRE FOR RESPONDENTS

Please tick (√) in the following questions

PART A: Personal Profile

1. Gender

(a) Male [] (b) Female []

2. Age

(a) Below 20 [] (b) 21-30 [] (c) 31-40 [] (d) 41-50 []

(e) 51 and above []

3. Educational background (current) of respondent

(a) Basic School []

(b) Secondary/Technical/Vocational School []

- (c) Tertiary []
- (d) No formal education []
- (e) Other []

4. What is your marital status?

- (a) Single [] (b) Married []
- (c) Divorced [] (d) Widowed []

5. Type of Business engaged in

- a. Manufacturing []
- b. Service Oriented Business []
- c. Distribution and retailing []
- d. Other [] Please specify _____

6. How long have you operated?

- (a) Less than 1 year []
- (b) Between 1 - 4 years []
- (c) 5 years and above []

No.	PART B: General Knowledge in taxation Details	Agree	Strongly Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
7	Is a mandatory to declare your total income to the Ghana Revenue Authority (GRA)					
8	Every Ghanaian citizen owe it a duty to pay tax on what is generated from his/her business.					
9	It is mandatory to pay tax regularly instead of making it occasionally.					
10.	People who evade tax must be dealt with according to the laws of the state.					
11.	The current tax rate is very moderate. Hence, each and every one must be able to pay.					
12.	Taxes paid by Ghanaians are used to serve their intended purposes.					
13.	Government officials misuses the taxes paid by Ghanaians.					
14.	All accounts concerning taxes at the end of each year must be rendered to tax payers at the district level.					
15.	The nation will still survive even if people evade tax.					

PART C: Extent of tax evasion

16. Have you ever evaded tax?

- a. Yes []
- b. No []
- c. Not sure []

17. Do you think all your colleagues pay tax?

- a. Yes [] (b) No [] (c) Not sure []

18. To what extent do you think people evade tax in Nsuta?

- a. Very High [] b. High [] c. Low [] d. Very Low [] e. No Idea []

19. Why do you think you or people evade tax?

- a. They are not aware they are supposed to pay []
- b. It is intentional/deliberate []
- c. Tax rate is too huge []
- d. Business not profitable []
- e. Distance difficulty in paying tax []

Any other if some of your thoughts could not be found in the above.....

20. What will be the resultant effect if all/majority of Ghanaians decide not to pay tax?

- a. It will reduce government revenue []
- b. Cost of living will increase []
- c. Social benefits enjoyed by citizens will cease []
- d. Nothing will happen []
- e. Any other specification.....

APPENDIX B

CHRISTIAN SERVICE UNIVERSITY COLLEGE

SCHOOL OF BUSINESS

AN EXAMINATION OF TAX EVASION IN GHANA: A CASE STUDY OF SEKYERE

CENTRAL DISTRICT.

Dear Sir/Madam,

This study is being conducted in partial fulfillment of the requirements for the award of a Bachelor of Business Administration. All information received would be used only for academic purposes and treated with utmost confidentiality.

INTERVIEW QUESTIONS FOR INTERNAL REVENUE OFFICIALS AT THE DISTRICT ASSEMBLY.

- 1) How long have you worked as a tax official in the district?
- 2) What is the compliance level in the Sekyere Central District?
- 3) Do people evade tax in this district?
- 4) What is the extent of tax evasion in the district?
- 5) Why do you think people evade tax or what brings about tax evasion?
- 6) Should tax evasion continue, what will therefore be the consequential effect on the district and the economy as a whole?
- 7) What can be done to ensure that people do not evade tax?
- 8) What are the challenges that you bump into in carrying out your duty?
- 9) In your opinion, what must be done to do away with these dares in order to aid your work?

THANK YOU VERY M

