UNIVERSITY OF EDUCATION, WINNEBA

EFFECTIVENESS OF TAX SYSTEM TO REVENUE GENERATION IN GHANA: A CASE OF KUMASI METROPOLIS

PHILEMON ADJEI KODUAH

2019

UNIVERSITY OF EDUCATION, WINNEBA

COLLEGE OF TECHNOLOGY EDUCATION, KUMASI

EFFECTIVENESS OF TAX SYSTEM TO REVENUE GENERATION IN GHANA. A CASE OF KUMASI METROPOLIS

PHILEMON ADJEI KODUAH

(71710320006)

A thesis in the Department of Accounting Education, Faculty of Business Education, submitted to the School of Graduate Studies in partial fulfillment of the requirements for the award of the degree of Masters of Business Administration (Accounting option) in the University of Education, Winneba

JULY, 2019

STUDENT'S DECLARATION

I, Philemon Adjei Koduah, declare that this thesis, with the exception of quotations and references contained in published works which have all been identified and duly acknowledged, is entirely my own original work, and it has not been submitted, either in part or whole, for another degree elsewhere.

SIGNATURE:…………………………….

DATE:…………………………………….

SUPERVISOR'S DECLARATION

I / We hereby declare that the preparation and presentation of this work was supervised in accordance with the guidelines for supervision of thesis as laid down by the University of Education, Winneba.

George Obeng (Supervisor)

Signature :…………………………

Date:………………………………

DEDICATION

This is dedicated to Almighty God for his infinity mercy, grace, love and protection upon me and to my wife Agnes Ama Amoah, my son, mother and my family and friends.

ACKNOWLEDGMENT

My gratitude first and foremost goes to God Almighty for his protection and grace throughout this programme period and to this research work.

I wish to express my profound gratitude to my project supervisor, Mr. George Obeng who in spite of his work load and tight schedule spared his time to go through this manuscript one after the other, making corrections and giving necessary advice and other lecturers who contributed to my success in one way or other. Also, my appreciation goes to my beloved wife, son, mother and my siblings, for their moral, financial support and their wonderful love and care.

Once more, I recognize the advice and research support of my noble friends, family, colleagues and others for their immense contribution towards the completion of this project. I thank you all.

TABLE OF CONTENTS

CONTENT **PAGE**

CHAPTER FOUR: RESULTS AND FINDINGS

CHAPTER FIVE: SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSION

LIST OF TABLES

TABLE **PAGE**

LIST OF FIGURES

FIGURES **PAGE**

ABSTRACT

This study evaluated taxation as a mechanism of revenue generation in Ghana. Relevant data were collected through primary and secondary sources. The secondary data covered period that span from 2008 to 2018 and were extracted from Ghana Statistical Service and the Ministry of Finance and Economic Planning. The primary data was through the use of close-ended questionnaire administered to tax officials within the Kumasi Metropolis and members of Chartered Institute of Taxation Ghana. The study used linear regression, Mann-Whitney U test and descriptive statistics to analysis the data collected. The study revealed that the contributions of taxation to domestic tax revenue over the period have been significant but not efficient and effective to solve Ghana's budget deficit problem. The ineffectiveness of the tax system was as a result of numerous challenges faced by tax administrators and complex and opaque tax laws. The study concluded that the contributions of taxation to domestic revenue have been significant but not efficient and effective in Ghana, and for that reason the government must address the challenges faced by tax administrators and enact laws that would be simple to administer a good tax system and policy to increase revenue generation to meet government spending and elevate budget deficit.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Government world over needs revenue to finance and control their economic activities and one of the sources to generate revenue is tax. The manner in which countries raise taxes differs widely in regards to the amounts they raise. The tax system of each country reflects its specific history, legal tradition, political structure and economic base. A country's choice on how to structure its tax system depends upon many factors, such as the level of development, the need and desire for increased public services, and the capacity to levy taxes effectively. Tax policy choices also depend on a country's preference as to such public policy goals as attaining a desired distribution of income and wealth and increasing the rate of regional and national economic growth.

The main source of governments' revenue is generated from internal sources like exports and the money it receives from taxation. Taxation is potentially a huge source of income for every government. Revenue from taxation is used to pay civil servants, pay external debts and more importantly contribute to the national development of the country by embarking on social intervention policies such as providing affordable housing, providing affordable inter/intra city transport, improving the road infrastructure, improving the rail infrastructure, providing efficient energy sources, providing adequate and comprehensive healthcare and free education up to senior high school level. Bird and Zolt (2003) suggested that governments do not like to impose them. But taxes are necessary both to finance desired public spending in a non-inflationary way and also to ensure that the burden of paying for such spending is fairly distributed. While necessary, taxes impose real costs on society and that good tax policy seeks to minimize those costs.

The scope of Ghana taxes are direct taxes and indirect taxes. Direct taxes include gift taxes, rent taxes, capital gain taxes, dividend tax, natural resource repayment tax, royalties, stamp duty and the vehicle income tax while indirect taxes include the Value Added Tax (VAT), excise duty, communication service tax, export duty, import duty and levies alongside other important tax forms that help to run the economy. The Ghana Revenue Authority (GRA) which was established by the Ghana Revenue Authority Act, 2009 (Act 791) is the sole tax authority with the core mandate to ensuring maximum compliance with all relevant laws in order to ensure a sustainable revenue stream for government, trade facilitation and a controlled or safe flow of goods across Ghana's borders.

Ghana's tax policy constitutes one of the key instruments needed at this stage of the country's development. This is because demand for social amenities is so huge that the government in a developing country like Ghana resort to borrowing, being internal or external. The gap between public expenditure and domestic revenue remains large and has resulted in a high level of aid dependency. Over the years, government of Ghana has consistently experience budget deficit and this deficit has been financed with foreign debt (Osei and Quartey, 2005). A budget deficit is not necessarily a bad thing as it can be used to prop up growth in the critical sectors of the economy but there is a belief among economists that lingering budget deficits have negative consequences for savings, investment, and public debt which could stunt economic growth. Ghana's budget deficits emanate from two main sources; rising demand for public expenditures for infrastructure and social sector investment on one hand, and lack of capacity to raise revenue from domestic sources to finance the increased expenditure primarily due to a narrow tax base. This has plunged the country into huge debt as a result of excessive borrowing all because the government has a responsibility towards its citizens to provide for their needs.

Ghana, like other developing countries, is having difficulty raising the much needed revenue through the tax system. In spite of all the efforts being made to break free from deficit financing of budgetary programmes year-on-year overwhelming, deep- seated challenges, including political influence, inadequate trained staff, inadequate administrative logistics and resources, corruption on the part of tax administrators, uncertainties in the law, difficulty in tax computations, lack of citizens participation, among others keep stifling all endeavours not excluding the posture of a large informal sector.

Interestingly, the percentage of taxes from the poor workers in Ghana that end up going to the state is only meagre and can only do a little of what is needed to push the development agenda of the country. Bird and Zolt (2003) mentioned that, efficiency, equity and administrative feasibility are key criteria in designing and evaluating tax systems and can assist the government to generate enough revenue to take care of its estimated expenditure, meet the needs of the people, and effectively participate in the world economy. The quality of life of people of a state is the focus of any development objectives of any nation. Access to education, improved healthcare delivery, employment opportunities, clean air, safe drinking water and security of life and property determine the people's quality of life or standard of living.

Taxation affects the economic development of Ghana. Therefore, effort shall be made in this research to assess Ghana's tax system and the challenges to achieve her economic goals with her tax policies, administration and laws.

1.2 Statement of the Problem

Tax systems exist primarily to raise revenue to fund government operations. Enhanced and efficient tax revenue mobilisation and effective control of borrowing and expenditure can impact on government's budget deficit and will in turn impact positively on government's reliance of debt financing.

However, because of flaws in the current tax system, government revenue from taxation is disappointing leading to excessive borrowing and increase in public debt. Total Revenue and Grants from January to September 2017 amounted to GH¢28,429.20 million, approximately 14.1% of GDP compared to a target of GH¢31,346.40 million (15.5% of GDP) over the same period. The outturn recorded is 9.3% below the target. The GRA in 2018 had a total tax revenue of GH¢ 37,749.30 million which was over GH¢ 839.90 million short of its targets (The Budget Statement, 2019). This has been the trend over the years where GRA has been unable to meet its target in terms of revenue collection and has compared the government to resort to borrowing to finance the huge budget deficit.

This lack of revenue is the main reason why Ghana has a deficit in all of the social intervention policies and as such has to borrow money from external sources such as the IMF/World Bank. Based on the overall revenue and expenditure outturns, the budget deficit of GH¢9,275.8 million on cash basis, was 4.6% of GDP in September

2017 as against a target of 4.8% of GDP and an outturn of 6.4% of GDP for the same period in 2016. The overall cash fiscal deficit was financed from domestic sources amounting to GH¢4,166.3 million. Total Net Foreign Financing amounted to GH¢4,883.4 million and included inflows from the issuance of the 2018 Eurobond.

The problem of tax leakages is often worsened by poor functioning tax authorities due to a variety of reasons; under–trained and under–resourced administrators, lack of motivation and poor tax collection systems on the part of administrators, failure of legal enforcement mechanism for tax collection, small penalties for non-payment among others. These factors create opportunities for domestic and foreign entities to abuse the system since tax officials frequently lack the required technical skills to unravel complex international fiscal structures that are used to escape taxation, and because penalties are insufficient to stop tax evasion (Bird and Zolt, 2003).

The Minister of Finance and Economic Planning reading the budget statement for 2019 stated that the shortfalls in revenue performance are a direct result of the delays in implementation of tax compliance and administrative measures. The government is missing out on huge income tax revenue from the massive informal sector. It is believed that the informal sector employs about 80% of Ghanaians. If this is true, then it is quite obvious that something urgently needs to be done to bring these citizens of Ghana into the income tax system as they are citizens and through their activities are contributing in a massive way to the development of the nation.

The researcher seeks to investigate the effectiveness of tax system to revenue generation in Ghana and to identify the challenges and suggest potential opportunities for improvement of tax system in respect to increase tax revenue collection to reduce internal and external borrowing and drive growth to reduce the public debt stock of Ghana guided by the effective role of the tax system.

1.3 Objective of the Study

The critical issue has been how to generate the needed resources from the domestic economy using tax instruments that are least harmful to the poor. Good tax instruments are those that widen the tax net without necessarily increasing the tax rate.

The general objective of the study is to examine the effectiveness of tax system and the challenges of tax administration in Ghana.

The specific objectives of the study are as follows;

(i) To find out the extent taxation has contributed to revenue generation in Ghana.

(ii) To find out the challenges of tax administration and its effect on revenue generation in Ghana.

(iii) To investigate the complex nature of tax laws and its effect on revenue generation in Ghana.

1.4 Research Questions

In achieving the above objectives, the study seeks to provide answers to the following questions.

(i) To what extent has taxation contributed to revenue generation in Ghana?

(ii) What are the challenges of tax administration and its effect on revenue generation in Ghana?

(iii) What are the circumstances leading to complex tax laws and its effects on revenue generation in Ghana?

1.5 Research Hypothesis

The following hypotheses would be tested for this study:

H_1: Tax revenue has not contributed significantly on revenue generation in Ghana.

H_2: Challenges of tax administration have no significant effect on revenue generation in Ghana.

H_3: Complex nature of tax laws has no significant effect on revenue generation in Ghana.

1.6 Significance of the Study

The importance of this research work in contributing and enhancing awareness for effective and efficient tax system cannot be overemphasized.

The study would reawaken the consciousness of Ghanaian government and citizens on the effective use of taxation as a developmental tool and as an effective tool for revenue generation which would reduce the country's over dependence on aids from developing partners to the barest minimum, because with a population of over 27 million people, Ghana has tremendous tax potentials that can guarantee reliable and uninterrupted revenue to government.

Kusi (1998) stated that many countries of the world depend mainly on taxation for generating required income to meet their financial needs. Therefore this study will help to identify the numerous challenges in the tax system and provide the necessary tax policy guide for government as the designed policies would aim at enhancing tax revenue collection by addressing challenges of tax administration and complex tax laws to go a long way to block tax loopholes and ensure economic growth through a better taxation system.

1.7 Scope and Limitation of the Study

Tax revenue generated by Ghana Revenue Authority on behalf of the Government of Ghana from 2008 to 2018 would be obtained in order to assess the effectiveness of tax system on revenue generation by the Government of Ghana.

This topic, the effectiveness of tax system to revenue generation should been expected to cover Ghana as a whole with emphasis on Kumasi Metropolis.

Due to financial handicap, distance (Landmass) and the irrational behavior of human beings who would react differently as some may be willing to give the needed information, other may be reluctant or refuse to cooperate even under several persuasions.

1.8 Definition of Terms

Some technical term, which features in this work would be defined to enhance understanding of the research work.

Taxation: Taxation refers to compulsory levy imposed on private, individual, institutions or groups by the government.

Tax: Tax is the money paid by the citizens, according to their income, value of goods purchased etc to the government for public purposes.

Taxpayer: A taxpayer is an individual or business entity that is obligated to pay taxes to a state, or government body.

1.9 Organisation of the Study

Chapter one deals with the introduction. It gives the background to the study, statement of the problem, the purpose and objectives of the study and research questions. It also examines the significance of the study, scope of the study, and organization of the study. Chapter two also reviews the related literature, based on the research objectives. thus the tax system, challenges of tax administration, complex nature of the tax laws and budget deficit financing and empirical review.

Chapter three discusses the methodology of the study. This includes research design, population, sampling and sample techniques, data collection instruments and techniques and data analysis. Chapter four highlights on the analysis, discussion and presentation of the data collected and the discussion on the results and findings. Finally, chapter five presents the summary of findings, conclusion, recommendations and suggestion for further research.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents the review of related literature of the study, it concentrates on the tax system, challenges of tax administration, complex nature of the tax laws, budget deficit financing and empirical review.

2.1 Conceptual Framework

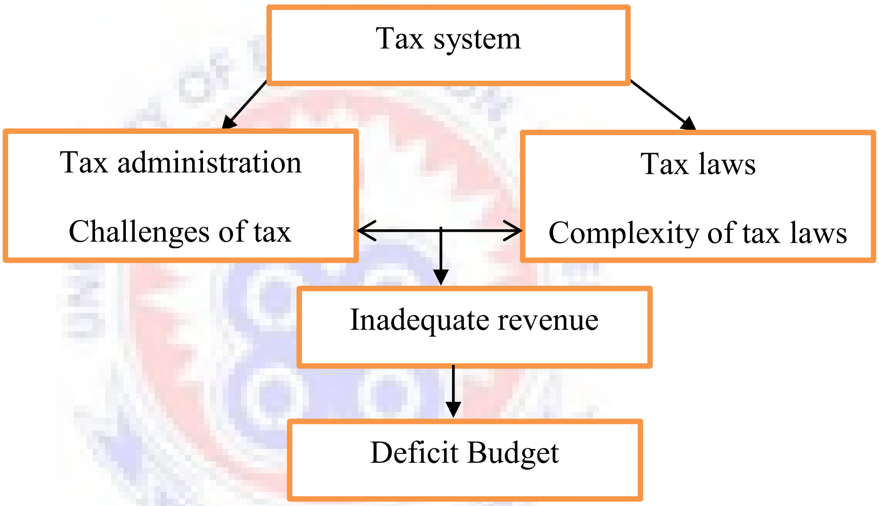

Figure 1. Conceptual Framework

Source: Author's Design, 2019

2.1.1 Tax System

Taxation is a source of governmental revenue which is used to finance their expenditure generated by imposing charges on citizens and corporate entities (BusinessDictionary.com). Tax is one of those things that are levied in almost every country of the world, unavoidable, and at the same time, dynamic and intriguing. While taxes are presumably collected for the welfare of taxpayers as a whole, the individual taxpayer's liability is independent of any specific benefit received. According to Brautigam (2008) a well-designed tax system can help governments in developing countries prioritize their spending, build stable institutions, and improve democratic accountability.

A good tax system is expected to be rational, fair, unbiased and even non-discriminatory in nature and practice. Therefore, a fair tax system should contained good qualities and attributes that distinguish it from bias and lack of credibility. A tax system which is fashioned in improving the challenges of tax administration and tax laws has a better chance of maximising efficiency.

2.1.2 Historical Background to Taxation in Ghana

The tax system of Ghana originated from the colonial system, when it bore little relationship to the actual conditions or interests of the country. Modern day taxation was introduced into Ghana during colonial rule. However, before taxation took this form, some kind of taxes were collected by overlord chiefs who were engaged in empire building. They campaigned for conquest and established themselves as overlords over tribes they conquered. Such empire builders included the Ashantis, Akyems, Akwamus and the Denkyira, among others. The pattern was that of lands changing hands, and depending on who took over, the new ruler came with his own methods of levy imposition; such impositions were mainly with respect to land taxes occurring at the early stages of the 18th century before colonial rule.

The British used chiefs as agents to collect the same land taxes, the most popular of which was the "land poll". This and other basic rates were collected and administered by the Customs Department including quasi-duties at the ports from shipping companies. It was not until 1943 that actually modern–day taxation in the form of income tax was introduced in Ghana and was to support the colonial power's war effort during the Second World War. During the governance of Major Hill in 1852, the British colonial masters had insisted that establishment of schools, improvement in the judicial system, basic health care and infrastructure had to be borne by the imposition of direct and indirect taxes. This was met with great resistance by the local people culminating in the withdrawal of the direct taxes (Agyeman, 2005).

Ghana operated, basically, five forms of tax: sales tax, hotels and restaurants customers tax, advertisement tax, betting tax, and entertainment tax. Of these the Sales Tax was the most important, because of its coverage and use, it was charged on all locally manufactured products, as well as imported goods, unless they were exempted (Ayee, 1997). The Sales Tax however, was limited in scope since it covered neither wholesale nor retail trade, nor services. More importantly, the revenue from the various taxes did not meet the projected revenue targets of successive governments, which resulted in massive shortfalls in revenue collection (Ayee, 1997). The serious economic, political, and social crisis that the Ghanaian state experienced throughout the 1970s and the early parts of the 1980s compounded the massive shortfall in revenue collection. This crisis devastated the state's ability to collect revenue and manage development. The civil service, charged with implementing government programs, regressed to the point of being what one scholar called a "paper-pushing moribund organization" (Nti, 1980, p. 2). Nor did the country's tax administration system escape this crisis of inefficiency in the civil service.

Prichard and Bentum (2009) explained that by the beginning of the 1980 the Ghanaian tax system was deeply in crisis. Central government taxation amounted to less than 5 per cent of GDP, while the government relied on heavy exactions from the agricultural sector, and cocoa producers in particular, through pricing policy in order to raise enough revenue to maintain the most basic functions of government. (p. 11). Chand and Moene (1999) elaborated that "by 1983, the tax ratio had progressively collapsed to 4.5% of GDP from around 13% in 1973, and even higher in earlier years" (p. 1134). The ineffectiveness of tax revenue produced an increasing budget deficit, which continued to fuel inflation, thus placing public services programs in jeopardy.

To Chand and Moene (1999), therefore, the conditions in which Ghana found itself at the beginning of the 1980s stimulated rent seeking, which expanded to the point where the productive economy collapsed, leading to the curtailment of public expenditures, with deep cuts in the salaries of civil servants, in infrastructure development, and in social outlays (p. 1134). There was an urgent need to increase revenue collection to reduce the budgetary deficit and to ensure the maintenance of existing public service programs (Dia, 1996, p. 87). In addition, until 1986 the tax administration system was inadequately monitored, and tax compliance was not ensured (Osei & Quartey, 2005). Tax equity was also a problem, as the tax burden fell on only a small portion of the populace, while tax evasion became a regular amusement for all. Furthermore, "the tax system became riddled with all sorts of devices that were used by fiscal officers to supplement their incomes" (Chand & Moene, 1999, p. 1135). Revenue administration in Ghana had been part of the mandate of the Ministry of Finance and Economic Planning (MoFEP), and was, thus, part of the core civil service. When the civil service was badly weakened by the socioeconomic and political crisis, it no doubt affected the revenue agencies as well. That in turn led to the depression, over years, of salaries, and the expend of large amounts of high-calibre staff; leading to worker apathy, perfunctory performance, loss of control over recruitment, and dismissals which constrained management and unaccountability for funds collected (Dia, 1996, p. 87). Not surprisingly, these disasters undermined tax administration, especially revenue collection

2.1.3 National Revenue Secretariat (NRS) (1986-1995)

The unpleasant economic problems of tax administration made tax reforms a critical component of Ghana's structural adjustment program, which was implemented in 1983 to revamp the economy (Killick, 2010). The government initiated a program to reform the entire tax administration system, especially by increasing tax revenue through an efficient and effective mechanism of tax collection and broadening the tax net to enhance efficiency in tax administration and ensure equity (Osei & Quartey, 2005). Changing both the tax administration system and the tax structure was critical in this context.

As Chand and Moene (1999) argued: "A frightened population or terrified tax officers may turn in more revenue for a time. But, if the incentive structure that concerns taxpayers and tax collectors is not reformed, and reinforced by appropriate organizational and procedural changes, revenue will subside", (p. 1135). The government's strategy, which hinged on improving the working conditions of the revenue institutions, was to find a way to remove the institutions from the core civil service. Doing so created a foundation for a tax administration system, which has come to be known as the Revenue Authority (RA) (Taliercio, 2004). The first step in the process was to extract the revenue section of the Minister of Finance and Economic Planning (MoFEP), and turn it into a separate revenue agency, equivalent to a ministry. The NRS was established as an independent agency out of the traditional civil service, with its own conditions of service and pay policies. The government at the time viewed the new NRS as an institution responsible for collecting the sizeable fines imposed by the public tribunals on corporations and individuals convicted of corruption and economic crimes, such as hoarding and under and over invoicing. The NRS was headed by a Secretary of State (the equivalent of a minister), and assisted by a chief director, similar to the traditional civil service in Ghana. Its ministerial status enabled the NRS to supervise the other revenue agencies, and it enjoyed virtual autonomy from the MoFEP. The minister and the chief director were responsible for formulating and reviewing policy on taxes, rates, duties, charges, levies, fees, and fines, as well as for advising the government on revenue generation and collection, with the chief director also responsible for the day-to-day administration of the secretariat (Dia, 1996). Simultaneous to the creation of the NRS, the government established the Internal Revenue Service (IRS), with responsibility for collecting direct taxes, and the Customs, Excise and Preventive Service (CEPS), to deal with indirect taxes. The functions of the secretariat included collecting, collating, and analysing returns from revenue agencies; analysing returns by sector and region; overseeing the investigative sections of revenue offices; reviewing and formulating policy in respect of taxes, rates, duties, charges, levies, fees; and handling matters pertaining to transport, personnel, and accounts (Dia, 1996). The government instituted a number of measures to enable the NRS to achieve its objectives, including a performance-based culture; setting revenue targets in collaboration with the MoFEP; and increasing the basic salary of NRS employees. The new incentive structure revolved around two main issues. First, a system of bonuses

(10% and 15% of base pay) was established, and paid if collection targets were met (Chand & Moene, 1999; Dia, 1996, p. 89; Osei, 2000).

The agencies were allowed to retain a percentage of their collection to cover administrative costs (including 3% for the IRS), with the CEPS retaining 5% (Osei & Quartey, 2005). In addition, the conditions of service for tax officials were improved, including significant wage increases, decompression of salary scales, and greater outlays on maintenance, infrastructure, and social activities (Osei, 2000). At the same time as the NRS was created, the IRS and CEPS were converted to autonomous agencies, and placed under the NRS, creating new organizational structures similar to those of state-owned enterprises (Joshi & Ayee, 2009; Kusi, 1998; Osei, 2000; Terkper, 1993). Furthermore, the government changed the incentive structures for the staff of the two organizations, with the aim of improving productivity in tax collection. Then again, from 1986 the IRS, in particular, was given ministerial powers alongside the MoFEP, until 1992, when that directive was partly reversed (Kusi, 1998). The autonomy granted these institutions enabled them to recruit professional staff, such as accountants, auditors, and lawyers, with salaries competitive with the private sector (Osei, 2000; Terkper, 1995). These reforms had an enormous impact, especially on tax revenue. For instance, revenue collection increased from 5.5% of GDP in 1983 to 17% in 1993, and continued to rise, to about 20%, throughout the mid-2000s: remarkably, in spite of the reduction in tax rates on personal and corporate income (Chand & Moene, 1999). Another important improvement was the broadening of the tax base from 674,000 in 1994 to 1.4 million in 2001 (Appiah-Kubi, 2003; Terkper, 1994). This expansion in both revenue and taxpaying base can also be partly attributed to the strategy of using professional organizations to collect taxes from their members, and allowing the organizations to keep a percentage of the taxes they collected (Joshi & Ayee, 2008).

2.1.4 Value Added Tax (VAT) (1995-2010)

Nevertheless, the creation of the NRS did not solve all of the country's tax administration problems. For instance, the low ratio of taxpayers to the population meant a relatively small tax base, as the majority of taxes continued to fall on the small manufacturing sector. To enlarge the tax base and improve tax collection, the government introduced the VAT, a system that some developed and developing countries had successfully used to boost revenue (Assibey-Mensah, 1999; Shoup, 1990). The VAT was introduced in March 1995 after the passage of the VAT bill (VAT Act 486 of 1994) in December 1994. The VAT was meant to: (a) replace the existing taxes namely, Sales Tax, Hotels and Restaurants Customers Tax, Advertisement Tax, Betting Tax, and Entertainment Tax with one common tax; (b) widen the tax net; and (c) broaden the tax base and, by so doing, increase government revenue (Ayee, 1997; Osei, 2000). The World Bank (2001) saw the VAT as a way to help broaden an excessively narrow tax base, which had resulted in low and unstable revenue because it excluded fast-growing sectors of the economy. It was also expected to address the weaknesses in the tax collection system, including inadequate checks and controls that led to revenue leakages, as well as to withdraw from collection based on physical surveillance toward modern methods based on documentation.

Osei (2000) is also of the view that the VAT was expected to eliminate out-of-date incentives and encumbrances that had been built into the system on an ad hoc basis and distorted the country's tax and economic systems. The VAT was pegged at 17.5%, which was 2.5 percentage points more than the sales tax it replaced. In many ways, the introduction of VAT was a major test of Ghana's infant democracy, which was established in 1993. A few months after the introduction of the new system, and without much public education on how the new tax should work, massive demonstrations took place in the streets of the major cities and towns, protesting the price increases brought about by the new system. The demonstrations compelled the government to withdraw the VAT (Assibey- Mensah, 1999; Ayee, 1997; Osei, 2000; Terkper, 1999b; World Bank, 2001). The government, however, reintroduced it in 1998, but this time pegged it at 15% (Terkper, 1999b; World Bank, 2001). The reintroduction of the VAT, as well as the other tax policies, helped expand the tax base, and increased revenue collection in the country. For instance, Prichard and Bentum (2009) have shown that between 2004 and 2007 tax revenue dramatically increased to more than 20% of GDP.

Similarly, according to McKinley and Kyrili (2009), Ghana was one of the only five sub- Saharan African countries to boost its total revenue by five or more percentage points of their GDP in the case of Ghana, 7.5 points throughout the 1990s and early in the following decade. Structurally, the introduction of the VAT meant the establishment of another tax collection agency, the VAT Service, with its own board and staff (Terkper, 1999b). It must be said that before the introduction of the VAT in 1995, the NRS, which was meant to be, for the revenue agencies, a step toward the creation of a single, autonomous agency, under the MoFEP had been dissolved and relocated.

2.1.5 Revenue Agency Governing Board (RAGB) (1998-2009)

The demise of the NRS did not end the government's attempt at creating a single tax administrative agency. In 1998, it created the RAGB as a central governing body in place of the existing boards of the IRS, the CEPS, and the VAT (Terkper, 1999a). The idea was to replace the NRS with the RAGB as a way of ensuring stronger cooperation among the three agencies (IRS, CEPS, and VAT). The RAGB was also expected to have a strong head office with responsibility for administering a number of reforms, including a taxpayer identification number system, monitoring the collection and audit activities of the revenue agencies, developing effective cooperation among the agencies, and designing, as well as implementing, uniform personnel policies and an effective internal audit system. The introduction in 1998 of a unique and uniform taxpayer identification number system was an effective tool for improved taxpayer compliance and inter-agency coordination.

The RAGB's function, however, remained unclear, and in 2001 the board was reconstituted to ensure the proper supervision and coordination of the activities of the three revenue agencies. In many ways, therefore, it was only in 2002 that the RAGB actually began to work effectively. The organizational structures and procedures of the revenue agencies under the RAGB varied significantly. The IRS covered the whole country with its local offices; the VAT, on the other hand, had only a very small number of inland offices, and the CEPS covered only the borders and their hinterland. From its very foundation, the VAT was fully computerized; the CEPS started using computers in 2008, while the IRS has continued to perform virtually all processes manually. The differences in process standards seriously undermined not only accountability and transparency in the tax system, but also the effectiveness and efficiency of tax collection. Those qualities are especially important when dealing with audits and investigations that require access to all sources of information (Witt & Lautenbacher, 2003, p. 10).

Furthermore, all the revenue agencies continued to have their own governing boards, rendering the RAGB ineffective. Stakeholders in Ghana perceived that in spite of these reforms and the resultant increase in revenue collection, tax administration in Ghana continues to be confronted by many problems, including corruption and the inability to collect taxes from the informal sector and from smaller communities. Data on revenue administration, including collection, personnel, and so forth, was inadequate, and scattered among the agencies. In particular, the IRS's lack of a strong tax identification system for taxpayers made it difficult to find those who actually pay taxes; even when they were discovered, it was still extremely challenging to reconcile it with other data. Moreover, the lack of an all-inclusive tax collection system also created a problem with tax instruments.

There was, for instance, no fairness with respect to who was paying what and at what time, since there were separate accounts for each taxpayer. Thus, one taxpayer could take advantage of the three agencies by holding separate accounts to forge his or her tax accounts. The need became apparent to ensure equity service, and to simplify the service, and make it convenient for people. Furthermore, in view of the different tax instruments, a number of taxpayers could not access most of the tax benefits that are normally announced in the government's budgets. There was thus also a need to examine the tax instruments, and harmonize them for the benefit of the taxpayer. The government believed that to get through these bottlenecks it had to follow the lead of countries that had demonstrated the benefits of a fully established, operational Revenue Authority (RA) model.

2.1.6 Re-introduction of the Revenue Authority (RA) Model

After its initial failed attempt, in 2010 Ghana successfully reintroduced a Revenue Authority (RA) model. The first attempt to establish a RA in Ghana was in 1986. The government in 2001 did little to alter the structure of the tax administration system. In 2009, the government made the establishment of the GRA one of its priorities. Brief overview of tax reforms and administration in Ghana's tax administration has gone through some changes over the past few decades. In1983, for instance, the initial tax reform measure of the structural adjustment programme was designed largely to restore the tax base which had been battered by the constant over-valuation of the domestic currency, broaden the tax net and, ultimately, reduce tax evasion. The 1983 reform was followed by the administrative reform of 1985, which focused on measures to enhance efficiency of the tax administration and improve upon the equity of the tax system (Armah-Attoh and Awal, 2013).

Tax revenue remains a critical item in the envelope of resources available to the government for development. Indeed, the government over the years has resorted to special taxes and levies including sector-specific legislations to address a number of development issues.

Meer (2013) outlined the following as principle of taxation;

Canon of Equality: Equality in this context means that the rich people should pay more taxes and the poor pay less. This is because the amount of tax should be in proportion to the abilities of the taxpayer. It is one of the fundamental concepts to bring social equality in the country. The canon of equality states that there should be justice, in the form of equality, when it comes to paying taxes. Not only does it bring social justice, it is also one of the primary means for reaching the equal distribution of wealth in an economy.

Canon of Certainty: The tax payers should be well-aware of the purpose, amount and manner of the tax payment. Everything should be made clear, simple and absolutely certain for the benefit of the taxpayer. The canon of certainty is considered a very important guidance rule when it comes to formulating the tax laws and procedures in a country. The canon of certainty ensures that the taxpayer should have full knowledge about his or her tax payment, which includes the amount to be paid, the mode it should be paid in and the due date. It is believed that if the canon of certainty is not present, it leads to tax evasion.

Canon of Convenience: Canon of convenience can be understood as an extension of canon of certainty. Where canon of certainty states that the taxpayer should be well-aware of the amount, manner and mode of paying taxes, the canon of convenience states that all these should be easy, convenient and taxpayer-friendly. The time and manner of payment must be convenient for the tax payer so that he or she is able to pay his or her taxes in due time. If the time and manner of the payment is not convenient, then it might lead to tax evasion and corruption.

4. Canon of Economy: The whole purpose of collecting taxes is to generate revenue for the government. This revenue, in turn, is spent on public welfare projects. The canon of economy, keeping in view the above-mentioned purpose, states that the cost of collecting taxes should be as minimize as possible. There should not be any leakage in the way. In this way, a large amount of the collections will go directly to the treasury,

and therefore, will be spent in the government projects for the welfare of the economy, country and the people. On the other hand, if the canon of economy isn't applied and the overall cost of collecting taxes is unreasonably high, the collected amount would not be sufficient in the end.

Canon of Productivity: By virtue of the canon of productivity, it is better to have fewer taxes with large revenues, rather than more taxes with lesser amounts of revenue. It is always considered better to impose the only taxes that are able to produce larger returns. More taxes tend to create panic, chaos and confusion among the taxpayers and it is also against the canon of certainty and convenience to some extent.

Canon of Elasticity: An ideal system of taxation should consist of those types of taxes that can easily be adjusted. Taxes, which can be increased or decreased, according to the demand of the revenue, are considered ideal for the system. An example of such a tax can be the income tax, which is considered very much ideal in accordance with the canon of elasticity. Flexible taxes are more suited for bringing social equality and achieving equal distribution of wealth. Since they are elastic and easily adjustable, many government objectives can be achieved through them.

Canon of Simplicity: The system of taxation should be made as simple as possible. The entire process should be simple, non-technical and straightforward. Along with the canon of certainty, where the amount, time duration and manner of payment is made certain, the canon of simplicity avoids cases of corruption and tax evasion if the entire method is made simple and easy.

Canon of Diversity: Canon of diversity refers to diversifying the tax sources in order to be more prudent and flexible. Being heavily dependent on a single tax source can be detrimental for the economy. Canon of diversity states that it is better to collect taxes from multiple sources rather than concentrating on a single tax source. Otherwise, the economy is more likely to be confined, and hence, its growth will be limited as well.

Canon of Flexibility: Canon of flexibility means that the entire tax system should be flexible enough that the taxes can easily be increased or lowered, in accordance with the government needs. This flexibility ensures that whenever the government requires additional revenue, it can be generated without much difficulty. Similarly, when the economy is declining, reducing taxes shouldn't be a problem either.

2.1.7 Tax administration

Tax administration may be viewed as a productive process where inputs consist of men, material and other information, and output consists of revenue for government and taxpayer equity (Bagchi et al., 1995). Ghana Revenue Authority Act, 2009 (Act 791) spell out the various functions of the Ghana Revenue Authority some of which include the collection of taxes, penalties on taxes due the country with optimum efficiency, promoting tax compliance and education, combating tax fraud and evasion and publishing reports and statistics related to revenue collection, among other important functions.

The GRA as a revenue authority desire to be very strategic in the achievement of national goals. Therefore one important objective of the integration and modernization process is the review and modernization of processes and procedures with the view of improving the quality of service delivery to taxpayers and the general public, create a customer-oriented revenue authority and enhance voluntary tax compliance.

The GRA has been given much power under the Revenue Administration Act to impose interest and penalties for non-compliance with payment of taxes and filing of tax returns. The greater powers given to the GRA are justified because there is potential loss of revenue to the state if taxpayers are remiss in their tax obligations and so such penalties and interest are for the lost revenue. Usually, the penalties and interest are calculated as a percentage of the lost or additional revenue after correcting the error in the tax returns.

The passage of the GRA Act in December, 2009 provides the legal framework for the rebirth of Ghana's revenue system through integration and modernization. The establishment law is the Ghana Revenue Authority Act, 2009 (Act 791). This law was passed in December 2009 to achieve three main things:

- Integrate the management of Domestic Tax and Customs
- Modernise Domestic Tax and Customs operations through the review of processes and procedures
- Integrate Internal Revenue Service (IRS) and Value Added Tax Service (VATS) into domestic tax operations on functional lines.

GRA has three main divisions:

1. Customs Division
2. Domestic Tax Revenue Division
3. Support Services Division

The three-winged structure designed to ensure maximum efficiency in the Authority's core business of revenue mobilization merges the management support services of finance, administration, human resource, and research of the erstwhile agencies under one Support Services Division, leaving the Customs Division and the Domestic Tax Revenue Division unencumbered by peripheral functions to focus entirely on revenue collection with Support Services Division supporting them with the required management services.

Tax Administration in Ghana saw a face lift in 2016 when the Revenue Administration Act, 2016 (Act 915) was passed to consolidate the way tax administration is done in Ghana. For some of the taxes, the Ghana Revenue Authority (GRA) collects them through businesses who act as automatic agents when people register their businesses. For example, the GRA uses employers to collect PAYE, Withholding taxes and VAT. The tax laws require persons who have earned income from employment, business or investment to pay taxes to the state. Returns are supposed to be submitted to the GRA showing the calculations of the taxes due, accompanied with payment of the tax amount due and if there is overpayment of tax, the GRA either refunds the overpaid taxes or set it off against future taxes. The GRA generally re-calculates the taxes to ensure that, they were calculated correctly by the taxpayer. There are instances where the taxpayer's own calculation will differ from that of the GRA and this leads to disagreement.

Where a taxpayer disagrees with the GRA's own calculations and assessment, the taxpayer can appeal against the GRA's assessment, first to the Commissioner-General and if he is still not satisfied with the Commissioner General's final decision, he can appeal to the High Court and even to the Supreme Court. But for such appeal to be entertained, the taxpayer must pay all outstanding taxed and most importantly, pay 30%

of the tax in dispute. This 30% down payment is contained in section 42(5) of Act 915. The Commissioner General can however waive the requirement of the 30% down payment.

It is expected that, the 30% rule is exercised with care by the GRA since the abuse of the rule will make the dispute procedures in our tax laws very bias, leading to injustice. The Ghana Revenue Authority (GRA) is a semi-autonomous public institution established by law as a body corporate, to replace the Customs, Excise and Preventive Service (CEPS), Internal Revenue Service (IRS), Value Added Tax Service (VATS) and the Revenue Agencies Governing Board Secretariat (RAGB) for the administration of taxes and custom duties in Ghana. This represents a change in identity for the revenue agencies; CEPS, IRS and VATS. It also means a unitization of the administration of taxes and customs duties in Ghana. The merger of the three revenue agencies into an integrated and modernized revenue authority is part of a worldwide trend in which separate revenue agencies are brought together to achieve efficiency and effectiveness. As part of the ongoing reforms, the government also embarked on the e-government project in 2011 to electronically link GRA to the Registrar General's Department with the aim of the ensuring easy tracking and collection of tax (Annan et al., 2014).

2.1.8 Challenges of tax administration

Irrespective of reform, integration and modernization of Ghana's tax system in direct response to the myriad of challenges that beset the country's tax collection system, the GRA have not been able to meet their revenue targets. Between the periods of 2008 to 2018, GRA could not achieve their revenue target with a shortfall of GHS160.30 million in 2009, GHS1,961.20 million in 2013, GHS3,400.00 million in 2016, GHS1,228.80 million in 2017 and GHS839.90 million in 2018. Despite GRA been given much power under the Revenue Administration Act to impose interest and penalties for non-compliance with payment of taxes and filing of tax returns, GRA have not been able to achieve its revenue targets.

Bird and Zolt (2003) mentioned that, three ingredients seem essential to effective tax administration: the political will to administer the tax system effectively, a clear strategy for achieving this goal and adequate resources for the task.

Armah-Attoh and Awal (2013) mentioned the following as Ghanaians perceive inherent challenges with the country's tax system.

1. Majority of Ghanaians claimed that it is not easy to find out what taxes or fees one is supposed to pay to the government and that the principle of certainty is lacking in the country's tax system. As a result, law abiding citizens who desire to honor their tax obligations may have to contend with the high transaction costs (e.g. time and money) involved in searching for information about the taxes they are expected to pay and this inconvenience could affect citizens' commitment to their tax obligations and consequently discourage compliance.
2. Equally disturbing is the perceived lack of transparency in the use of tax revenues as well as the perceived lack of integrity among tax officials. Majority claimed it is "very difficult or difficult" to find out how government applies revenues from taxes and fees.
3. The integrity of Ghana Revenue Authority officials is very low in the eyes of Ghanaians. Half of Ghanaians perceive "some" tax officials to be involved in corruption. Thus, to the ordinary Ghanaian, the country's tax administration stinks with graft and it is not surprising therefore to find that there is no trust at all in the

GRA even though most people still accept that the GRA has legal mandate to demand taxes from citizens.

A well-functioning tax administration is fundamental in promoting formal business activities, investment, and raises more revenue for economic growth. However, a malfunctioning tax administration raises the cost businesses incur in complying with the government's tax requirements. This leads to firms and tax officials colluding outside the system at the micro level and a high degree of mistrust between business and government at the macro level. Therefore, tax administration is a critical determinant in the investment climate and improving upon its challenges can help attract more investment to increase growth and reduce poverty (Rahman 2009).

This calls for a need to investigate the challenges of tax administrators to enhance improvement of tax revenue to revenue generation in Ghana.

Table 1: Tax revenue (Outturn against budget)

Year	Outturn GHS 'million	Budget GHS 'million	Difference GHS 'million
2008	4,299.50	3,973.80	325.70
2009	5,050.60	5,210.90	(160.30)
2010	6,102.60	6,072.20	30.40
2011	6,596.00	5,676.70	919.30
2012	12,247.00	11,963.10	283.90
2013	15,129.60	17,090.80	(1,961.20)
2014	19,399.90	19,788.60	(388.70)
2015	25,119.90	23,127.90	1,992.00
2016	25,729	29,129	(3,400.00)
2017	31,788.30	33,017.10	(1,228.80)
2018	37,749.30	38,589.20	(839.90)

SOURCE: Author's computation from Ministry of Finance and Economic Planning

2.1.8 Tax laws

Tax laws are the legal rules and procedures governing how a state and local governments calculate the tax a person owe. Tax cannot be collected unless a law says so. Ghana tax law is a body of rules under which GRA has a claim on taxpayers, requiring them to transfer to the authority part of their income. Ghana's tax legislation captures who and what activity are the subject of tax.

The tax legislations used in Ghana are as follows:

1. Internal Revenue Act, 2015, Act 896
2. Taxpayers Identification Numbering System Act, 2002, Act 632.
3. Stamp Duty Act, 2005, Act 689.
4. Internal Revenue (Registration of Businesses) Act, 2005, Act 684.
5. Petroleum Income Tax Act (PNDCL 188 of 1987).
6. Casino Revenue Tax Act (NRCD 200 of 1973).
7. Airport Tax Act, 1963, Act 209.
8. Customs, Excise and Preventive Service (Management) Act. (PNDCL330 of 1993).
9. Gambling Machines Act (NRCD 174 of 1973).
10. Value Added Tax Act, 2013, Act 870.
11. Communications Service Tax Act, 2008, Act 754.
12. Ghana Education Trust Fund Act, 2000, Act 581.
13. Customs House Agents Licensing Act 1978 (SMCD 188)
14. Customs and Excise (Petroleum Taxes and Petroleum Related Levies) Act 1985 (Act 685)
15. Customs and Excise (Duties and Other Taxes) Act 1996 (Act 512)
16. Special Petroleum Tax 2014 (Act 879)

17. The Debt Recovery (Tema Oil Refinery Company) Fund Act 2003, (Act 642)
18. Special Import Levy Act 2013 (Act 861)
19. National Fiscal Stabilization Levy Act 2013 (Act 862)
20. Excise Tax Stamp Act 2013 (Act 873)
21. Excise Duty Act 2014 (Act 878)
22. Ghana Revenue Authority Act, 2009 (Act 791)
23. Revenue Administration Act, 2016 (Act 915)
24. Transfer Pricing Regulations, 2012 (L.I.2188)
25. Tax Amnesty Act, 2017 (Act 955)
26. Taxation (Use of Fiscal Electronic Device),2018 (Act 966)

Atuguba (2006) opined that, there is a firm constitutional basis for transparency and the demand for customer satisfaction in tax administration. This is because the 1992 Constitution of Ghana has provisions which require administrative bodies (such as tax institutions) and administrative officials (such as tax administrators) to "act fairly and reasonably and comply with the requirements imposed on them by law") bear directly on the tax system. According to him the law further provides that "persons aggrieved by the exercise of such acts and decisions shall have the right to seek redress before a court or tribunal". He further suggested however that only a few cases on tax matters are heard in Ghana. The reason for this is the relative cost of litigation, delays in the court system and the reluctance of Ghanaians to litigate with the government. Most cases that are concerned with tax matters relate to import and export duties.

According to Atuguba (2006), the government of Ghana proposed to waive tax penalties in the 2006 budget statement in order to effectively mobilize huge arrears of taxes and widen the tax net. He mentioned that the Ministry of Finance and Economic Planning has provided an opportunity to all corporate bodies and individuals who are in default of their income tax obligations to clear them without any penalty or sanction. The industry welcomed this move the very next day after it was brought into effect, calling for regularisation of the process of granting tax amnesties and for government to endeavour to widen the tax net to cover the informal sector. It is clear that many potential tax payers are outside the tax net and even those within the net do not fully meet their tax obligations.

2.1.9 Complexity of Tax Laws

McKerchar & Australian Tax Research Foundation (2003) mentioned that complexity of tax laws arise wherever a personal taxpayer reported any difficulty in completing his or her own tax return for the year. The essence of these tax laws are to act as guidelines and provide all of the legalities that are present wherever taxation is concerned to promote tax compliance leading to enhanced government revenue. However, these laws have not served its purpose since tax revenue generated by GRA has been inadequate to finance the country's fiscal policies. For instance, the Communications Service Tax (CST) is a tax levied on charges for the use of communications services that are provided by communications service operators where at least 20% of the Revenue generated from the CST will be used by government to finance the National Youth Employment Programme (NYEP) in particular and support the national development agenda of the country in general. However, Communications Service Tax (CST) which forms part of indirect tax had a shortfall of GHS15.60 million in 2008 when the law was enacted. Again, there was a short fall of GHS209.50 million in 2009, GHS145.60

million in 2010, GHS8.90 million in 2012, GHS20.10 million in 2014, GHS114.00 million in 2016 and GHS747.20 million in 2018.

Due to inefficiencies in the tax system in many developing countries, the majority of small businesses are not taxed.

Table 2: Indirect tax (outturn against budget)

	Outturn GHS 'million	Budget GHS 'million	Difference GHS 'million
2008	1,532.90	1,548.50	(15.60)
2009	1,729.30	1,938.80	(209.50)
2010	1,974.10	2,119.70	(145.60)
2011	2,920.60	2,500.90	419.70
2012	4,203.10	4,212.00	(8.90)
2013	5,576.20	4,990.80	585.40
2014	6,458.20	6,478.30	(20.10)
2015	9,538.70	9,348.40	190.30
2016	12,117.00	12,231.00	(114.00)
2017	13,611.20	13,363.10	248.10
2018	16,245.10	16,992.30	(747.20)

Source: Author's computation from Ministry of Finance and Economic Planning

McKerchar & Australian Tax Research Foundation (2003) identified six potential causes of complexity of tax laws:

1. Ambiguity or uncertainties in the tax law leading to more than one defensible position;

2. Many or difficult computations required by the tax law to be made;
3. Frequent or recent changes to the tax law;
4. Numerous rules and exceptions to the rules;
5. Detailed special records requirement by the tax law.
6. The confusing nature of the format or instructions of tax laws.

   Tax law cannot cope with every eventuality and therefore has to be supplemented with supporting provisions (Wallschutzky, 1993). This call for the need to investigate the circumstances that lead to complexity of tax laws and how it affect revenue generation in Ghana.

2.2 Budget Deficit Financing and Tax Revenue

A budget deficit occurs when expenses exceed revenue and indicate the financial health of a country. A nation wishing to correct its budget deficit may need to cut back on certain expenditures, increase revenue generating activities, or employ a combination of the two. Deficit financing, however, may result from government inefficiency, reflecting widespread tax evasion or wasteful spending. Deficit financing may place the government to both foreign and domestic debt.

The Government of Ghana accepted a stringent economic recovery policy in 1983, under the auspices of the IMF and the World Bank to reduce the country's public debt (Ayensu, 2007; Bawumia, 2010). This led to a dramatic policy shift, fundamentally changing government's social, political and economic orientations, while primarily enabling Ghana to repay its external debts. Consequently, macroeconomic stability was restored between 1984 and 1991 with real GDP recording steady growth while inflation declined from 122 per cent in 1983 to 10 per cent by 1991. Government budget balance improved from a deficit of 2.5 per cent of GDP in 1983 to a surplus of 0.1 per cent of GDP by 1986. The overall budget, largely underpinned by increase in tax revenue and grant, remained in a surplus between 1986 and 1991 (Akosah 2015).

Table 3. Total revenue and grant against Government Expenditure

Year	Total revenue and grant GHS 'million	Expenditure GHS 'million	Total revenue & grant less expenditure GHS 'million
2008	5,623.20	9,538.20	(3,915.00)
2009	7,216.10	8,659.30	(1,443.20)
2010	8,828.40	11,342.70	(2,514.30)
2011	8,798.20	10,412.30	(1,614.10)
2012	15,698.40	24,587.90	(8,889.50)
2013	20,801.00	29,706.40	(8,905.40)
2014	24,739.20	35,669.20	(10,930.00)
2015	32,189	41,931.40	(9,742.40)
2016	33,678	51,125.00	(17,447.00)
2017	41,254.00	51,416.50	(10,162.50)
2018	46,807.80	57,064.80	(10,257.00)

Source: Author's computation from Ministry of Finance and Economic Planning

According to Annual Debt Management Report (2016), the 2016 budget deficit financing requirement was sourced from both external and domestic sources with net foreign financing and net domestic financing of GH¢2,960.29 million and GH¢11,264.55 million respectively. The total public debt on a nominal basis increased from GH¢122.3billion in December 2016 to GH¢142.6 billion in December

2017(Annual Debt Management-Report 2017). However, the Minister of Finance and Economic Planning has put the country's debt, as at the end of September 2018, to GH¢170,839.53 million. This comprises external and domestic debt of GH¢86,647.60 million and GH¢84,191.93 million respectively (The Budget Statement, 2019).

The over reliance on foreign financing may lead to debt unsustainability and to avoid this, the government need to direct its focus on internally generated revenue and stop the over reliance of foreign grants and loans which plunge the nation to huge debt. (Gupta, 2007). Developing countries can increase their internal revenue by opening up the tax base and administering good tax systems and policies to increase the revenue generation to meet government spending. Government strategy for revenue mobilization is to continue the agenda of optimizing revenue performance by automating current tax operations and procedures, reviewing tax laws to plug revenue loopholes, improving tax compliance and administration and changing tax culture. It is therefore crucial that the government generates more tax revenue. Income Tax is a necessary evil and Ghanaians should see the payment of income tax not as a burden but as a national and patriotic duty contributing to the overall development of the nation for generations to come.

Trehan and Walsh (1988) stated that, fiscal policy is deemed to be sustainable if a positive long run relationship is established between tax revenue and the state of government expenditure or indebtedness. Akosah (2015) however assessed whether fiscal authority collects more tax to repay its current spending and service the previous period's public debt, amid current business fluctuations and suggested that government efforts at ensuring long-term fiscal sustainability seemed to be inadequate in recent years as significant fiscal pressures persist. He argued that in order to ensure a long-term fiscal sustainability and drastic changes to current fiscal policy direction that aim at attaining surpluses on the fiscal, government may also find ways of generating more revenue.

Author's computation of government revenue and grant and expenditure data from the Ministry of Finance and Economic Planning showed budget deficits from 2008 to 2018. Thus, GHS3,915.00 million in 2008, GHS1,443.20 million in 2009, GHS2,514.30 million in 2010, GHS1,614.10 million in 2011, GHS8,889.50 million in GHS2012, 8,905.40 million in 2013, GHS10,930.00 million in 2014, GHS9,742.40 million in 2015, GHS17,447.00 million in 2016, GHS10,162.50 million in 2017, and GHS10,257.00 million in 2018. The above deliberations suggest that Ghana's fiscal policy continue to face tremendous challenges from 2008 to 2018.

However, since one way of financing government budget deficit is by increasing tax revenue, there is the need to examine the extent to which tax revenue contribute to revenue generation and how tax revenue can be enhanced to finance government budget deficit to reduce the public debt stock.

Table 4: Tax to Revenue and Grant

Year	Tax GHS 'million	Revenue and grant GHS 'million	%	% Change
2008	1,253.20	5,623.20	22.29	1.54
2009	1,719.30	7,216.10	23.83	3.13
2010	2,380.20	8,828.40	26.96	18.19
2011	3,972.10	8,798.20	45.15	-11.68
2012	5,253.40	15,698.40	33.46	4.15
2013	7,825.00	20,801.00	37.62	-2.31
2014	8,734.30	24,739.20	35.31	-5.83
2015	9,488.20	32,189.00	29.48	4.25
2016	11,359.00	33,678.00	33.73	-1.93
2017	13,118.60	41,254.00	31.80	4.51
2018	16,995.40	46,807.80	36.31	

Source: Author's computation from Ministry of Finance and Economic Planning

2.3 Empirical Review

Reforming the tax administration system is challenging because it involves designing tax reforms, as well as creating or changing national organizations responsible for tax administration. For instance, Tanzi and Pellechio (1997), making the case for tax administration reforms in developing countries, argue that "inefficient tax administration reduces tax revenue and creates unintended distortions in the tax system, which means that taxes affect markets in ways not intended by legislators, and introduces inequities through the tax system, for example between honest citizens and tax evaders" (p. 274).

Bekoe, Danquah, and Senahey, (2016) estimated tax buoyancies for the tax reform period from 1982-2013. During this period the overall tax system was buoyant, with the buoyancy estimate of 1.93 and indicating that for every 1 per cent increase in GDP, revenue from the total tax system had, on average, grown by 1.93 per cent. Compared with the 1970-1981 period the tax buoyancy increased by over 150 per cent in the reform period. The same was the case for the individual taxes except the excise tax which recorded a less than unity buoyancy implying that tax revenue grew slower than GDP. The major contributors to the overall tax buoyancy are the import duty and sales tax/VAT. It can be observed that the discretionary measures taken resulted in the import duties having the highest buoyancies due the fact that the import tax rates kept increasing, and also because the base of import tax kept expanding due to the high taste Ghanaians have for foreign goods. VAT has the next highest buoyancy and this is also attributed to the broad base of VAT which could capture more tax payers in its net. Thus the high buoyancy of the overall tax system was due the high performance of direct taxes, and import duties as well as the high buoyancy of sales tax/VAT. This signifies that the discretionary changes implemented during the tax reform period have largely been effective at increasing the tax revenue for majority of the taxes by the proportionate change in the GDP.

It is evident from the above few literatures that taxation can be used by government as a dependable and alternative mechanism of revenue generation to finance government budget deficit and reduce the public debt stock. Montesquieu (1748) expressed that, ‘the unreasonable severity of the laws obstructs their execution’. No doubt sanctions will always have to exist to support tax administration, but there are important questions as to the extent they are needed and the enthusiasm with which they should be enforced. Tanzi & Pellechio, (1997) again blamed the inefficiencies in tax administration on exceedingly complex and opaque laws. They argued that policy-makers introduced laws that protect themselves, or those associated with them, against high tax liabilities;

and a lack of resources, professionalism, and clear strategy (pp. 274-275). The line between avoidance and evasion, like many line-drawing exercises in tax or otherwise, is fraught with difficulties. Weisbach, D. (1998) however expressed that, this is an argument for drawing this line not with soft law, but rather with legal principles, continuously monitored and enforced through compliance with agreed upon rules and standards, backed up by judicial review, to put the taxpayers on notice as to the behavioural expectations applicable to all. Atuguba (2006) view of respondents about the work of tax authorities revealed that government officials who live off tax revenues are corrupt and wasteful.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter deals with the methodology used by the researcher to investigate the effectiveness of tax system in the revenue generation for economic development.

The method used includes the following:

i. Research Design
ii. Population
iii. Sample Size
iv. Sampling Technique
v. Source of Data Collection
vi. Data Collection Tools
vii. Data Analysis and Interpretation

3.1 Research Design

This is the arrangement of conditions for collecting and analysing data which would be relevant to the study in the most efficient and economic manner. It serves as a guide to the researcher in the process of collecting, analysing and interpreting observation. It also defined the domain of generalization; thus, it indicated the extent to which the obtained interpretation could be generalized to different situation or not (Amoani, 2005).

The research design used in this study were correlational and descriptive survey which allowed hypotheses to be tested. This research work embraced the use of both secondary and primary data as it sources of information and the use of linear regression, Mann-Whitney U test and descriptive statistics as the method used in data analysis and interpretation in other to provide a proficient quantitative and qualitative evaluation of the effectiveness of tax revenue on the overall revenue generated by Ghana Revenue Authority. The researcher worked with the detailed and specific information ascertained through the primary data before generalizing, describing the context of the study in details and proffered solution where necessary. The secondary data were used to test the hypothesis.

3.2 Population

The study focuses on all the ten offices of Ghana Revenue Authority in the Kumasi Metropolis and members of the Chartered Institute of Taxation, Ghana. All the staff members of institutions that collect revenue for the government and members of the Chartered Institute of Taxation, Ghana formed the basis for the study.

3.3 Sample Size

To test the theoretical expectations of any relationship, a wide range of different groups are needed to include all the various categories of people as far as possible (Warr, 1990). The sample formed a good representation of the population since it was impossible to interview everybody to solicit their views for the study. The researcher decided to test the assumptions about the effectiveness of tax system in Ghana by focusing on the challenges of tax administration and tax laws by engaging staff of GRA in the Kumasi Metropolis and the members of Chartered Institute of Taxation, Ghana. In all 200 staff of GRA in the Kumasi Metropolis and 50 members of Chartered Institute of Taxation were used.

3.4 Sampling Technique

The main method adopted was simple random sampling where each respondent within the Kumasi metropolis of GRA and members of the Chartered Institute of Taxation, Ghana had an equal chance of getting selected. This method was used because the researcher did not have any kind of prior information about the target population. The choice of this method was considered most appropriate due to the homogeneity of the targeted group and the fact that the target population had a very large population and it was difficult to identify every member of the population. Here, the researcher wrote "yes or "no" on pieces of paper that were folded, put in a container and mixed up together. One paper was picked at random. Respondents who picked a "yes" paper were included in the study whereas those who picked a "no" paper was not included. The sampling process was done without replacement. The papers were reshuffled after each draw. The researcher used the simple random sampling because he intended to select a representative without bias from the population.

3.5 Source of Data

As noted by Patton (2002), no rule of thumb exists to tell a researcher precisely how to focus a study. The extent to which, a researcher or evaluation study is broad or narrow depends on the purpose, the resources available and the interests of those involved (p.228). Both primary and secondary sources of data were used for the study.

Primary data

The researcher contacted the staff of GRA in the Kumasi Metropolis and members of the Chartered Institute of Taxation, Ghana as the source of primary data.

Secondary data

The secondary data used in the research work were extracted from Ministry of Finance and Economic Planning, Ghana statistical Service, academic journals and the publications of Ghana Revenue Authority.

3.6 Data Collection Tools

Questionnaires were used for the survey. The questionnaire was ranked using Likert scale which ranges from strongly disagree (SD), disagree (D), Neutral (N), agree (A) to strongly agree (SA).

3.7 Data Analysis Techniques

The data was analysed by the use of linear regression as well as through descriptive statistics. This was made possible using Statistical Package for Social Sciences (SPSS version 21).

3.8 Model Specification

Tax Revenue Model used as stated below contains two variables which are the dependent and one independent variable.

The variables used are total revenue and grant which is the dependent variable and tax which are the independent variable. These variables were used to test the hypothesis. The regression model for the variables was specified and from years 2008-2018.

$TR = a + bT + e$

TR=Total revenue and grant

T = Tax

a = constant

b=T's slope

e = error

Primary Data

The primary data was analysed using frequencies, percentages, median, and mode for the descriptive statistics as well as Mann-Whitey U test which was used to test hypotheses two and three.

The percentage is calculated thus:

% frequency = (f/∑f) x 100

Where f = frequency

∑f = sum of frequency

Median

The median is the midpoint of the data set. This midpoint value is the point at which half the observations are above the value and half the observations are below the value. The midpoint of the response would be calculated by dividing the total number of responses by 2 to determine the category in which this midpoint falls is identified.
A median of three means that half of the sample gave ratings below 3 and the other half gave ratings above 3. If the median is 1 or 2, that means 50% of participants have negative opinions. A median of 3 means that half of the sample gave ratings below 3 and the other half gave ratings above. However, if the median is 4 or 5, that means 50% of participants have positive opinions.

Mode

The mode is the most frequent response. A mode of 1 means most of the respondent selected strongly disagree. A mode of 2 means most of the respondent selected disagree. A mode of 3 means most of the respondent selected neutral. A mode of 4 means most of the respondent selected agree. A mode of 5 means most of the respondent selected strongly agree.

Mann-Whitney U Test

The Mann-Whitney U test would be used to test the differences that are statistically significant and the effect size on the responses of tax administration and tax laws. Cohen's classification of effect was used where 0.1 is small effect, 0.3 is moderate effect, 0.5 and above is large effect. Cohen's effect size would be calculated as;

$r = z/\sqrt{n}$

Where r = r score, z = z score and n = number of events.

CHAPTER FOUR

RESULTS AND FINDINGS

4.1 Introduction

This study seeks to inquire into the empirical, quantitative and qualitative analysis of the effectiveness of taxation as a mechanism of revenue generation in Ghana. The data obtained were objectively analysed to establish the relationship between the relevant variables in the study. The study made use of a dependent variable which is captured by the total revenue and grant (TR) and an independent variable (Tax) to capture taxation as an instrument of revenue generation in Ghana. The data included the demographic characteristics of tax administrators and challenges faced by the tax authorities in executing effective revenue generation in Ghana. The chapter also presents result on circumstances that caused the complex nature of Ghana's tax laws. The chapter closes with findings on how to improve the tax system.

4.2 Data Presentation and Analysis

The secondary data adopted in the analysis of this study spans from 2008 to 2018. Responses to major questions are presented in tabular form. Further explanations are offered to avoid ambiguities for clearer understanding.

Table 5: Correlations

		Tax	Total Revenue and grant
Tax	Pearson Correlation	1	.987**
	Sig. (2-tailed)		.000
	N	11	11
Revenue_and_grant	Pearson Correlation	.987**	1
	Sig. (2-tailed)	.000	
	N	11	11

Source: Author's computation using SPSS v21

Table 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.987[a]	.973	.970	2497.10664

Source: Author's computation using SPSS v21

Table 7: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2052207736.246	1	2052207736.246	329.115	.000[b]
	Residual	56119874.054	9	6235541.562		
	Total	2108327610.300	10			

Source: Author's computation using SPSS v21

Table 8: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1294.335	1382.541		.936	.374
	Tax	2.819	.155	.987	18.142	.000

a. Dependent Variable: Total Revenue and grant

Source: Author's computation using SPSS v21

Based on the results, the researcher found that:

Tax and Total Revenue and Grant have a statistically significant linear relationship ($p < 0.05$).

The direction of the relationship is positive (Tax and Total Revenue & grant are positively correlated), meaning that these variables tend to increase together (that is greater Tax is associated with greater Total Revenue and grant).

Model summary

The R value represents the simple correlation and it is 0.987, which indicates a high degree of correlation and a good level of prediction. The R square value indicates how much of the total variation in Total Revenue and grant can be explained by the Tax. In this case, 0.973 which is very large indicated 97.3% of the variability of Revenue and grant.

ANOVA table

The Anova table indicated that the regression model predicts the dependent variable significantly well since the significance of the regression model was less than 5% ($p<0.05$). This indicated that the regression model is a good fit for the data.

The Coefficients table provides us with the necessary information to predict Total Revenue and grant from Tax. Unstandardized coefficients indicated how much the Total Revenue and grant varies with Tax when Tax is held constant. The unstandardized coefficient B1, for Tax is equal to 1294.335 (see Coefficients table). This means that for each one year increase in Tax, there is an increase in Total Revenue and grant of 2.819. To present the regression equation as:

$TR=1294.335 + 2.819 (T) + e$

Where TR= Total Revenue & grant and T=Tax

4.3 Test of Hypothesis

H_1: Tax revenue has not contributed significantly on revenue generation in Ghana.

Decision

Since Tax and Revenue and grant have a statistically significant linear relationship, we accept the alternate hypothesis (H_1) and reject the null hypothesis.

4.4 Descriptive Analysis of Tax Administration

Table 9: Demographic Data

S/n	Demographic variables	Grouping	Frequency	Percentage (%)
1	Sex	Male	138	69
		Female	62	31
2	Age	Below 25	0	0
		26-35	10	5
		36-45	100	50
		46 and above	90	45
3	Qualification	HND	0	
		Bachelors BSc/BEd/BBA/BA	150	75
		Masters (MSc/MBA/EMBA/MA)	40	20
		Professional (ICA/ACCA/CIMA/CITG)	10	5
4	Year of service	Less than 5years	10	5
		6-10 years	100	50
		more than 11 years	90	45

Source: Field survey, 2019.

From the above table, the demographic characteristic of the respondents indicated that out of 200 respondents 69% are male while 31% are female. Therefore, it could be inferred that majority of the researcher's respondents are male.

Evidence from the age distribution revealed that out of the 200 respondents, there was no respondent below 25 years, 5% were within the ages of 26-35 years, 50% were within the ages of 36-45 years, and 45% of the respondents were 46 years and above. The implication of the above is that majority of our respondents in the Kumasi Metropolis fall within the age of active population. Considering the educational qualification of the respondents, it was clearly indicated that no respondent had HND, 75% were Bachelor's degree holders, 20% were Master's degree holders, and 5% were Professional with either ICA/ACCA/CIMA/CITG). It could be inferred from this result that majority of the respondents were Bachelor's degree holders which indicated a higher percentage.

The duration of service gathered from the 200 respondents indicated that 5% had worked for less than 5 years, 50% had 6–10 years working experience and 45% had worked for more than 10 years. With this result it could be inferred that the highest duration of respondents have had a reasonable working experience.

Q1. Political influence impedes effective tax administration in Ghana.

Table 10: Response on political influence impedes effective tax administration in Ghana

Response	Frequency	Percent (%)
Strongly disagree	14	7.0
Disagree	16	8.0
Neutral	20	10.0
Agree	76	38.0
Strongly agree	74	37.0
Total	200	100.0

Source: Field survey, 2019.

From the above 200 respondents, 7% strongly disagreed that political influence impedes effective tax administration in Ghana, 8% disagreed, 10% were neutral or undecided, 38% agreed and 37% strongly agreed.

Q2. Insufficient investigative ability by tax administrators affects effective tax administration in Ghana.

Table 11: Response on insufficient investigative ability by tax administrators affects effective tax administration in Ghana

	Frequency	Percent (%)
Strongly disagree	15	7.5
Disagree	13	6.5
Neutral	17	8.5
Agree	80	40.0
Strongly agree	75	37.5
Total	200	100.0

Source: Field survey, 2019.

The above table showed that out of the 200 respondents, 7.5% strongly disagreed that insufficient investigative ability by tax administrators affects effective tax administration in Ghana, 6.5% disagreed, 8.5% were neutral or undecided, 40% agreed and 37.5% strongly agreed.

Q3. Non-compliance of tax payers is a major problem confronting tax revenue authorities in generating tax revenue.

Table 12: Response on non-compliance of tax payers is a major problem confronting tax revenue authorities in generating tax revenue

	Frequency	Percent
Strongly disagree	12	6.0
Disagree	12	6.0
Neutral	18	9.0
Agree	68	34.0
Strongly agree	90	45.0
Total	200	100.0

Source: Field survey, 2019.

Out of 200 respondents responding to non-compliance of tax payers as a major problem confronting tax revenue authorities in generating tax revenue, 6% strongly disagreed, 6% disagreed, 9% were neutral or undecided, 34% agreed and 45% strongly agreed.

Q4. Inadequate trained staff/tax officials (lack of competence) makes it difficult for the assessment, computation and collection of tax revenue.

Table 13: Responses on inadequate trained staff/tax officials (lack of competence) makes it difficult for the assessment, computation and collection of tax revenue

	Frequency	Percent
Strongly disagree	29	14.5
Disagree	31	15.5
Neutral	27	13.5
Agree	55	27.5
Strongly agree	58	29.0
Total	200	100.0

Source: Field survey, 2019.

The above table showed that out of the 200 respondents, 14.5% strongly disagreed that inadequate trained staff/tax officials (lack of competence) makes it difficult for the assessment, computation and collection of tax revenue, 15.5% disagreed, 13.5% were neutral or undecided, 27.5% agreed and 29% strongly agreed.

Q5. Administrative failure like corrupt tax officials makes it a challenge for effective tax revenue generation.

Table 14: Response on administrative failure like corrupt tax officials makes it a challenge for effective tax revenue generation.

	Frequency	Percent (%)
Strongly disagree	31	15.5
Disagree	23	11.5
Neutral	35	17.5
Agree	53	26.5
Strongly agree	58	29.0
Total	200	100.0

Source: Field survey, 2019.

From the above 200 respondents, 15.5% strongly disagreed that administrative failure like corrupt tax officials makes it a challenge for effective tax revenue generation, 11.5% disagreed, 17.5% were neutral or undecided, 26.5% agreed and 29% strongly agreed.

Q6. Inadequate administrative logistics/ resources such as stationery, vehicles, telecommunication facilities, equipments, computers, printers, photocopiers, etc. make it difficult for tax administrators to carry out their ordinary activities.

Table 15: Response on inadequate administrative logistics/ resources

	Frequency	Percent
Strongly disagree	26	13.0
Disagree	27	13.5
Neutral	23	11.5
Agree	66	33.0
Strongly agree	58	29.0
Total	200	100.0

Source: Field survey, 2019.

The above table showed that out of the 200 respondents, 13% strongly disagreed that inadequate administrative logistics/ resources make it difficult for tax administrators to carry out their ordinary activities, 13.5% disagreed, 11.5% were neutral or undecided, 33% agreed and 29% strongly agreed.

Q7. The absence of measures designed to maintain the integrity of staff such as the promotion and enforcement of ethical standards, merit based recruitment and promotion procedures impede smooth administration of tax system in Ghana.

Table 16: Response on the absence of measures designed to maintain the integrity of staff

	Frequency	Percent
Strongly disagree	24	12.0
Disagree	24	12.0
Neutral	24	12.0
Agree	75	37.5
Strongly agree	53	26.5
Total	200	100.0

Source: Field survey, 2019.

From the above 200 respondents, 12% strongly disagreed that the absence of measures designed to maintain the integrity of staff, 12% disagreed, 12% were neutral or undecided, 37.5% agreed and 26.5% strongly agreed.

Q8. The unavailability of tax auditors impedes effective tax administration.

Table 17: Response on the unavailability of tax auditors impedes effective tax administration

	Frequency	Percent
Strongly disagree	25	12.5
Disagree	31	15.5
Neutral	30	15.0
Agree	66	33.0
Strongly agree	48	24.0
Total	200	100.0

Source: Field survey, 2019.

The above table showed that out of the 200 respondents, 12.5% strongly disagreed that unavailability of tax auditors impedes effective tax administration, 15.5% disagreed, 15% were neutral or undecided, 33% agreed and 24% strongly agreed.

Table 18: Descriptive statistics of tax administration

Variable	Valid	Missing	Median	Mode
Sex	200	0		
Age	200	0		
Level of education	200	0		
Years working with GRA	200	0		
Political influence	200	0	4	4
Insufficient investigative ability	200	0	4	4
Noncompliance of tax payers	200	0	4	5
Inadequate trained staff	200	0	4	5
Corrupt tax officials	200	0	4	5
Inadequate logistics	200	0	4	4
Absence of promotion and ethical standards	200	0	4	4
Unavailability of tax auditors	200	0	4	4

Source: Field survey, 2019.

The valid section represents the non-missing cases and showed that the number of respondent were 200.

The missing section represents the number of missing cases indicating that out of the 200 respondent, all respondent responded to each question.

The median for political influence, insufficient investigative ability, noncompliance of tax payers, inadequate trained staff, corrupt tax officials, inadequate logistics, absence of promotion and ethical standards and unavailability of tax auditors were 4 which indicated that the majority of responses tend to accumulate toward ‘Strongly Agree’ and ‘Agree’ with a few extreme responses at strongly disagree and disagree. This indicated that majority of the respondent had positive opinion.

The mode for political influence, insufficient investigative ability, absence of promotion and ethical standards and unavailability of tax auditors were 4 indicating that the most frequently occurring response was 'Agree' while the mode for noncompliance of tax payers, inadequate trained staff, corrupt tax officials, inadequate logistics were 5 indicating that the most frequently occurring response was 'Strongly Agree'.

This indicated that the majority of tax administrators admit to the numerous challenges of tax administration outlined.

Mann-Whitney U test for tax administration

Table 19: Ranks for tax administration

	challenges	N	Mean Rank	Sum of Ranks
response	Dissent	8	4.50	36.00
	Admit	8	12.50	100.00
	Total	16		

Table 20: Test Statistics for tax administration

	response
Mann-Whitney U	.000
Wilcoxon W	36.000
Z	-3.361
Asymp. Sig. (2-tailed)	.001
Exact Sig. [2*(1-tailed Sig.)]	.000

As the data was skewed (not normally distributed) the most appropriate statistical test was Mann-Whitney U test. Descriptive statistics showed that Admit group (mean rank = 12.50) scored higher on challenges of tax administration than Dissent (mean rank = 4.50). U = 0.00 indicates that all the values in one sample are larger than all the values in the other sample. Mann-Whitney U value was found to be statistically significant U =0.00 (Z = -3.361), $p < 0.05$, and the difference between the Admit and Dissent groups was large (r = -0.8403).

Test of hypothesis two

Hypothesis two

H_2: Challenges of tax administration have no significant effect on revenue generation in Ghana.

Decision

Since Mann-Whitney U value was found to be statistically significant, we reject the null hypothesis (H_2) and accept the alternative hypothesis.

4. 5 Descriptive Analysis of Tax law

Table 21: Demographic Data

Years of membership

	Frequency	Percent
Less than 5years	10	20.0
6-10years	18	36.0
More than 11 years	22	44.0
Total	50	100.0

Source: Field survey, 2019.

Q1. The high cost of compliance with tax laws impede the smooth and efficient administration of the system.

Table 22: Response to high cost of compliance with tax laws

	Frequency	Percent
Strongly disagree	6	12.0
Disagree	4	8.0
Neutral	1	2.0
Agree	16	32.0
Strongly agree	23	46.0
Total	50	100.0

Source: Field survey, 2019.

The above table showed that out of the 50 respondents, 12% strongly disagreed that high cost of compliance with tax laws impede the smooth and efficient administration of the tax system, 8% disagreed, 2% were neutral or undecided, 32% agreed and 46% strongly agreed.

Q2. The ambiguity or uncertainties in the law lead to one defensible position and non-compliance.

Table 23: Response to ambiguity or uncertainties in the law

	Frequency	Percent
Strongly disagree	4	8.0
Disagree	3	6.0
Neutral	2	4.0
Agree	20	40.0
Strongly agree	21	42.0
Total	50	100.0

Source: Field survey, 2019.

From the above 50 respondents, 8% strongly disagreed that ambiguity or uncertainties in the law lead to one defensible position and non-compliance, 6% disagreed, 4% were neutral or undecided, 40% agreed and 42% strongly agreed.

Q3. Many and difficult tax computations to be made leads to tax complexity and non-compliance.

Table 24: Response to many and difficult tax computations

	Frequency	Percent
Strongly disagree	5	10.0
Disagree	5	10.0
Neutral	3	6.0
Agree	17	34.0
Strongly agree	20	40.0
Total	50	100.0

Source: Field survey, 2019.

From the above 50 respondents, 10% strongly disagreed that many and difficult tax computations leads to tax complexity and non-compliance, 10% disagreed, 6% were neutral or undecided, 34% agreed and 40% strongly agreed

Q4. Frequent changes to the law leads to tax complexity.

Table 25: Response to frequent changes to the law

	Frequency	Percent
Strongly disagree	10	20.0
Disagree	5	10.0
Neutral	3	6.0
Agree	15	30.0
Strongly agree	17	34.0
Total	50	100.0

Source: Field survey, 2019.

The above table showed that out of the 50 respondents, 20% strongly disagreed that frequent changes to the law leads to tax complexity, 10% disagreed, 6% were neutral or undecided, 30% agreed and 34% strongly agreed.

Q5. Numerous rules and exceptions to the rules lead to tax complexity.

Table 26: Response to Numerous Rules and Exceptions to the Rules

	Frequency	Percent
Strongly disagree	5	10.0
Disagree	4	8.0
Neutral	4	8.0
Agree	20	40.0
Strongly agree	17	34.0
Total	50	100.0

Source: Field survey, 2019.

The above table showed that out of the 50 respondents, 10% strongly disagree that numerous rules and exceptions to the rules lead to tax complexity, 8% disagree, 8% were neutral or undecided, 40% agree and 34% strongly agree.

Q6. The tax laws does not spell out that detailed special records must be kept

Table 27. Response to the tax laws does not spell out that detailed special records must be kept

	Frequency	**Percent**
Strongly Disagree	4	8.0
Disagree	6	12.0
Neutral	2	4.0
Agree	15	30.0
Strongly Agree	23	46.0
Total	50	100.0

Source: Field survey, 2019.

The above table showed that out of the 50 respondents, 8% strongly disagreed that tax laws does not spell out that detailed special records must be kept, 12% disagreed, 4% were neutral or undecided, 30% agreed and 46% strongly agreed.

Q7. The format or instructions of the tax laws are confusing

Table 28: Response to the format or instructions of the tax laws are confusing

	Frequency	Percent
Strongly disagree	6	12.0
Disagree	4	8.0
Neutral	3	6.0
Agree	17	34.0
Strongly agree	20	40.0
Total	50	100.0

Source: Field survey, 2019.

The above table showed that out of the 50 respondents, 12% strongly disagreed that the format or instructions of the tax laws are confusing, 8% disagreed, 6% were neutral or undecided, 34% agreed and 40% strongly agreed.

Q8. The tax laws are not strong enough to contribute to the effective tax system

Table 29: Response to the tax laws are not strong enough

	Frequency	Percent
Strongly disagree	7	14.0
Disagree	5	10.0
Neutral	2	4.0
Agree	18	36.0
Strongly agree	18	36.0
Total	50	100.0

Source: Field survey, 2019.

The above table showed that out of the 50 respondents, 14% strongly disagreed that the format or instructions of the tax laws are not strong enough to contribute to the effective tax system, 10% disagreed, 4% were neutral or undecided, 36% agreed and 36% strongly agreed.

Q9. The tax laws are not equitable in respect of formal and informal sector

Table 30: Response to tax the laws are not equitable in respect of formal and informal sector

	Frequency	Percent
Strongly disagree	8	16.0
Disagree	9	18.0
Neutral	2	4.0
Agree	16	32.0
Strongly agree	15	30.0
Total	50	100.0

Source: Field survey, 2019.

The above table showed that out of the 50 respondents, 16% strongly disagreed that the tax laws are not equitable in respect of formal and informal sector, 18% disagreed, 4% were neutral or undecided, 32% agreed and 30% strongly agreed.

Table 31: Descriptive statistics of complex tax laws

Variables	Valid	Missing	Median	Mode
Years of membership	50	0		
High cost of compliance	50	0	4	5
Ambiguity or uncertainty of tax laws	50	0	4	5
Many and difficult tax computation	50	0	4	5
Frequent changes to the tax laws	50	0	4	5
Numerous rules and exceptions	50	0	4	4
Details special records kept	50	0	4	5
Format or instructions confusing	50	0	4	5
Tax laws not strong enough	50	0	4	4
Tax laws not equitable	50	0	4	4

Source: Field survey, 2019.

The valid section represents the non-missing cases and showed that the number of respondent were 50.

The missing section represents the number of missing cases indicating that out of the 50 respondent, all respondent responded to each question.

The median for high cost of compliance, ambiguity or uncertainty of tax laws, many and difficult tax computation, frequent changes to the tax laws, numerous rules and exceptions, details special records kept, format or instructions confusing, tax laws not strong enough, tax laws not equitable were 4 which indicated that the majority of responses tend to accumulate toward 'Strongly Agree' and 'Agree' with a few extreme responses at strongly disagree and disagree.

The mode for numerous rules and exceptions, tax laws not strong enough, tax laws not equitable were 4 indicating that the most frequently occurring response was 'Agree' while the mode for high cost of compliance, ambiguity or uncertainty of tax laws, many and difficult tax computation, frequent changes to the tax laws, details special records kept, format or instructions confusing were 5 indicating that the most frequently occurring response was 'Strongly Agree'.

This indicated that the majority of members of Chartered Institute of Taxation, Ghana admit to the complex and opaque nature of the tax laws outlined.

Mann-Whitney U test for tax laws

Table 32: Ranks for Tax Laws

	challenges	N	Mean Rank	Sum of Ranks
response	Dissent	9	5.00	45.00
	Admit	9	14.00	126.00
	Total	18		

Table 33: Test Statistics for Tax Laws

	Response
Mann-Whitney U	.000
Wilcoxon W	45.000
Z	-3.593
Asymp. Sig. (2-tailed)	.000
Exact Sig. [2*(1-tailed Sig.)]	.000

As the data was skewed (not normally distributed) the most appropriate statistical test was Mann-Whitney U test. Descriptive statistics showed that 'Admit' group (mean rank = 14.00) scored higher on complex nature of tax laws than 'Dissent' (mean rank = 5.00). U = 0.00 indicates that all the values in one sample are larger than all the values in the other sample. Mann-Whitney U value was found to be statistically significant U =0.00 (Z = -3.593), $p < 0.05$, and the difference between the Admit and Dissent groups was large (r = -0.8468).

Test of hypothesis three

H_3: Complex nature of tax laws has no significant effect on revenue generation in Ghana.

Decision

Since Mann-Whitney U value was found to be statistically significant, we reject the null hypothesis (H_0) and accept the alternative hypothesis.

CHAPTER FIVE

SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSION

5.1 Introduction

This chapter discusses the summary of findings from the study and offers some recommendations on how the challenges can be mitigated to improve on the revenue generation in Ghana. It ends with a conclusion on the study. This research work critically evaluated taxation as a mechanism of revenue generation in Ghana with the use of both qualitative and quantitative approach in other to determine the effectiveness and efficiency of the tax system in Ghana.

5.2 Summary of Findings

In Ghana's quest to increase revenue, the government has sought to make the tax system more efficient through structural changes such as the establishment of the Ghana Revenue Authority to oversee the three revenue agencies. The research work revealed majorly that the revenue derived from taxation in Ghana from 2008 to 2018 has been significant over the period even though it has not been effective and efficient. This is in conformity with the findings of Bekoe, Danquah, and Senahey (2016) estimate of tax buoyancies for the tax reform period from 1982-2013.

Furthermore, the data collected and analysed indicated that tax administrators charged to monitor and collect various taxes are confronted with numerous challenges such as political influence, insufficient investigative ability by tax administers and inadequate trained staff/tax officials, administrative failure like corrupt tax officials, inadequate administrative logistics/resources, the absence of measures designed to maintain the integrity and the unavailability of tax auditors. This is in conformity with the findings of Bird and Zolt (2003), Armah–Attoh, and Awal (2013) and Atuguba (2006).

Again, the data collected and analysed indicated that, the high cost of compliance with tax laws, the ambiguity or uncertainties in the law lead to one defensible position and non-compliance, many and difficult tax, frequent changes to the law leads to tax complexity, numerous rules and exceptions to the rules, the tax laws do not spell out that details of record keeping contribute to complex and opaque tax laws. This is in conformity with the findings Tanzi & Pellechio, (1997) and McKerchar, M. A. & Australian Tax Research Foundation. (2003).

5.3 Conclusion

Taxation is a monetary charge levied on citizens by government in other to make funds available to perform its statutory responsibilities to the people.

The contribution of taxation to domestic revenue of Ghana have being significant over the period but not efficient and effective to finance the budget deficit.

Tax administrators are faced with numerous challenges that affect the effectiveness of tax administration in Ghana and there is the need for the government to address these challenges to enhance tax revenue.

The complexity and opaque nature of the tax laws was also a significant problem from the perspective of members of Chartered Institute of Taxation Ghana.

Enforcement should be matched with appropriate checks and balances in tax administration and need for the development of clear and sound tax policy that provide the framework of a straightforward tax system. Having an understandable tax system without unnecessary complexity, would go a long way to improving the efficiency and effectiveness of the tax system.

Since the study had revealed that Tax has significant impact of Total Revenue and grant, if the numerous challenges of the tax system are addressed, tax revenue would be enhanced which in the end will also increase Total Revenue and grant. This would go a long way to reduce the huge budget deficit and avoid sourcing for funds from both external and domestic sources to finance the budget deficit. The government need to direct its focus on tax revenue and stop the over reliance of foreign grants and loans which plunge the nation to huge debt. To achieve this, the government must address the challenges facing tax administrators and enact laws that would be simple to open up the tax base and administer good tax systems and policies to increase the revenue generation to meet government spending and reduce budget deficit.

5.4 Recommendation

The government must conduct taxpayer's outreach and education to reduce misconceptions and confusion about tax policies and procedures, and raises their awareness on the benefits of proper record-keeping. Outreach activities such as TV and radio coverage, and advertising, will help taxpayers understand their civic responsibility of paying taxes. Clear, and consistent tax policy would not only reduce the complexity of the tax laws for taxpayers and their compliance costs, it would improve their perception of the tax system's fairness and their commitment to compliance.

Since the use of a tax agent clearly imposes a monetary compliance cost, steps should be taken to empower personal taxpayers to complete their own returns as simply and efficiently as possible (such as education programs or the use of improved processes such as the GRA Internet lodgement facility) to reduce stress, anxiety and time taken by personal taxpayers in fulfilling their tax obligations. This could reduce compliance costs even further should they reduce the overall reliance on tax agents.

The government must institutionalize e-services and automation to reducing face-to-face interactions between taxpayers and tax officials to limit opportunities for corruption. Automation is a key feature of modern tax administration. It efficiently collects information from taxpayers and other parties (such as banks and government agencies) and electronically supports clerical functions. It will enable taxpayers to file returns and to easily and quickly declare and pay taxes.

The government must institutionalize an effective control and audit system. Taxpayers will comply in paying taxes if they understand their obligations, and if they see the tax administration is fair in handling non-compliance. The risk-based auditing system will enable effective auditing and efficient management of the administration's resources. A system must be implemented to compile information from various sources to create risk profiles and guides auditors through the steps of an audit. Other measures include: streamlining the reporting arrangement for audits; rotating auditors to prevent corrupt affiliations between auditors and audited firms; and implementing a system to monitor individual auditors.

The government must introduce an effective human resource management policy. The administration should have a transparent, fair, and streamlined policy for recruitment, performance appraisal, career development, and compensation including incentives. Tax officials must be adequately compensated, so that they do not need to steal to live. Staff professional development needs to include an anti-corruption focus, ethics, and code of conduct. Employee achievements in detecting tax fraud, attaining client satisfaction, and improving revenue collection should be recognized to strengthen the tax administration management.

The government must institutionalize a streamlined and transparent appeal procedure. An unbiased, quick, and transparent appeal process through Revenue Appeals Tribunal will help taxpayers develop trust in the overall tax system. This will limit abuse of taxpayers by tax officials to appeal and defer payment of taxes over an extended dispute period.

The tax system of Ghana must be well designed and appropriate, relatively simple, and properly implemented by giving the tax administration an appropriate institutional form with adequate trained tax officials, and adequate information technology. However, without a sound implementation strategy and sufficient political support, the best strategy cannot be effectively implemented and adequate resources will not ensure success. Effective tax administration requires qualified tax officials. Tax authorities must provide for training and retraining staff as needed.

The tax authorities need to collect the information needed for effective administration from taxpayers, relevant third parties, and other government agencies. The information must be stored in an accessible and useful fashion; and, most importantly, it must then be used to ensure that those who should be on the tax rolls, are, that those who should file returns, do, that those who should pay on time, do, and that those who do not comply are identified, prosecuted and punished as appropriate. Tax authorities should adopt an appropriate unique taxpayer identification system to facilitate compliance and enforcement.

An adequate penalty structure must be in place to ensure that those who must register do so, that those who must file their tax returns do so, and that those who under-report their tax bases are sufficiently penalized to increase the costs of evading tax.

To address this problem of complexity, the GRA must increase amounts of detail in material prepared for the use of personal taxpayers and also develop clear and simple rules, with less detail and less exceptions. This will reduce both uncertainty and the time taken for personal taxpayers to complete their returns.

Measures must be put in place to ensure that the integrity of tax administrators is enhanced as it collects the right amount of tax from each and every taxpayer. Tax laws should not normally be altered on a temporary basis to meet anticipated current year shortfalls. Frequent tax changes will increase enforcement and compliance costs and may increase efficiency costs, especially where businesses make production and location decisions on the basis of a particular tax structure.

The tax base must be as broad as possible to include the large section of the informal sector.

REFERENCES

Addison, T., & R. Osei (2001). Taxation and Fiscal Reform in Ghana. WIDER Discussion Paper 2001/97. Helsinki: UNU-WIDER.

Agyeman, E. D, (2005). Income Tax, Gift Tax and Capital Gains Tax: The Advent Press, Accra.

Akosah, Nana Kwame (2015). Empirical appraisal of fiscal stability: the case of Ghana", Journal of Economic Studies, Vol. 42 Iss 5 pp. 753 – 779. http://dx.doi.org/10.1108/JES-03-2014-0045.

Annan, B., Bekoe, W. and Nketiah–Amponsah, E. (2014), "Determinants of Tax evasion in Ghana (1970-2010)", International Journal of Business and Economic Sciences Applied Research, Vol. 6 No. 3, pp. 97-121.

Annual Debt Management-Report 2017.

Appiah-Kubi, K. (2003). An analysis of tax reform in Ghana: 1983-2002. Ghana Social Science Journal, 2(1), 66-91.

Armah–Attoh, D. and Awal, M. (2013), "Tax administration in Ghana: perceived institutional challenges", Afrobarometer Briefing Paper No. 124, Ghana, Accra.

Assibey-Mensah, G. O. (1999). The value-added tax in Ghana. Public Budgeting & Finance, 19(2), 76-89.

Atuguba R. (2006). The tax culture of Ghana: A research report prepared for the Revenue Mobilisation Support (RMS).

Ayee, J. R. A. (1997). Policy management in Ghana: The case of the value add tax (VAT). African Journal of Public Administration and Management, 8-9(2), 51-64.

Ayensu, E.S. (2007), Bank of Ghana: Commemoration of the Golden Jubilee, Bank of Ghana, Accra.

Bagchi, A., Bird, R. and Das-Gupta, A. (1995), An economic approach to tax administration reform. Discussion Paper No. 3, International Centre for Tax Studies, University of Toronto, Toronto, CA.

Bawumia, M. (2010), Monetary Policy and Financial Sector Reforms in Africa: Ghana’s Experience, Combert Impressions Ghana Ltd, Accra.

Bird R. M., Vasquez J. and Torgler B. (2006) Societal Institutions and Tax Effort in Developing Countries, In The Challenge of Tax Reform in the Global Economy, edited by: J Aim and J Martinez-Vazquez Germany: Springer-Verlag

Bird, R. M. and Zolt, E. M (2006), An Introduction to the Design and Development of Tax Policy in Developing and Transitional Countries.

Bird, R. M. and Zolt, E. M. (2003), "Introduction to tax policy design and development", paper prepared for the course "Practical Issues of Tax Policy in Developing and Transitional Countries.

Bleaney, M., N. Gemmell, and D. Greenaway (2000). ‘Tax Revenue Instability in Sub-Saharan Africa: Causes and Consequences’, in D. Bevan, P. Collier, and N. Gemmell (eds), Trade and Fiscal Adjustments in Africa. Basingstoke: Palgrave Macmillan.

Bräutigam, Deborah(2008). Taxation and Governance in Africa: Take a Second Look. American Enterprise Institute for Public Policy Research. No. 1.

BusinessDictionary.com. Taxation. Retrieved June 19, 2019, from BusinessDictionary.com website: http://www.businessdictionary.com/definition/taxation.html

Canellos, P. (2001). A Tax Practitioner's Perspective on Substance, Form and Business Purpose in Structuring Business Transactions and in Tax Shelters. SMU Law Review, 54(1), 47-72.

Chand, S. K., & Moene, K. O. (1999). Controlling fiscal corruption. World Development, 27, 1129-1140.

Colatei, D., and J. I. Round (2000). 'Poverty and Policy: Experiments with a SAM-based CGE Model for Ghana'. Paper presented at the XIII International Conference on Input-Output Techniques, 21-25 August. Macerato, Italy.

Dia, M. (1996). Africa's management in the 1990s and beyond: Reconciling indigenous and transplanted institutions. Washington, DC: World Bank.

Everest-Philips, M. (2008) Business Taxation as State Building in Developing Countries: Applying Governance Principles in Private Sector Development. Growth and Investment Group for International Development, UK.

Fjeldstad, O and Moore M. (2007) Taxation and State-Building: Poor Countries in a Globalized World. Chr. Michelson Institute working paper 11 Norway.

Fjeldstad, O., & Moore, M. (2009). Revenue authorities and public authority in sub-Saharan Africa. Journal of Modern African Studies, 47(1), 1-18

Gupta, A. S., 2007. Determinants of Tax Revenue Efforts in Developing Countries. IMF.

Joshi, A., & Ayee, J. (2008). Associational taxation: A pathway into the informal sector? In A. D. Brautigam & M. Moore (Eds.). Taxation and state-building in developing countries: Capacity and consent (pp. 183-211). Cambridge, UK: Cambridge University Press.

Joshi, A., & Ayee, J. (2009). Autonomy or organization? Reforms in the Ghanaian Internal Revenue Service. Public Administration and Development, 29, 289-302.

Kidd, M., & Crandall, W. (2006). Revenue authorities: Issues and problems in evaluating their success (Working Paper No., WP/06/240). Washington, DC: International Monetary Fund.

Killick, T. (2010). Development economics in action (2nd ed.). New York, NY: Routledge.

Kusi, N. K. (1998). 'Tax Reform and Revenue Productivity in Ghana'. AERC Research Paper 74 (March). Nairobi: African Economic Research Consortium

McCarten, W. (2006). The role of organizational design in the revenue strategies of developing countries: Benchmarking with VAT performance. In J. Alm, J. Martinez-Vazquez & M. Rider (Eds.), The challenges of tax reform in a global economy (pp. 413-440). New York, NY: Springer.

McKerchar, M. A. & Australian Tax Research Foundation. (2003). The impact of complexity upon tax compliance: a study of Australian personal taxpayers. (Sydney): Australian Tax Research Foundation.

McKinley, T., & Kyrili, K. (2009). Is stagnation of domestic revenue in low-income countries inevitable? (Discussion Paper No., 27/09). London, UK: University of London.

Meer, S. H. (2013). Canons of Taxation in Economics. https://owlcation.com/social-sciences/Canons-of-Taxation-in-Economics.

Montesquieu, Baron de. (1748). The Spirit of the Laws, Book VI. Nti, J. (1980). Civil service: Its appraisal and its prospects. Accra, Ghana: Ghana Universities Press.

Osei, P. D. (2000). Political liberalisation and the implementation of value added tax in Ghana. Journal of Modern African Studies, 38, 255-278.

Osei, R. D. & Quatey, P., 2005. Tax Reforms and Tax Administration in Ghana: WIDER Research Paper 2005/10, Helsinki, Finland.Working Paper WP/07/184 July.

Pietruszkiewicz, C.M. (2009). Economic Substance and the Standard of Review. Alabama Law Review, 60(2), 339-376.

Prichard, W., & Bentum, I. (2009). Taxation and development in Ghana: Finance, equity and account ability (Ghana Report, Tax Justice Country Report Series). Retrieved from http://www.eurodad.org/uploadedFiles/Whats_ New/Reports/Ghana_0906_Report_printer friendly%5B2%5D.pdf.

Rahman, A. (2009). Tackling Corruption Through: Tax Administration Reform. Investment Climate in Practice; No. 3. World Bank, Washington, DC. © World Bank. https://openknowledge.worldbank.org/handle/10986/10564 License: CC BY 3.0 IGO."

Shoup, C. S. (1990). Choosing among types of VATs. In M. Gilles, C. S. Shoup, & G. P. Sicat (Eds.), Value added taxation in developing countries (pp. 3-16). Washington, DC: The World Bank.

Taliercio, R., Jr. (2004). Administrative reform as credible commitment: The impact of autonomy on revenue authority performance in Latin America. World Development, 32(2), 213-232.

Tanzi, V., & Pellechio, A. (1997). Reform of tax administration. In C. K. Clague (Ed.), Institutions and eco-nomic development: Growth and governance in less-developed and post-socialist countries (p. 273). Baltimore, MD: Johns Hopkins University Press.

Terkper, S. (1994). Ghana: Trends in tax reform (1985-1993). Retrieved from http://www.cid.harvard.edu/ hiid/504.pdf.

Terkper, S. (1999a). Revenue authorities: A comparison of the experience of Ghana and East Africa countries. Bulletin for International Fiscal Documentation, 53(4), 171-179.

Terkper, S. (1999b). Ghana: Scope of new VAT laws. International VAT Monitor, 10(1), 11-15.

Terkper, S. E. (1995). Ghana: Tax administration reforms (1985-1993). Retrieved from http://www.cid. harvard.edu/hiid/index.html.

The Budget Statement, 2019

Trehan, B. and Walsh, C. (1988), "Common trends, the government budget contraints and revenue smoothing", Journal of Economic Dynamics and Control, Vol. 12, pp. 425-444.

University of Chicago Law School, John M. Olin Law & Economics, Working Paper No. 62. Retrieved from http://chicagounbound.uchicago.edu/cgi/viewcontent.cgi?article=1309&context=law_and_economics

Wallschutzky, I.G. (1993, January). Achieving Compliance. Proceedings of the Australasian Tax Teachers' Association, Christchurch, New Zealand.

Weisbach, D. (1998, November). Line Drawing, Doctrine, and Efficiency in the Tax Law.

William Bekoe, Michael Danquah, Sampson Kwabena Senahey, (2016) "Tax reforms and revenue mobilization in Ghana", Journal of Economic Studies, Vol. 43 Issue: 4, pp.522-534, https://doi.org/10.1108/JES-01-2015-0007.

Witt, M., & Lautenbacher, U. (2003). Institutional strengthening of the tax system in Ghana. Eschborn, Germany: GTZ GmbH.

World Bank (1993). World Development Indicators. Washington, DC: World Bank.

World Bank. (2001). Introducing a value added tax: Lessons from Ghana. Premnotes, No. 61.

Younger, S. (1996). 'Estimating Tax Incidence in Ghana Using Household Data', in D. E. Sahn (ed.), Economic Reform and the Poor. Oxford: Clarendon Press, 231-53.

APPENDIX A

UNIVERSITY OF EDUCATION, WINNEBA

DEPARTMENT OF ACCOUNTING

MASTER OF BUSINESS ADMINISTRATION (ACCOUNTING)

QUESTIONNAIRE ON EFFECTIVENESS OF TAX SYSTEM TO REVENUE GENERATION IN GHANA.

Dear Sir/Madam,

I am a Philemon Adjei Koduah from University of Education, Winneba (College of Technology Education, Kumasi).

As part of the requirement for the award, I am conducting a study titled "Effectiveness of Tax System to Revenue Generation in Ghana".

I would be very grateful if you could support this study by completing this questionnaire.

The information provided by you in this questionnaire will be used for research purposes. It will not be used in a manner which would allow identification of your individual responses.

Thank you very much for agreeing to participate in this survey.

Yours sincerely,

Philemon Adjei Koduah

SECTION A

Kindly tick (√) where appropriate.

1. Sex: Male ( ) Female ( )

2. Age (years): Below 25 ( ) 26-35 ( ) 36-45 ( ) 46 and above ( )

3. Highest Level of Education:

a. Professional ICA/ACCA/CIMA/CITG ( )

b. Masters MSc/MBA/EMBA/MA ( )

c. Bachelors BSc/BEd/BBA/BA ( )

d. HND/Diploma ( )

4. How long have you been working in GRA

(a) Less than 5years ( ) (b) 6-10years ( ) 11-20years ( )

(c) More than 11years ( )

SECTION B

TAX ADMINISTRATION

S/N		SD	D	N	A	SA
5.	Political influence impedes effective tax administration in Ghana					
6.	Insufficient investigative ability by tax administrators affects effective tax administration in Ghana.					
7.	Non-compliance of tax payers is a major problem confronting tax revenue authorities in generating tax revenue.					

8.	Inadequate trained staff/tax officials (lack of competence) makes it difficult for the assessment, computation and collection of tax revenue.					
9.	Administrative failure like corrupt tax officials makes it a challenge for effective tax revenue generation.					
10.	Inadequate administrative logistics/ resources such as stationery, vehicles, telecommunication facilities, equipments, computers, printers, photocopiers, etc. make it difficult for tax administrators to carry out their ordinary activities.					
11.	The absence of measures designed to maintain the integrity of staff such as the promotion and enforcement of ethical standards, merit based recruitment and promotion procedures impede smooth administration of tax system in Ghana.					
12.	The unavailability of tax auditors impedes effective tax administration.					

SD=Strongly Disagree

D=Disagree

N=Neutral

A=Agree

SA=Strongly Agree

APPENDIX B

UNIVERSITY OF EDUCATION, WINNEBA

DEPARTMENT OF ACCOUNTING

MASTER OF BUSINESS ADMINISTRATION (ACCOUNTING)

QUESTIONNAIRE ON EFFECTIVENESS OF TAX SYSTEM TO REVENUE GENERATION IN GHANA.

Dear Sir/Madam,

I am a Philemon Adjei Koduah from University of Education, Winneba (College of Technology Education, Kumasi).

As part of the requirement for the award, I am conducting a study titled "Effectiveness of Tax System to Revenue Generation in Ghana".

I would be very grateful if you could support this study by completing this questionnaire.

The information provided by you in this questionnaire will be used for research purposes. It will not be used in a manner which would allow identification of your individual responses.

Thank you very much for agreeing to participate in this survey.

Yours sincerely,

Philemon Adjei Koduah

SECTION A (For members of the Chartered Institute of Taxation, Ghana)

Kindly tick (√) where appropriate.

1. Years of membership

(a) Less than 5years (   )   (b) 6-10years (   )   11-20years (   )

(c) More than 11years (   )

SECTION B

TAX LAWS

S/N		SD	D	N	A	SA
2.	The high cost of compliance with tax laws impede the smooth and efficient administration of the system.					
3.	The ambiguity or uncertainties in the law lead to one defensible position and non-compliance.					
4.	Many and difficult tax computations to be made leads to tax complexity and non-compliance.					
5.	Frequent changes to the law leads to tax complexity.					
6.	Numerous rules and exceptions to the rules lead to tax complexity.					
7.	The tax laws do not spell out that detailed special records must be kept					
8.	The format or instructions of the tax laws are confusing.					
9.	The tax laws are not strong enough to contribute to the effective tax system					
10.	The tax laws are not equitable in respect of formal and informal sector					

SD=Strongly Disagree

D=Disagree

N=Neutral

A=Agree

SA=Strongly Agree

APPENDIX C

RESPONSE PER CATEGORY OF CHALLENGES OF TAX ADMINISTRATION

Response	Political Influence	Insufficient Investment	Non-Compliance	Inadequate Trained Staff	Corrupt Officials	Inadequate Logistics	Absence Of Measures	Unavaila-bility
Strongly Disagree	14	15	12	29	31	26	24	25
Disagree	16	13	12	31	23	27	24	31
Neutral	20	13	12	31	23	27	24	31
DISSENT	**50**	**41**	**36**	**91**	**77**	**80**	**72**	**87**
Agree	76	80	68	55	53	66	75	66
Strongly Agree	74	75	90	58	58	58	53	48
ADMIT	**150**	**155**	**158**	**113**	**111**	**124**	**128**	**114**

RESPONSE PER CATEGORY OF COMPLEX TAX LAWS

Response	High cost	Ambiguity	Many computaion	Frequent change	Numerous rules	Detailed special records	Format	Tax laws not strong	Unequitable
Strongly Disagree	6	4	5	10	5	4	6	7	8
Disagree	4	3	5	5	4	6	4	5	9
Neutral	1	2	3	3	4	2	3	2	2
DISSENT	**11**	**9**	**13**	**18**	**13**	**12**	**13**	**14**	**19**
Agree	16	20	17	15	20	15	17	18	16
Strongly Agree	23	21	20	17	17	23	20	18	15
ADMIT	39	41	37	32	37	38	37	36	31

TAX ADMINISTRATION (DISSENT AGAINST ADMIT)

	DISSENT	ADMIT
political influence	50	150
insufficient investment	41	155
non-compliance	36	158
inadequate trained staff	91	113
corrupt tax officials	77	111
inadequate logistics	80	124
absence of measures	72	128
unavailability of tax auditors	87	114

TAX LAWS (DISSENT AGAINST ADMIT)

	DISSENT	ADMIT
high cost	11	39
Ambiguity	19	41
many computation	13	37
frequent change	18	32
numeerous rules	13	37
detailed special records	12	38
Format	13	37
tax laws not strong	14	36
unequitable tax laws	19	31