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MENDING THE TAX NET IN GHANA: A PERSPECTIVE OF TAX OFFICIALS

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DECLARATION

Student's Declaration

I……………………………………………declare that this dissertation, except, quotations and references contained in published works that have been duly acknowledged, is my original work and has not been submitted for another degree elsewhere.

Students Number:

Signature: …………………………………

Date: ………………………………………..

Supervisor's Certification

I hereby declare that the preparation and presentation of this dissertation were done in accordance with the guidance for supervision of the dissertation laid down by the University of Education.

……………………………………………….(Supervisor)

Signature: ………………………………………

Date: ………………………………….

DEDICATION

To George Agyekum and Mary Abaidoo

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LIST OF ABBREVIATIONS

CEPS	:	Customs Exce\ise and Protective Service
ERP	:	Economic Recovery Programme (ERP)
GCMS	:	Ghana Customs Management System
GC-Net	:	Ghana Community Network
GDP	:	Gross Domestic Product
GH	:	Ghana Cedis
GIS	:	Geographical Information System
GPS	:	Global Positioning System
GRA	:	Ghana Revenue Authority
IRS	:	Internal Revenue Service (IRS)
JESC	:	Jordanian Economic and Social Council
KRA	:	Kenyan Revenue Authority
LTU	:	Larger Tax Unit
MBA	:	Master of Business Administration
NRS	:	National Revenue Secretariat
OECD	:	Organization for Economic Co-operation and Development
SAARC	:	South Asian Association for Regional Cooperation
SACCOa	:	Savings and Credit Co-operatives
SMEs	:	Small and Medium Enterprises
TIN	:	Taxpayer Identification Number

UNDP	:	United Nations Development Programme
VAT	:	Value-Added Tax

ABSTRACT

The purpose of the study focused on exploring areas of mending the tax net from the tax officials' perspective. The theoretical framework for this study was anchored on the deterrence theory and principal-agent theory. The study adopted a qualitative approach using a case study and thematic analysis to analyse responses. A sample of twelve (12) respondents consisting of tax officials at Swedru GRA office was purposefully selected for this study. Three main objectives were set to explore this study; knowledge of various loopholes in the tax system, various tax reforms that have contributed to mending the tax net and contemporary strategies to improve tax compliance. The study's findings indicated that tax systems that contain tax loopholes include; income tax, property tax and tax on domestic goods and services. Again, Covid-19 Health Recovery Levy Act, Financial Sector Recovery Levy Act, Energy Sector Levy (Amendment), and Electronic Transfer levy Act) are various tax reforms that have contributed to mending the tax net. Contemporary tax compliance strategies include; responsible accountability, digitization and formalized stakeholder engagement. The study recommended that GRA consider amending systems supporting income tax, property and domestic tax. Robust systems should be adopted. Again, actual tax rates are to be charged on these various tax forms. Outrageous tax rates are an indication of an unforeseen tax loophole. The study suggested a quantitative approach, and other geographical jurisdictions confirmed research results at Swedru GRA office.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Taxation is essential in the development of every nation in the world. According to Oboh (2012), taxation has been a concern of global significance as it affects every economy irrespective of national differences. Taxation is one of the essential elements in managing national income, especially in developed countries (Palil, 2010). Raising domestic revenue is a priority for most sub-Saharan African countries (Drummond et al., 2012). Taxation has been essential in civilised societies since their birth thousand years ago (Lymer & Oats, 2009). It is a well-known fact that the revenue generated from the taxation of individuals and businesses is a significant income stream for the government (Atawodi & Ojeka, 2012). More importantly, taxation is the avenue through which citizens are most intimately connected to the state and can be an essential catalyst for public demands for responsiveness and accountability (Ali et al., 2010). To avoid excessive foreign financial support, which may lead to a debt burden and possible domination in the long run, Gupta (2007) believes that developing countries need to rely substantially on domestic tax.

Tax revenue collection has become a significant issue, particularly after the world economic crisis of 2008, the upward trend of fiscal deficits and net public debt have raised the need for consideration of tax revenue, so countries have turned toward universal collaboration to combat tax non-compliance (Slemrod, 2016; Sawyer, 2014). Therefore, tax non-compliance is a serious and growing problem in all economies (Alm et al., 2016; Gangl et al., 2015), particularly in the developing world (Rosid et al., 2017; Palil, 2016; Slack & Bird, 2015; Gangl et al.,2015), and more significantly in Ghana (Osebe, 2013). Tax compliance remains a prime concern for all countries (Mascagni, 2017; Kogler et al., 2013; Alm & Torgler, 2011). The increase in tax revenue lies in encouraging tax compliance behaviour (Doerrenberg, 2015). Determining the drivers of tax compliance is considered one of the main concerns of governments (Doerrenberg, 2015; Alm, 2012). Thus, this issue demands to be addressed from various perspectives (Finocchiaro & Rizzo, 2014; McGee & Benk, 2011), and is always an exciting research area (Puspitasari & Meiranto, 2014). Yet, no consensus exists on what precisely influences the willingness to pay taxes (Randlane, 2016; Castro & Scartascini, 2015), which appears to differ from country to country (Palil, Hamid & Hanafiah, 2013). Therefore, as long as taxation exists, problems will be associated with tax compliance.

Tax non-compliance exists in both the formal economy and the shadow economy, but tax non-compliance in the shadow economy is higher because all activities unofficially occur. This means a business may avoid paying taxes and may not even be registered as an official enterprise (Schneider et al., 2015). If a shadow economy is high, then tax non-compliance can be high (Cooray et al. 2017). Factors determining tax non-compliance influence the shadow economy (Schneider & Buehn, 2018). Thus, minimising the shadow economy would likely mitigate tax non-compliance, especially from the informal sector (Palil, 2016). Tax is a compulsory charge imposed by a public authority on the income of individuals and companies as stipulated by the government decrees, acts or cases laws, irrespective of the exact amount of services rendered to the taxpayer (Olaseyitan & Sankay, 2012). Bird (2003, p.14) states, “No one likes taxes; people do not like to pay them, and governments do not like to impose them”. However, taxes are necessary to finance desired public spending to ensure that the burden of paying for such spending is fairly distributed (Mukasa, 2011). Because of the importance of tax revenue to governments, mending the tax net is very important in generating the required revenue.

Mending the tax net is the ability of the tax collection agencies to stop all the loopholes in the tax collection system to generate the needed revenue for development. Several efforts and measures are put in place to ensure tax revenue generation. Mukasa (2011) states that continuous tax education and resourcing the tax agencies are measures governments put in place to maximise tax revenues through compliance. Organisation for Economic Co-operation and Development (2000) also states that imposing interests and penalties, tax-deductible benefits and cash flow benefits are measures governments have put in place to induce compliance with tax laws and regulations, generating more tax revenue. The Ghana Revenue Authority (GRA) has also introduced a self-assessment system for business organisations to improve tax compliance (Ghana Revenue Authority, 2013).

Tax revenue is very critical to the development of the country since it constitutes a large proportion of the country's total revenue (Ministry of Finance, 2013). In recent years Ghana's economy has expanded significantly. For instance, in the decade to 2019, real GDP increased by 92 per cent overall (Bank of Ghana, 2021). Alongside Macroeconomic growth, the economy has also undergone significant structural change, with an increased role for mineral and oil exports, particularly in light of the discovery and exploitation of significant oil fields from 2010 onwards. At the same time, the country's tax system has evolved in several ways, including its aggregate role in the economy. Between 2000 and 2019, Ghana's ratio of tax collections to GDP increased by 5 percentage points from a base of just 8% at the turn of the millennium. The tax system has a crucial role in domestic revenue mobilisation. The Government of Ghana aims to reach a tax-to-GDP ratio of 20 per cent by 2023 to enable spending on public investment and social programmes (Ministry of Finance, 2020). In doing so, the tax system should be designed to raise revenue efficiently, equitably and sustainably.

In Ghana, tax revenue in 2011 represented 80% of the total revenue and rose to 84% in 2012 (Controller & Accountant General, 2012). With the growing expenditure of the government and increasing government borrowings (Ministry of Finance, 2014), the need to improve the efficiency of generating tax revenue in the country is required to finance these expenditures and reduce public debt. Ghana's sources of tax revenue are direct and indirect taxes (Abdallah, 2014). Direct taxes are imposed on taxpayers' income and wealth, such as income tax, corporate tax, capital gain tax, and gift tax (Agyeman, 2005). The indirect taxes are imposed on consumption expenditures such as value-added tax, import and export duty and communication service tax (Abdallah, 2014).

Even though tax revenue is significant to the governments of Ghana, it has been realised over the years that there are many institutions, companies, cooperate organisations and individuals who do not pay tax. The informal sector in the country has been identified as a tax area, and most of the workers here do not pay taxes to the government. The only excuse Ghana Revenue Authority has been giving is that the sector is not formalised for accessible tax collection. Most of the tax revenues in Ghana are collected from the formal sector, which also employs few people. This has led to low revenue mobilisation compared to the country's Gross Domestic Product.

In both developed and developing countries, tax non-compliance has become an ongoing and mounting problem (Alm, 2012; Alon & Hageman, 2013). Several studies (Fuest & Riedel, 2009) suggest that the impact of such non-compliance has been comparatively severe in developing countries. The story is not different in Bangladesh. Despite remarkable GDP growth in the past decade, Tax-GDP ratios have either stagnated or declined due to sluggish growth in tax revenue. The fiscal deficit has become an enduring problem in most developing countries, including most SAARC countries (Gupta, 2015). Despite several research attempts in developing countries, it was not possible to reveal a clear and concrete idea regarding tax compliance behaviour (D'Arcy, 2011). Most developed countries can generate high tax revenue because of their structured and efficient tax administration system. In comparison, the picture is reversed in the case of low and lower-middle-income countries. Tax evasion and non-compliance have been termed critical problems while realising government revenues in these countries.

Bangladesh's tax system has always been dominated by indirect taxes, although the contribution of direct tax is increasing gradually. Before the introduction of VAT, the tax structure was dominated by import and excise duties. Since its inception in 1991 by replacing the sales taxes, VAT has been the highest contributor in total tax collection, providing around 36.14% of the total tax revenue, followed by income tax with a 32.92% contribution in 2018-2019 (Shil et al., 2019). Despite several reform efforts, Bangladesh has been experiencing an average budget deficit of 4.55% of the country's GDP during the recent decade of 2009-10 to 2018-19 (Bangladesh Economic Review, 2019).

In Jordan, tax non-compliance exists in both the formal and shadow economies. Still, tax non-compliance in the shadow economy is higher because all activity unofficially occurs. This means that a business may avoid paying taxes and may even not be registered as an official enterprise (Schneider et al., 2015). If a shadow economy is high, then tax non-compliance can be high (Cooray, Dzhumashev & Schneider, 2017). In Jordan, SMEs are the main contributors to the shadow economy, contributing 90% of the total shadow economy in 2012 (United Nations Development Programme [UNDP], 2012). Recent Jordanian estimates of the shadow economy estimate the contribution of the shadow economy from 25% to 26% of GDP in 2015 and in 2016 respectively (Rawashdeh, 2017; Jordanian Economic and Social Council [JESC], 2014). Nonetheless, much earlier data for the shadow economy in Jordan between 2005 and 2010 showed a similar increasing trend, rising from 19.2% in 2005 to 22.1% in 2010 (Alkhdour, 2011).

Drawing from the preceding arguments, mending the tax net is crucial in generating the required revenue to support government programmes and projects. It is, therefore, appropriate to identify factors contributing to tax non-compliance behaviour of the tax-paying institutions and individuals in the county. Against this background, the researcher sees the need to investigate ways of mending the tax net based on a perspective of tax officials.

1.2 Statement of the Problem

Ghana, since independence, has struggled to collect taxes relative to the size of its economy**.** The reasons are the sizeable informal economy, corruption, and lack of institutional reform (Mbilla, 2018). As a result, Ghana's tax effort, which is the total tax revenue as a percentage of gross domestic product (GDP), remains among the lower group in Sub-Saharan Africa at less than 14%, while some of its peers are performing between 17%-20% of GDP (Revenue Statistics in Africa, 2021). The Ghana Revenue Authority has set a target of 17.5% tax-to-GDP by the end of 2022 (GRA, 2021). That said, the country's theoretical tax frontier - tax capacity/potential - is estimated at between 24-25%, implying Ghana could scale up tax revenue without burdening the faithful few. Recent discussions on Ghana's tax system have focused on introducing different taxes and levies in the 2021 Ghanaian national budget (Abrokwah, 2021). However, there are still fears that the country (Ghana) is yet to increase its tax net, fill the loopholes in tax administration and generate enough tax revenue (Oppong, 2021). Tax revenue, comprising taxes on income and property, taxes on domestic goods and services and international trade taxes, remains the primary source of revenue in Ghana. In Ghana, most people dislike paying taxes, and tax officials use coercive measures to enforce taxation (Asafu-Adjaye, 2014). Some coercive measures include monetary fines (penalties), garnishing and prison sentence.

Some tax officials do not see taxpayers as partners in the tax contract and therefore use authoritarian measures devoid of respect in dealing with taxpayers (Ameyaw et al., 2016). On the other hand, some taxpayers evade and avoid taxes by failing to declare their actual taxable income, affecting revenue mobilisation. Evidence has shown that some taxpayers flout tax laws by failing to report to the tax office upon invitation and issuing a verbal and physical attacks on tax officials (Mbilla, 2018)

A review of the extant literature indicates that several studies have employed quantitative approaches in assessing the various factors influencing tax compliance to inform policy directions to improve compliance and generate more tax revenue. Some of these factors identified include economic factors such as fines and penalties(Ng'ang'a & Muturi, 2015; Yoon et al., 2011; Devos, 2013; Mohdali, Isa & Yusoff, 2014); tax audit (Sinnasamy & Zainol, 2017; Inasius, 2015; Woodward & Tan, 2015; Modugu, 2014; Feld & Larsen, 2012; Naibei et al., 2012) and other socio-psychological factors such as perceived tax fairness (Sinnasamy & Bidin, 2017; Thomas, 2012; Alshira'h & Abdul-Jabbar, 2019), peer influence (Puspitasari &

Meiranto, 2014), tax morale (Doerrenberg et al., 2014) and tax knowledge (Osebe (2013).

However, there is limited study that explores the various tax policies and reforms in Ghana that seek to mend the tax net. By implication, there is lack of conclusiveness on which policies to be adopted to minimize the issues of tax loopholes which would contribute to tax compliance in the long run. On these grounds, this study seeks to explore more ways of mending Ghana's tax net from the perspective of tax officials.

1.3 Purpose of the Study

This study is purposed to explore tax officials' perspectives of the various tax reforms contributing to mending Ghana's tax net.

1.4 Objective of the Study

This study's general objective is to explore ways of mending the tax net, a prospective viewpoint from tax officials. The specific objective of the study is to:

1. Assess tax officials' knowledge of the tax system loopholes that contribute to tax evasion.
2. Examine tax officials' perspectives on how various tax reforms have contributed to mending the tax net in Ghana.
3. Discover various contemporary tax compliance strategies to be adopted by tax officials.

1.5 Research Questions

The following research questions were formulated to support the research objectives;

1. What are the various loopholes in the tax systems that have contributed to several tax evasions?
2. How have the various tax reforms contributed to mending the tax net in Ghana over the years?
3. What are the contemporary tax compliance strategies to be adopted by tax officials?

1.6 Significance of the Study

The study would help in the following ways: First, it would contribute to a body of knowledge. The study results is a valuable source of information for reference purposes by students, scholars, people in business, and other interested parties desirous of making sound decisions upon getting informed. Further studies on mending the tax net can be conducted on other taxpayers.

Furthermore, policy decisions would be made by the government and tax agencies on how to improve the tax collection system in the country. It also will offer the tax agencies, especially the Ghana Revenue Authority (GRA), the opportunity to identify some major loopholes in our tax collection system and find appropriate ways of mending the tax net.

Finally, tax payers in the country would also find this helpful study in that it would help them understand the moral obligations behind tax payments and may benefit from government support to expand their businesses and improve the lives of the citizens.

1.7 Scope and Delimitation of the Study

The scope of the study comprises the contextual and geographical limits of the study. Contextually, the research emphasised mending the tax net, the perspective viewpoint from tax officials of tax policies in Ghana. Again, geographically, the study limits itself to the tax policies and reforms within Ghana's jurisdiction with much focus on the GRA department at Agona Swedru in the Central Region of Ghana. Apart from proximity (easy access to information), the selection of Agona Swedru is justified by the supervisory role it plays towards other sub tax offices in the central region, as well as the intense tax activities which appreciates the efforts of senior tax officials as compared to other GRA units. As a result, data for analysis in this study was collected from tax officials at the Ghana Revenue Authority Department in Agona Swedru.

1.8 Limitations of the Study

The significant limitations associated with the study were to combine the various roles as a student in the Master of Business Administration (MBA) programme and as a full-time worker with Ghana Education Service, Agona Swedru Education Office, leading to a lot of stress; meanwhile, enough time was required for a study of this nature.

Again, data collection was a challenge because tax officials were not too sure of the authenticity of this research. A letter of introduction was demanded to ensure the academic purpose of this study. This phenomenon delayed the data collection period.

Also, the researcher was not too familiar with analysing textual data. Hence, there were issues in analysing responses. The challenge was overcome by engaging with other researchers and colleagues familiar with analysing textual responses using thematic and content analysis.

1.9 Organisation of the Study

The study is organised into five chapters: Chapter one comprises the background of the study, problem statement, research objectives, research questions, the scope of the Study and significance of the Study. Chapter two contains the literature review on theoretical, conceptual issues and empirical evidence on mending the tax net. Chapter three consists of the research methods, research design, study design, population, sample and sampling design, instruments, data sources, and measurement of variables. Chapter four focuses on results and discussions, and finally, chapter five comprises a summary, conclusions and recommendations.

1.10 Definition of Terms

Tax policies

Tax policies are the guidelines a government develops regarding how taxes are imposed, in what amounts, and on whom.

Tax net

This refers to the extent of coverage of the tax policies in a particular jurisdiction.

Tax evasion

Tax evasion refers to how taxpayers portray negative actions towards paying taxes.

Tax Compliance

Tax compliance refers to the degree to which taxpayers comply with tax laws and obligations**.**

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter covers a review of publications that are pertinent to the subject as well as the theoretical underpinnings of the investigation. The review of the chapter is broken up into three sections: the conceptual review, the theoretical review, and the empirical evaluation. A conceptual review concentrates on the history and ideas that provide the most convincing explanation for the subject. The theoretical review concentrated on analysing the work's theoretical foundations. The empirical review concentrated on the relevant prior literature, which serves as the basis for the literature gap.

2.1 Theoretical Review

This section sought to review relevant tax compliance theories. These theories include; deterrence theory and principal-agency theory.

2.1.1 Deterrence theory

In the past, the most successful method for ensuring that tax compliance was achieved was through the use of deterrence, given the financial approach (Frey, 2003). Becker's economics-of-crime model from 1968 has given rise to economic research on tax evasion, which is now being used to combat criminal activities. Becker's model was published in 1968. Consequently, the deterrence strategy is based on the idea that the possibility of facing legal ramifications is enough to discourage engaging in illegal behaviour (Matthews & Agnew, 2008). Becker (1968) assumes that taxpayers are rational. Each taxpayer is presumed to maximise the expected utility of the tax non-compliance gamble by weighing the benefits of successful tax non-compliance against the risk of a tax audit and penalty. Becker's assumption is based on the fact that taxpayers are assumed to be rational. This notion is undoubtedly based on the premise that a taxpayer pays taxes out of the fear of being revealed and penalised if they do not pay taxes (Alm, 2012; Alm et al., 2008; Alm, 1999). Allingham and Sandmo (1972) were the first to apply the deterrence theory to construct the theory of tax non-compliance. This theory is based on Becker's (1968) crime model.

As shown in Figure 1, the core deterrence paradigm operates under the assumption that the major technique for increasing tax compliance is increased awareness of the possibility of incurring financial sanctions in the form of fines, penalties, and audits (Kuperan & Sutinen, 1998). Tax audit is defined as the likelihood that the tax authority would identify taxpayers who do not comply with the tax rules through tax audit and auditing programmes (Fischer, 1993). On the other hand, tax penalty is the consequence and fine imposed on taxpayers who do not pay taxes. Tax audit and tax penalties are two different things. Tax audit is the likelihood that the tax authority would identify taxpayers who do not comply with the tax rules through tax audit and auditing programmes (Jackson & Milliron, 1986). Tax evasion is seen as a form of economic criminality, and the most prevalent and significant punishment for this action is the imposition of penalties (Isa, 2012). The purpose of instilling fear, increasing the scale of a penalty, and increasing the severity of a punishment is typically the objective of efforts to discourage non-compliance (Forest & Sheffrin, 2002).

The A-S model, also known as a deterrence theory (economic approach) or an anticipated utility maximisation model, is the model that has been around the longest to attempt to resolve the issue of tax non-compliance. The justification for using this theory is due to the assumption that the tax system can minimise the number of people who do not comply with their tax obligations by using fear and punishment. Which, in the long run, contributes to mending the tax net.

Figure 1 illustrates the deterrence theory model, the Financial Self-Interest Model of Taxpayer Compliance.

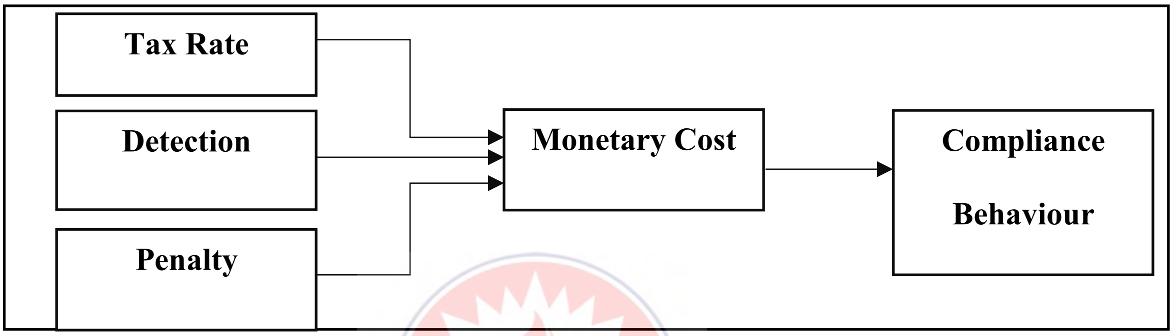

Figure 2.1: Deterrence theory model

Source: Becker (1968)

2.1.2 Principal-agent theory

The principal-agent theory is a way of thinking similar to the transaction cost theory. While the transaction cost theory aims to explain the economic advantages of different forms of cooperation based on the costs of transactions, the principal-agent theory considers the analysed service interactions as if they were between a customer and a contractor (Cheon et al., 1995; Ebers & Gotsch, 2006).

The primary purpose of principal-agent theory is to assist in the formulation of contractual arrangements between principals and agents that are as conducive to success as is humanly possible. However, the underlying assumptions need to be taken into consideration, and these include the following: (1) actors behave as benefit maximisers (Eisenhardt, 1989; Lassar & Kerr, 1996), (2) there are conflicting interests

(Jensen & Meckling, 1976), (3) actors have only limited rationality (Eisenhardt, 1989; Picot et al., 1999), and (4) there are information asymmetries between principals and agents (Picot et al., 1999; Richter & Bindseil, 1995).

An agency, in broad terms, is any relationship between two parties in which one, the agent, represents the other, the principal, in day-to-day transactions (Shrestha et al., 2019). The principal or principals have hired the agent to perform a service on their behalf. Principals delegate decision-making authority to agents. Because the agent makes many decisions that financially affect the principal, differences of opinion, priorities, and interests can arise. Agency theory assumes that the interests of a principal and an agent are not always aligned. This is sometimes referred to as the principal-agent problem.

The principal has entrusted resources but has little or no day-to-day input. The agent is the decision-maker but incurs little or no risk because the principal will bear any losses (Clark, 2009). Research conducted in recent times has provided more specific insights into the circumstances under which persons who delegate benefit from doing so (Gong et al., 2017; Ramirez & Wood, 2019; Shrestha et al., 2018). The vocabulary principal–agent models are becoming increasingly popular among academics to clarify better the reasons behind delegation (also known as agency theory). Within this context, the principal–agent theory is applicable because the government, as the principal, delegates tax authorities (GRA officials) who ensure that tax mobilisation is done on the government's behalf. Conversely, the government equips tax officials with resources and incentives to ensure that many taxpayers are captured in the tax system.

2.2 Conceptual Framework

This study's conceptual framework is developed based on the literature gap identified in the study. Precisely, the conceptual framework is drawn to cover literature areas such as tax reforms (Osei & Quartey, 2005), tax loopholes (Marjit et al., 2017), mending the tax net (Yahaya et al., 2018) and tax compliance (Agyapong, 2019; Wahabu, 2017). Figure 2 presents the relationship between tax reforms, tax loopholes, tax net and tax compliance. The conceptual framework shows that the tax net can be mended by identifying tax loopholes and implementing tax reforms, leading to tax compliance.

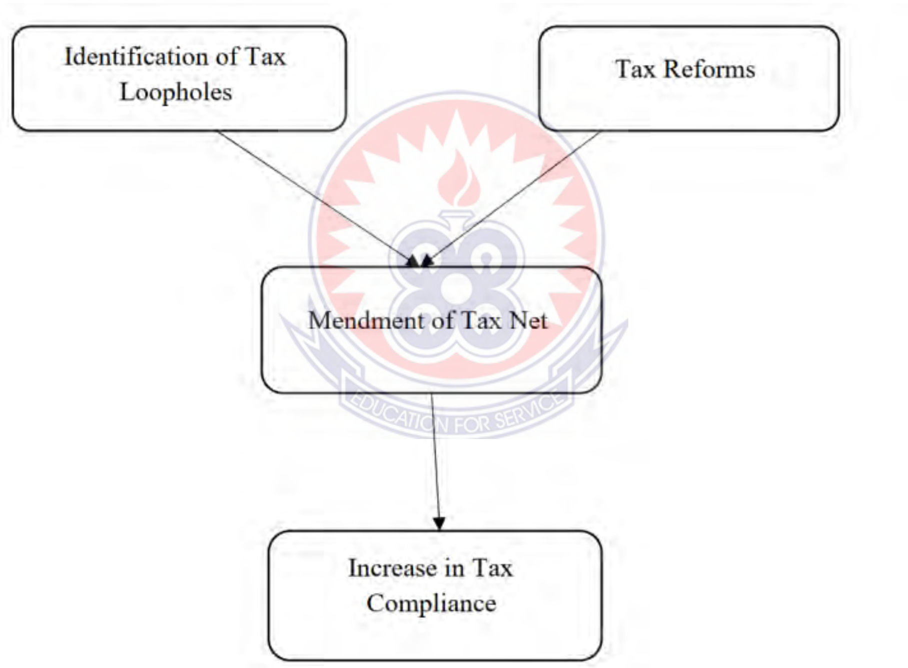

Figure 2.2: Conceptual framework for the study

2.3 Conceptual Review

This section captures various variables that explain the subject mending of the taxation net.

2.3.1 The concept of taxation

Numerous researchers have proposed numerous definitions for the concept of taxation. According to Appah and Oyandonghan (2011), a tax is a compulsory levy placed on a subject or his property by the government to provide security and social amenities and establish circumstances for the economic well-being of the society as a whole. According to Ali et al. (2018), the definition of tax is "a compulsory, unrequited payment made by individuals, households, and firms to public resources of government for the provision of goods and services necessary for economic growth and development." Individuals, households, and firms pay taxes. Taxes are a form of obligatory contribution levied by public bodies with tax jurisdiction to offset the costs of such authorities' activities. The taxpayer receives no direct benefit from paying taxes (Abdallah, 2014).

Asante and Marfo-Yiadom (2010) define taxation as "any sum of money that the government of a country compulsorily collects from her residents without rendering any service or giving any goods in direct return for the amount collected," which means that the government does not provide any goods or services in direct return for the amount collected. In addition, taxation is described by Asafu-Adjaye (2014) as the demand for a compelled payment of money by people of a country made by the central government or local government of that country, other than as payment for some specific service or as a penalty for some specified offence. Similarly, Mukasa (2011) characterises taxes as the procedure by which the government administers tax regulations and laws to derive benefits from their application. In addition, taxes serves not only as a method for the government to increase its revenue but also as a device for the administration of social justice (Akakpo, 2009).

2.3.2 Classification of taxes in Ghana

In Ghana, taxes can be divided into two basic categories: direct and indirect. Direct taxes are meant to be paid by the same person or organisation on whom or from which they are collected, with the same person or organisation bearing both the impact and the incidence of the tax (Abdallah, 2014). Therefore, direct taxes are payments made to the government directly related to the wealth owned or revenue received. They can be imposed on individuals and businesses and are paid for by the entity responsible for generating income or wealth. Direct taxes in Ghana can be further broken down into the following categories, according to the Ghana Revenue Authority (GRA): Workers are subject to a tax system known as "Pay as You Earn," which is calculated based on their income (Abdallah, 2014). The vast majority of the time, this kind of tax is a progressive type, which means that people with higher incomes pay a more significant percentage of their income in tax.

In addition, the tax levied on firms' profits is considered a form of direct taxation and is known as the corporate tax (Akakpo, 2009). Because of this, the tax rate that a firm is required to pay varies from industry to industry, and it also relies on the location of the business. In addition, there is a capital gains tax, which is imposed on the profit made from the sale of a chargeable asset after an increase in that asset's value that occurred between the time it was purchased and when it was sold (Abdallah, 2014). On the other hand, it is levied on a gain made on the sale of a chargeable asset after deducting an exempt sum of fifty Ghana cedis (GH). The gift tax is another direct tax charged on transferring personal wealth from one person to another (Abdallah, 2014). Finally, rent tax is levied on profits received by landlords or ladies from the proceeds collected from landed assets such as buildings and farmlands. These properties include residential and commercial properties (Agyeman, 2005).

Indirect taxes are taxes that are imposed on expenditures that are incurred on goods and services, and these indirect taxes are paid only when the goods and services in question are purchased or consumed (Asante & Marfo-Yiadom, 2010). Individuals and businesses contribute to the payment of indirect taxes when they consume taxable goods or services subject to taxation. The division of the Ghana Revenue Authority responsible for the collection of indirect taxes is known as the Customs, Excise and Preventive Service (CEPS), as well as the Value Added Tax Service (VAT) (GRA). The three most common indirect taxes are value-added and import and export duties. The Value Added Tax, or VAT, is a consumption tax levied on the total amount spent on acquiring goods or services (Asante & Marfo-Yiadom, 2010). The entire production and distribution chain is subject to it, from raw materials to finished goods.

The VAT Service often relies on registered firms to collect and remit payment for this type of tax, which is then paid by those businesses to the VAT Service. Because a registered company is allowed to deduct any input VAT paid on taxable purchases from the Output VAT, the final consumer is the one who is responsible for paying this tax. The difference between the two amounts is then paid to the VAT Service. It is important to remember that while some items and services are exempt from taxation, others are not taxed at all. For example, agricultural items and inputs are free from tax, while commodities explicitly manufactured for export do not incur any tax. In addition, a tax known as import duty is levied on all items brought into the country that are not exempted by specific legislation (Abdallah, 2014). The amount of tax that must be paid is proportional, either in value or volume, to the goods that are being imported. Last, export duty is a tax levied on items exported from one country to another. This form of indirect tax does not apply to the export of certain types of commodities.

2.3.3 The role of taxation in the development of the economy

As a macroeconomic tool, taxation is used to serve multiple objectives. These include mobilising resources to finance government expenditures in providing health, education, infrastructure, and other social services necessary for sustaining human welfare and development (Bessley & Persson, 2014). The importance of taxation in an economy cannot be overstated.

Taxation is a technique that is utilised in macroeconomics, and it is employed to serve numerous aims. These include, among other things, the mobilisation of resources to finance government spending in the provision of social services essential for maintaining human welfare and development, such as health care, education, and infrastructure (Bessley & Persson, 2014). There is no possible way to overestimate the significance of taxation to an economy.

According to Surrey (2013), four fundamental aspects of taxation need to be comprehended for taxes to fulfil their essential function in an economy. A tax is a form of obligatory financial payment made by individuals to the government to benefit the general population. The second impact of a tax is that it places a general obligation on the people who pay it. Thirdly, there is a presumption that the contribution to public revenue provided by the taxpayer may not be similar to the benefits obtained. This is because there is a presumption that the contribution may not be equivalent to the benefits received. Fourthly, a citizen is not required to pay a tax by the government simply because the government has provided certain services to the citizen or their family. Therefore, the views on taxation that have been presented up until this point imply that a sound tax system plays many roles in economic growth. Implementing such a tax system allows the government to collect additional money, which is required for it to fulfil its obligations.

Different tax policies have been put in place from time to time for various reasons. The primary goals of taxation are to generate money to finance government spending that can increase the growth rate, allocate resources, re-distribute income, and reduce inequities that arise from the distribution of wealth among consumers (Cornia et al., 2011). Romer and Romer (2010) provide evidence that tax policies are enacted for two reasons: to finance a budget deficit or to combat the effects of other factors operating inside the economy. Suppose the tax instrument is designed to raise additional revenue and be able to fund tax policy measures that will represent the government's desire to use taxation as a primary policy instrument to stimulate economic growth. In that case, it will be advantageous (Atwood et al., 2012).

To accomplish these goals, reforms have included both outright relief and signals of encouragement directed toward the industry and family sectors. Also, the tax policy measures indicate how to manage the tax system, particularly the tax laws and information, so that families and businesses can make decisions regarding their investments, consumption, and savings in the most effective manner possible (Surrey, 2013).

2.3.4 Tax Reform Policies in Ghana

Since the beginning of Ghana's economic recovery programme (ERP) in 1983, serious tax revisions have occurred. The tax system reform has been one of the most significant components of the economic reforms that have been implemented.

The tax reforms have gone through three major. These stages are as follows (Osei & Quartey, 2005); Restoration of the tax base, strengthening production incentives and enhancing efficiency.

2.3.4.1 Restoring the taxbase

Adjustments were made to the currency exchange rate between 1983 and 1984 to boost revenue collected from cocoa export taxes and import customs. In addition, the increased availability of foreign exchange as a result of donations led to a growth of imports, which in turn led to a rise in the base of taxes levied on imports (Addisson & Osei, 2001). As a result, the primary objective of the tax reforms implemented during this period was to increase the size of the tax base, which had shrunk due to the overvaluation of the national currency and the wide gap between official and market prices (Kusi, 1998). In addition to these goals, the reforms attempted to lessen the cost of taxation, expand the tax net, and combat evasion. As a result, in 1983, a multiple exchange rate system was implemented. This system added surcharges to transactions involving foreign currency and bonuses to transactions involving foreign currency revenues (Appiah, 2013). Initially, there were two different exchange rates, but in 1988, they were combined into one.

In addition, the deregulation of prices occurred over the same period (1983-1984). Prices of consumer goods were permitted to reflect production costs plus profit margins ultimately. Still, a flexible producer pricing system was introduced for cocoa, maise, rice, and palm oil to maintain prices and incentivise producers (Osei & Quartey, 2005). This was done to keep prices stable. In addition to this, budgetary subsidies for consumer products and public utilities were either lowered or withdrawn entirely. At the same time, fees, levies, and charges for services provided by the public sector were increased as part of the new cost recovery methods (Appiah, 2013).

In addition to the adjustments made to prices and exchange rates, a revision was made to the tax assessment system used to determine import tariffs, sales taxes, and purchase taxes. These taxes were changed so that the basis for dutiable items would reflect their total face value and specific surcharges. This was done to streamline the process. Additionally, the profits of the preceding year are no longer used as the basis for tax assessment for corporate income tax; instead, actual income received during the current year is used (Kusi, 1998). In addition, making tax payments in advance at the beginning of each quarter was eliminated since it had resulted in widespread tax cheating. As a replacement, corporate bodies and self-employed people were required to make tax payments at the end of each quarter (Addisson & Osei, 2001). The lowest tax-free income category for individuals was increased, and marginal tax rates were cut to bring down the average effective tax rate. For example, in 1984, taxes were raised on cigarettes and beer, but individual income taxes were simultaneously lowered.

2.3.4.2 Production incentives

With the implementation of the investment law, the process of tax reform in Ghana took on a new form (PNDC Law 116, 1985). The law offered a variety of inducements to both domestic and international investors, focusing on four key sectors: agriculture, industry, construction and building, and tourism (Osei & Quarter, 2005). The code provides different kinds of incentives. To begin, any capital expenditures incurred as a result of an enterprise with priority status engaging in or supporting an approved programme of scientific research that would assist in the development of the enterprise are fully deductible for federal income tax purposes. A business outside the Accra-Tema metropolitan area is eligible for a tax reduction that can vary anywhere from 15 to 40 per cent, depending on the area in which it is situated. This is done to encourage the regional dispersion of industrial activity. In addition, the code creates unique protections for businesses in regions deficient in fundamental infrastructure, mainly when the business is responsible for constructing and maintaining the infrastructure (Addison & Osei, 2001).

The Minerals Commission Law, 1986, was enacted when 1986 saw the introduction of a new minerals law. The new minerals law amended eight preexisting laws to elucidate mining rights and introduce innovative incentives for potential investors (Osei & Quartery, 2005). The incentives include corporate tax allowances, also known as capital allowances, which allow businesses to deduct anywhere from 40 to 100 per cent of their capital investment from their taxable income. This is made possible by corporate tax allowances. Additionally, businesses can use offshore bank accounts for the servicing of foreign loans, the payment of dividends, and the payroll of expatriate workers (Appiah, 2013).

Ghana kept moving forward with further direct tax measures. In 1987, the corporate tax rate for manufacturing companies was cut from 55% to 45%, resulting in significant savings for these businesses. Also, all excise duties on products other than petroleum, beverages, and tobacco were eliminated. The revenue loss was compensated by increasing the general sales tax rate from ten per cent to twenty per cent, then from twenty per cent to twenty-five per cent (Addison & Osei, 2001). This brought the total sales tax rate to twenty-five per cent. In 1998, it was believed that increasing import duties across the board would be undesirable. As a result, the special tax levied on locally produced textiles, tobacco, alcoholic beverages, and other similar items was also applied to similar imported items. In other words, the tax was not increased. In 1989, a cut brought the general sales tax down to 22.5 per cent (Addison & Osei, 2001).

Similarly, in 1990, the special taxes introduced in 1988 to protect local industries were compressed into a rate of ten per cent. This was done because it had become apparent that these various taxes were encouraging inefficiency in local production and rendering local industries uncompetitive on an international level (Osei & Quartey, 2005). At the same time, the criteria for import licencing were gradually abolished, and duty rates were cut by 5 percentage points, which resulted in a reduction in the direct import tax on most items. In 1991, the corporate tax rate on real estate, manufacturing, and construction was lowered to 35% from its previous 50%. In addition, the corporation tax rate for financial institutions was cut from fifty per cent in 1991 to forty per cent in 1992.

In 1991, the progressive structure of the capital gains tax was replaced with a flat rate of 5 per cent. At the same time, revenue from mergers and acquisitions and publicly listed shares were exempted from the capital gains tax. The reduction was made to mitigate the adverse effects of the inflation tax on sold assets (Osei & Quartey, 2005). In the year 2000, the government proposed to exclude from import charges all pharmaceuticals used in veterinary medicine as well as components used in the production of feed for poultry. Parliament has been presented with a bill that proposes revisiting tariffs and other policy measures to make local industries more competitive and harmonise tax rate structures. An increase in the amount of money available for listed companies on the Ghana Stock Exchange accompanied the continuation of production incentives. As a result, in 2001, the corporation tax rate was lowered from 35% to 30% for companies on the Ghana Stock Exchange, while it remained at 32.50% for companies not listed

2.3.4.3 Enhancing proficiency

After 1986, the focus of tax changes shifted to include a wider range of areas to both improve the effectiveness of tax administration and ensure that the tax system is equitable 1986, neither the administrative system for taxes nor the process of ensuring tax compliance was sufficiently checked. As a result, one of the most important aspects of tax reform was to modify the organisational structure of the tax system to make it more equal and efficient (Addisson & Osei, 2001). In addition, the revenue collection agencies need to be improved to bring in more money. The National Revenue Secretariat (NRS), the Customs Excise and Preventive Service (CEPS), and the Internal Revenue Service (IRS) all came into existence in 1985, the year that was a watershed year for the establishment of independent organisations (IRS) (Osei & Quartey, 2005). The National Tax Service monitored how the CEPS and IRS performed their duties and made suggestions regarding the government's revenue policy.

The Internal Revenue Service (IRS) and the Corporation for Executive Payroll Services (CEPS) were reorganised in 1986 as autonomous agencies. Their new organisational structures were modelled after those of state-owned businesses as another step to increase the effectiveness of tax collection. In addition, new incentive schemes were implemented for the employees of the Internal Revenue Service (IRS) and the Customs and Excise Revenue Service (CEPS) to increase productivity in tax collection (Osei & Quartey, 2005). In addition, the Internal Revenue Service operated with ministerial powers alongside the Ministry of Finance during the years 1986 and 1992; however, this full autonomy has since been partially overturned (Kusi 1998).

The implementation of a value-added tax was a significant additional change to the tax system in Ghana to improve the effectiveness of tax collection (VAT). 1993 was the year that saw the signing of the contract for the design and implementation of the VAT. The Value-Added Tax (VAT) measure was signed into law in December 1994, and it went into effect in March 1995 at a flat rate of 17.5%, an increase from the previous sales tax rate of 15%. The bill was initially enacted into law in December 1994. After widespread protests in practically all of the nation's regional capitals, the Value-Added Tax (VAT) was repealed a few months later in June (Osei & Quartey, 2005). In its place, a fifteen per cent sales tax was reinstated the following year, in 1998. In 1999, the VAT offices were given new leases on life in each regional capitals. In addition to the reinstatement of the value-added tax, all of the remodelling and rehabilitation work being done on residential dwellings for CEPS employees and the computerisation of the Long Room at CEPS (Tema) has been finished.

A law on income tax was approved in 2000 (Act 592, 2000), and it went into effect the following year (2001). The threshold for taxable personal income was increased from Cedis 0.9 million to Cedis 1.2 million, and the top marginal tax rate of 35%, which had previously been applied to incomes higher than Cedis 17.4, was now applied to incomes that were greater than Cedis 48.0 million. In addition, the highest marginal tax rate, which applied to those with higher incomes, was lowered from 35% to 30%, while the rate applied to those in the intermediate income bracket was decreased from 25% to 20%. Other types of tax relief included tax breaks for people with children who depended on them, tax exemptions for disabled people in business, tax reductions for people over the age of sixty, and tax deductions for parents who paid for their children's education.

In 2002, the Ghana Customs Management System (GCMS) and the Ghana Community Network (GC-Net) computer-based information systems were installed at Tema and Kotoka International Airport and the CEPS headquarters. These systems enabled the completion of the automation of clearing procedures. The goal was to achieve higher efficiency in clearing goods through customs in the shortest time possible, one or two days. This was accomplished by minimising the amount of direct physical interaction that occurred between customs officers and traders. In addition, businesses that processed warehoused and re-exported goods were going to be subject to a service fee of five per cent, which was going to be charged by CEPS. In the middle of the year, a large taxpayer unit (LTU) comprised of three hundred and fifty tax-paying organisations was established (Osei & Quartey, 2005). A taxpayer identification number, or TIN, was established to assist the LTU and other tax initiatives. All revenue agencies were tasked with ensuring that its implementation was successful.

Following that, the Taxpayer Identification Number Law was signed into law. Companies that intend to file their tax returns in a currency other than the U.S. dollar must follow the new criteria incorporated into Section 123 of the Internal Revenue Service Act of 2000 (592). The government proposed that legislative action be taken to restrict the range of VAT exclusions and to bring a more significant number of payees into the tax net. In 2003, the CEPS proposed collaborating with destination inspection companies to minimise the under-invoicing of poultry products and ensure that poultry products being imported into the country are of high quality (Addison & Osei, 2001). This was done to improve further the efficiency with which taxes were collected. The value-added tax (VAT) on salt was done away with, the export tariff on lumber was lowered, and taxes on goods treated with insecticides were waived. The scheme for the CEPS bonded warehouse was investigated. The stamp fee formerly imposed on share capital decreased from 2% to 0.50%.

2.3.5 Loopholes in the taxation system

According to Marjit et al. (2017), variables contributing to broader tax loopholes include intentional and unintentional factors. This is an important distinction to make. Both intentional and unintentional circumstances can contribute to tax avoidance or evasion. Intentional aspects include individuals' or taxpayers' attitudes of intentionally establishing loopholes inside the tax system to evade or reduce their tax obligations. On the other hand, the unintentional variables have to do with inefficient tax procedures/systems, which make it possible for some taxpayers to avoid being caught in the tax net (Mazerov & Expedia, 2011).

According to Marjit et al. (2017), taxpayers have three choices for evading their tax obligations: the first one has to do with taking advantage of legal tax loopholes and offer bribes to relevant authorities. The second has to do with making use of the legal loopholes without paying bribes to the officials. Finally, not engaging in any accounting activities that can be contested, resulting in a payout normalised to zero.

In order to grasp the significance of the subject of tax loopholes from the Ghanaian setting, tax loopholes are generated due to these four major factors (Ameyaw & Dzaka, 2016); taxation and fiscal, administrative, economic, and demographic factors.

2.3.5.1 Fiscal factors

Tax rates and the policies that direct tax administration are examples of fiscal considerations. For fiscal policy to be successful, it must have a constructive effect on the economy, improving people's overall living (De Mooji et al., 2020). When tax rates are regarded to be advantageous for taxpayers, the rate of finding ways to get around them in the system may be negligible (Appiah, 2013). Sandmo's (2012) groundbreaking research proposes that tax reductions may extend the tax base and enhance citizens' compliance behaviours by encouraging them to pay their taxes. In continuation, Sandmo (2012) argued that increasing tax rates will inspire fear in taxpayers, which will encourage tax evasion. In addition, Asrinanda (2018) emphasized that an increase in tax rates transfers the burden of tax payments to the relatively few individuals who comply with taxes. He said that such an increase in tax rates would eventually force taxpayers to adopt noncompliant behaviours, affecting tax collections needed to fund public expenditures.

2.3.5.2 Administrative factors

Tax administrations apply tax laws. Their primary responsibility is dealing with taxpayers and ensuring that the appropriate tax amount is collected. If tax officials responsible for enforcing tax rules perform their jobs professionally, there should be a major improvement in problems related to tax loopholes (Abiahu et al., 2021). The widespread prevalence of bribery and corrupt practises in the tax administration of the majority of developing countries has been noted by several academics (Arif & Rarat, 2016; Alm, 2019; Abiahu et al., 2021).

2.3.5.3 Economic factors

Changes in people's income levels have been shown to influence their propensity to avoid paying taxes. Many works have been hampered due to variations in income levels (higher and lower income levels). It is commonly believed that taxpayers with higher income levels have a higher compliance rate (Saad, 2012). In comparison, taxpayers with lower income levels are associated with a lower compliance rate. Aside from such shifts in income levels, most studies have founded their conclusions on the correlation between rising income levels and the accompanying rise in tax evasion practices (Kiow et al., 2017; Loo et al., 2012; Saad, 21014). The expectation is that people with high incomes will demonstrate their riches by complying with taxes, while the expectation for people with low incomes is that they will conceal their actual income from tax officials.

2.3.5.4 Demographic factors

It is impossible to understate demographic considerations' impact on tax avoidance. Regarding compliance with tax laws, female taxpayers are likely to do so than their male counterparts (Karanja, 2014). When compared to their male counterparts, female taxpayers view tax evasion as a behaviour that is more morally reprehensible (Fredrik & Peter, 2019). The disparity in compliance rates between male and female taxpayers appears to be narrowing due to the rise of a more non-traditional and independent generation. Regarding compliance with tax laws, it is assumed that older taxpayers are likelier to be law-abiding than taxpayers of younger ages (Fredrick & Peter, 2019). Younger taxpayers are more likely to take chances and are less concerned about the potential for financial consequences. There is also the viewpoint that taxpayers older than 65 are more likely to comply with their tax obligations (Young et al., 2016). In terms of ethnicity, very little study has been conducted to account for the impact of ethnicity on tax compliance.

2.3.6 Ways of mending the tax net

Tax administrations in many parts of the world have taken several measures to med the tax net and boost tax compliance. Tax administrations have implemented various policies, procedures, and programmes to foster tax compliance, resolve any other problems linked with the tax collection system, and mend the tax net. A review of empirical studies (Agyapong, 2019; Wahabu, 2017; Yahaya et al., 2018) has brought to light several vital policies and procedures that can be used to improve the system of mending tax net. These policies and measures are discussed in the next section.

2.3.6.1 Enforcement of the Tax Laws

The tax authorities must have stringent enforcement of the tax laws to meet their revenue goal. This has to do with ensuring that everyone compelled to pay tax promptly fulfils their tax duty. However, to serve as a deterrent, people who participate in tax evasion are subject to heavy penalties based on the tax rules. Improving a country's system for collecting taxes requires taking several crucial steps, one of which is developing an efficient method of penalising tax cheats (Sarker, 2003). According to Chau and Leung (2009), taxpayers are more inclined to cooperate if there is a possibility that they would be subject to severe penalties for not complying. Hasseldine and colleagues (2007) contend that the harshness of punishments considerably impacts taxpayers' propensity to comply with tax laws.

According to Chau and Leung (2009), increased audit probability and more severe fines motivate taxpayers to comply with tax laws. The phrase "probability of discovery" refers to the chance that the relevant tax authorities would uncover the taxpayer's non-compliance and make an effort to rectify the tax evasion. In their research on the tax compliance of small and medium-sized businesses in Australia, Evans, Carlon, and Massey (2005) found that audit history, which includes the frequency of audits, audit outcomes, and the type of audits conducted on small business owners, has a significant indirect impact on tax compliance concerning record keeping. Auditor representatives from the Australian Tax Office, along with 130 tax professionals and 129 owners of small businesses, participated in the study.

The survey also found that owners of small businesses do keep accurate records. Still, the primary reason they do so is not as a component of the management of their companies but rather in preparation for the possibility of being audited by the relevant tax authorities.

On the other side, Chebusit et al. (2014) found that more excellent penalty rates positively associated with tax evasion, which indicates that higher penalty rates did encourage people to cheat on their taxes. Evidence from the real world demonstrates that increasing fines may have unintended consequences and may lead to an increase in tax evasion (Kirchler et al., 2008). In conclusion, the findings of prior studies imply that there is evidence to suggest that if taxpayers who engage in tax evasion are severely penalised, there is a greater likelihood of an increase in compliance with tax rules.

2.3.6.2 Efficiency of the Tax Authority

The framework of a nation's tax system and its administration are the most likely to inspire people to comply voluntarily. There is some controversy in the academic literature regarding the relationship between the effective and efficient operation of the tax system by tax authorities and the compliance behaviour of taxpayers. Vital as it is for the tax authorities to play a part in reducing the tax gap and boosting the percentage of taxpayers who comply voluntarily (Palil, 2010). In addition, Osuala and Jones (2014) propose that the government institute an economic tax system that can be implemented to maximise tax revenue. In summary, prior research could not produce conclusive findings regarding the relationship between the effectiveness of tax authority and tax compliance. Despite this, experts from a variety of countries have examined this issue; hence, there is a need for additional research on this topic.

2.3.6.3 Education and training for taxpayers

Compliance with tax laws is improved when individuals access sufficient education and training opportunities (Palil, 2010). According to Jackson and Milliron (1986), increased levels of taxpayer education increase the taxpayers' capacity to either comply or not comply with the tax rules. Education can be divided into two distinct categories: the overall level of financial literacy and the specific level of financial literacy regarding tax evasion options (Groenland & Veldhoren, 1983). Mohani (2001) proposes that one of the ways to promote voluntary compliance is to ensure that taxpayers have the necessary qualifications, as well as the capacity and the self-assurance, to carry out their tax responsibilities. In a similar vein, Chan et al. (2000) found that having a higher degree is directly correlated with a higher likelihood of tax compliance.

In addition, Song and Yarbrough (1978) discovered that individuals with a greater grasp of financial matters had more positive tax ethics scores, reflecting attitudes towards tax compliance. Richardson (2008), on the other hand, draws the opposite conclusion and finds a negative link between education and tax compliance. In conclusion, despite the contradictory findings Richardson (2008) presented, providing education and training to taxpayers, especially to students who are recognised as future taxpayers, will help increase tax compliance. This is true both for current taxpayers as well as prospective taxpayers (Sarker, 2003).

2.3.6.4 Simplication of Tax System

Reforms to Simplify the Current Tax Structure If a nation's tax system is made straightforward and easy to understand for taxpayers, then the percentage of taxpayers who voluntarily comply with tax laws will rise. Because of the ever-increasing complexity of the tax code, its inherent difficulty is now widely acknowledged to be one of the potential causes of tax non-compliance (Agyapong, 2019). Therefore, to improve tax compliance, rules and regulations about taxes should strive to be straightforward, easy to comprehend, and unambiguous. According to Saad (2014), simplifying the tax return will encourage taxpayers to complete the return on their own rather than hiring a tax agent, which will reduce the costs associated with complying with the tax code. Similarly, Bankman et al. (2015) believe that an easier tax return and less complicated tax regulations will enhance tax compliance. Additionally, simpler tax structure and administration can help lower the incidence of tax evasion (Palil, 2016).

Another way to simplify the tax system would be for tax officials to become involved in public relations and tax counselling activities (Saad, 2012). According to Sarker, the objective of public relations is to develop a tax-conscious atmosphere among taxpayers and the general public, including those who might become taxpayers in the future. On the other hand, the purpose of tax counselling is to assist taxpayers concerning taxes and encourage the voluntary submission of proper tax forms and the payment of taxes (Sarker, 2003). In most cases, tax counselling involves the provision of guidance concerning the interpretation and application of various tax regulations, applications, etc.

2.4 Empirical Review

Many research efforts have been invested in different tax compliance forms using different designs and approach to identify possible measures to adopt to improve compliance. For instance, Doran (2009) examined the relationship between tax penalties and tax compliance. The study explored current accounts, drawing from deterrence theory and norms theory, assuming that the relationship is purely instrumental and that the function of tax penalties is solely to promote tax compliance.

The study found that tax penalties determine the standards of conduct that satisfy a taxpayer's obligations to the government. The study concluded that tax compliance in a self-assessment system should require the taxpayer to report her tax liabilities only based on legal positions that she reasonably and in good faith believes to be correct.

Atawodi and Ojeka (2012) studied the factors that affect tax compliance among small and medium enterprises (SMEs) in North Central Nigeria. The study found that high tax rates and complex filing procedures are the most crucial factors causing non-compliance of SMEs. The study also found that multiple taxations and lack of proper enlightenment affect tax compliance among the SMEs surveyed only to a lesser extent. Thus, the study recommended that SMEs be levied a lower percentage of taxes to allow enough funds for business development and better chances of survival in a competitive market.

Tax penalty was found to have a significant effect on tax compliance, according to Ng and Muturi (2015). Other studies further validate this finding (Yoon, Yoo & Kim, 2011; Arcand & Graziosi, 2005). Conversely, some researchers found no relationship between tax compliance and penalties (e.g., Engida & Baisa, 2014; Mohdali et al., 2014; Palil et al., 2012). In this regard, Feld and Tyran (2002) reported that the penalties do not lead to increased obligation rates because it is only a symbolic fine. In contrast, in the specific context of the indirect tax, Woodward and Tan (2015) and Webley et al. (2004) found that tax penalties have a positive relationship with sales tax compliance. In contrast, Sinnasamy and Bidin (2017) found that tax penalty has a significant negative relationship with excise duty compliance. In another study, Faridy et al. (2014) revealed that tax penalties do not influence sales tax compliance. Alshaibani (2014) revealed that the lack of taxpayers' awareness, tax unfairness, tax complexity and loopholes in the tax laws were the main reasons for a high level of tax evasion

Sapici et al. (2014) studied the determinants of taxpayer compliance behaviour concerning corporate income tax reporting requirements in Malaysia. A researcher-administered questionnaire survey method for data collection was utilised. The findings of this study revealed that business age, tax liability and complexity consistently influence the likelihood of tax non-compliance behaviour in the areas of under-reporting income, over-claiming expenses, and overall non-compliance. Nonetheless, the study found that tax compliance costs have an insignificant relationship with the non-compliance behaviour of corporate taxpayers.

Thiga and Muturi (2015) analysed the factors influencing tax compliance among the SMEs in Kiambu County in Kenya using a case study design. The study used questionnaires and oral interviews to collect data from 400 SMEs. The study's findings established that tax rates and tax compliance costs are the most significant contributing factors in tax compliance. The study concluded that tax compliance cost had the most significant effect on tax compliance and recommended that KRA implement more tax incentives to encourage taxpayers. Also, Munyeki and Olweny (2016) examined how tax knowledge and tax remission laws affect the tax remittance behaviour of SMEs is Uasin Gishu County in Kenya. The study employed a qualitative research design and collected data using a questionnaire. The study results found that SMEs face different business conditions from large companies, which cause them to bear high tax remission burdens. The results also established that the perceptions of SME operators about tax fairness, tax service quality and government spending priorities significantly affect their tax remission decisions. In contrast, tax knowledge did not correlate with tax administration practices but weak negative correlations with tax collection procedures. The study established that tax laws had a negative correlation with tax remittance.

Osebe (2013) studied the effect of tax compliance cost, tax education and knowledge, fines and penalties and perceived opportunity for tax evasion on tax compliance in the real estate sector in Kenya. The study used an explanatory research design and sampled 271 respondents. The study collected data using structured questionnaires and analysed using descriptive and inferential statistics. The findings revealed that compliance costs harmed the level of tax compliance. However, tax knowledge and education positively affected the level of tax compliance among real estate investors. The study also revealed that fines/penalties positively affected the level of tax compliance, while the perceived opportunity for tax evasion had a negative effect.

Batrancea et al. (2012) in her study grouped the factors into five categories including (i) economic factors comprising audit probability, fines, tax rates, and income (ii) political-legislative which are the complexity of fiscal legislation, instability of regulations, excessive regulations; (iii) socio-psychological which includes attitudes, norms, perceptions, motivational postures, trust in authorities, power of authorities; (iv) tax moral which is intrinsic motivation of paying tax levies and (v) neurological factors which are physical states corresponding to emotions, like happiness. Nichita stated that the classical economic model of tax evasion (Allingham & Sandmo, 1972) assumes four different determinants shaping taxpayers' behaviour: audit probability, fines, tax rates and income. This model argues that tax compliance depends only on enforcement, given that the declared income is a positive function of the penalty and the probability of being caught.

Gitonga and Memba (2018) sought to establish the determinants of tax compliance by public transport savings and credit cooperative societies in Kenya. The study adopted a descriptive research design, and the population of this study was made of 40 public transport Saccos in Kiambu County. The survey conducted a census of the 40 officer managers of the public transport Sacco's in Kiambu town and used a questionnaire to collect data. The collected data were summarised using descriptive statistics such as mean and frequencies, which helped in meaningfully describing the distribution of responses. Additionally, a Binary logit regression model was used to establish the relationship between the tax compliance determinants and tax compliance by public transport Sacco's in Kiambu County. The findings revealed tax deterrence sanction, tax compliance costs and tax knowledge levels had a statistically significant relationship with tax compliance levels by public transport SACCOs in Kenya. The study, however, did not find a significant relationship between the tax system and tax compliance levels by public transport SACCOs in Kenya.

According to Nelson (2017), high effective rates could put a country in an unfavourable condition in the competition for attracting investments. The reduction of corporate income tax rates seems to be an appropriate measure. Lower rates, accompanied by the suppression of tax benefits, is expected to reduce the opportunities for tax avoidance and can help the country to boost its competitiveness in terms of investment attraction. A second improvement measure for the country could be revising the depreciation rules that make them friendlier to investment.

Ebifuro et al. (2016) analysed the employment of geographical information system (GIS) to improve tax collection. The study identified the Global Positioning System (GPS) to be amenable to meeting the challenge faced in bringing the informal sector into the tax net. The study made use of zoning for effective and efficient attribute data collection. GIS infrastructure has been perceived as a viable strategy to enhance government decisions in informal sector regularisation. Alexander (2016) assessed both the costs and benefits of tax incentives. Tax incentives were identified as rational and beneficial responses to the pressures of tax competition because they permit, in principle, a competitive tax system for mobile activities with higher taxes elsewhere. In practice, however, it may be challenging to achieve such an outcome because of the many disadvantages of existing tax incentives and difficulties in their administration.

Drawing from the preceding reviews, it is clear that most studies focused on assessing the extent to which some economic and socio-psychological factors could influence tax compliance by adopting various forms of quantitative approaches in their analyses. However, they failed to fundamentally explore the various tax policies and reforms which will offer grounds to detect possible loopholes necessary to inform policy directions towards mending those gaps. Against this background, this study explores some of Ghana's tax policies and reforms to identify possible pitfalls that need to be rectified. Consequently, it will help fuel an effort to explore the possible ways the tax net can be mended.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter addresses the technique and analysis of the data collected. The researcher began by discussing the structure of the research, the methods and tools used for data collecting, the characteristics of the population, the sampling techniques and the sample size. For this study, both primary and secondary sources of data were consulted. The data obtained from primary sources were analysed using a thematic approach. Secondary data sources included published text and articles supporting the literature review.

3.1 Research Design and Approach

The research design for this study was exploratory, and its primary purpose was to unearth tax officials' perspectives on tax loopholes and possible ways of mending them. It has been determined that the exploratory design is acceptable for this study since the purpose of the design corresponds to the nature and goals of the investigation. It has been suggested by academics such as Brown (2006) and Saunders et al. (2012) that exploratory design is utilised in situations where there are a limited number of prior studies to refer to for a specific research subject. As a result, the emphasis is placed on acquiring knowledge and becoming accustomed to the subject matter in preparation for a later investigation (Saunders et al., 2012).

The research design serves as an organisational structure or a roadmap for carrying out research tasks. It describes in great depth the processes that must be carried out to acquire the data that must be gathered to resolve a research issue (Maholtra, 2015). There are three distinct approaches to conducting research: an exploratory research design, a descriptive research design, and an experimental/causal research design (Maholtra, 2015). In most cases, exploratory research is carried out because the researcher has a limited amount of prior knowledge on the topic of the study and desires to broaden their understanding of the subject matter. Descriptive research is typically conducted to describe a phenomenon, event, or scenario. In most cases, it provides descriptions of the responses to the queries of who, what, where, when, and how. Research with a causal approach is typically carried out to elucidate the chain of events that leads from one variable to another.

Research can be conducted using these three methods: quantitative, qualitative, or mixed methods (Saunders et al., 2019). The authors recommended using quantitative, qualitative, or mixed methods depending on the nature of the study and the depth of information the researcher seeks to discover. While the quantitative method allows the researcher to establish larger social patterns and relationships between variables, assigning figures and adopting scientific approaches to objective phenomena, the qualitative method concentrates on subjective aspects of social reality, emphasising words rather than quantifying data and analysis. The mixed method combines the efforts of the quantitative method with the qualitative method (Cresswell, 2009).

The qualitative research approach was chosen as the approach for this study. The decision to use a qualitative method was influenced by the realisation that access to information on tax officials' perspective tax loopholes measures to mend tax is a social problem and a highly complex phenomenon that cannot be conveyed using quantitative terms. According to Cresswell (2009), the predominant shape that social issues take is that of a qualitative nature. Since scientific procedures typically use objective standards, it might be challenging to analyse social issues using such approaches. Unlike quantitative, the fundamental of the issue of this study cannot be deduced only from a numerical background. The researcher consequently concluded that relying on a qualitative approach for gathering and analysing data would be appropriate to get in-depth information on the phenomenon using interviews and observation (Cresswell, 2009).

3.2 Sampling Technique and Sample Size

The term population in research generally explains the total number of people or other units of observation from which a researcher would attempt to draw generalisations or conclusions (Cresswell, 2009). The target population for this study focused on Ghana Revenue Authority (GRA) tax officials at the Agonal West Municipal (Swedru) who have had ample tax collection experience over the years. Agona West Municipal (Swedru) selection is based on how taxable businesses characterize the town. Again, the researcher has had working experience with the selected study area; hence, have noticed the high rate of tax non-compliance despite the many efforts of tax officials to collect taxes. The Swedru GRA office's tax officials are a number of seventeen (17).

Concerning a qualitative study, the question of how many participants are adequate has always been asked. Several researchers have given their opinions on the best possible sample size. According to Becker et al. (2012) and Boddy (2016), the number of participants in a qualitative study that is considered appropriate might range anywhere from 12 to 30.

Despite these assertions, several academics, such as Guest et al. (2006), believe that the sample size could be changed during the data collection process to consider the idea of saturation and the concept of adequateness in qualitative data collecting. As a result, the sample size for the qualitative component was established in the field of study. The study focused on seventeen (17) tax officials at the Swedru GRA office. Textual responses were obtained from these tax officials and analysed using thematic analysis.

In selecting the sample size for the study, there is a need to identify the sampling technique that best fits the research approach (Maholtra, 2015). According to Cresswell (2009), there are two distinct methods for taking samples: probability and non-probability. The methodology known as probability (simple random, systematic, stratified and cluster) sampling describes the conditions under which each respondent has an equal opportunity to be sampled. A technique known as non-probability (convenience, purposive, quota and snowball) sampling is one in which respondents are not provided with equal possibilities to be picked or sampled.

The purposive sampling approach was utilised to sample the participant for the qualitative research project. When picking the units (e.g., individuals, cases/organisations, events, bits of data) to be investigated, purposeful sampling relies on the researcher's judgement. The primary objective of purposive sampling is to zero down on specific aspects of a population that interest the researcher. This provides the researcher with the best opportunity to find answers to the research questions (Etikan et al., 2016). In this particular instance, senior tax officers with more than four years of working experience were selected for this study.

3.3 Data Collection Procedure

To officially access information from tax officials, a formal introduction letter was addressed to the GRA office at Swedru. This was to ensure permission and clearance before data collection could proceed.

The data collection procedure lasted ten (10) working days from 17^{th} October to 28^{th} October, 2022. Samples of open-ended questionnaires were administered to various tax officials with the secretary's assistance. The respondents required one (1) hour to respond appropriately to the various questions. Some respondents responded the same day, whereas some responded days later, depending on how convenient their working schedules permitted them. Some permitted the interview format of data collection, whereas some preferred to fill the questions themselves.

When the data collection is to gain a more in-depth understanding of the organisational experience, or any form of experience in any field of research, there is the need to collect a qualitative form of data (Saunders et al., 2012). Qualitative data is textual and can be assisted with interviews, observation and open-ended questions (Bryman & Bell, 2007). Using open-ended questionnaires assures the researcher of textual responses where the respondents write their experience or knowledge on the subject of investigation (Denscomber, 2007). The data collection was done to capture responses from the English Language. In the case of respondents who were busy with official duties, hence could not get ample time to fill out the questionnaire. The researcher read the questionnaire, and responses were transcribed accordingly.

The researcher established content validity as a means of boosting the reliability of the study by having lecturers who have insight into taxation read through the instruments to assist in locating appropriate parameters for the study. The instruments were updated with the inputs that were made during this stage. After that, the researcher handed over the instruments to the supervisor, who not only added vital inputs of their own but also contributed to the ease with which the questions could be understood.

3.4 Data Analysis Technique

Open-ended questions were prepared to obtain relevant qualitative data on the research topic. Due to the qualitative nature of the data, the researcher deemed it appropriate to use thematic analysis to analyse the qualitative data obtained. Thematic analysis is one of the qualitative research's most common forms of analysis (Braun & Clarke, 2006; Guest et al. 2012). It emphasises identifying, analysing and interpreting patterns of meaning (or "themes") within qualitative data.

This method can emphasise organisation and detailed data set description, and theoretically informed interpretation of meaning. The thematic analysis goes beyond simply counting phrases or words in a text (as in content analysis) and explores explicit and implicit meanings within the data. Coding is the primary process for developing themes by identifying items of analytic interest in the data and tagging these with a coding label.

Based on Maguire and Delahunt (2017), the steps below are used in the formation of patterns amongst the interviewees:

Step 1. The interview questions are structured in an excel file as rows, and the interviewees are placed on the column axes. The answers for each interview are given in individual cells.

Step 2. In every answer, keywords are marked in bold. The selection of keywords is based on essential points within the sentence. However, it still reflects the differences between the respondents. Non-bold text is excluded only; the key parts of the answer remain.

Step 3. A question with a 'set of answers' are divided into different row. Each row containing more than one filled cell gets its header representing the answer given. The header is based on the words used by the interviewees rather than on theoretical definitions.

Step 4. All filled cells are highlighted with a yellow background colour; this is a visual identifier created. The rows are rearranged for each question so that rows with the most yellow-coloured cells come first. Interviewee's columns are also rearranged so that interviews with similar patterns are placed next to each other.

The researcher upheld certain ethical norms to safeguard the participants' right to secrecy, privacy, and anonymity during the research. Participants in this research project were not coerced into participating for ethical or legal reasons; they were given free will. Participants and respondents were made aware that their participation was entirely voluntary, and sufficient information regarding the study was provided to decide whether they would like to participate.

In addition, because it was essential to safeguard the information obtained from participants and respondents, the researcher took precautions to ensure that the responses provided by participants would not be tied back to the participants themselves when the data was analysed. In addition, a person has the right to privacy if they can select when, when, to whom, and to what extent their attitude, beliefs, and behaviour are revealed. This is known as the right to control one's privacy. Consequently, the report of the findings did not include the names of the respondents or anything else that could have led to their identity.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.0 Introduction

This chapter captures different results obtained from interviewing participants. Responses were qualitative; hence, thematic analysis was used to analyze the various answers retrieved from the field.

4.1 Characteristics of Respondents' Demographics

This section captured the various information that was retrieved from interview participants. Out of the seventeen (17) tax officials targeted at the study area, only twelve (12) responses from tax officials were gathered. The demographic characteristics of the study captured the gender of respondents, level of education, years of working experience and various positions of the tax officials. Table 4.1 gives descriptive statistics of respondents' demographic characteristics.

4.2 Descriptive Analysis of Respondents

Out of the 12 respondents, male tax officials sampled for the study were seven (7), representing 58.3%, and female tax officials were five (5), representing 41.7% of the respondents. This is result describes how well male tax officials dominate female tax officials. Though this study is not concerned with the gender perspectives of various tax mending issues, it can be implied that the generalization of this study will be male tax officials oriented.

Concerning the level of education, five (5) tax officials have acquired degree certificates representing 41.7% of the respondent used for the study. Again, seven of the tax officials have acquired a master's degree representing 58.3% of respondents for the study. This implies that respondents have acquired certain level of formal education that supports the environment within which they work. Again, this implies that respondents can read and write, hence enhancing data collection procedure which was organized in a formal education setting.

Working experience ranges from four (4) years to seven (7) years. Most tax officials have at least four (4) years of working experience (41.7%). Followed by tax officials with five years (33.3%), six years working experience (16.1%) and seven years of working (8.3%) experience respectively. The researcher is satisfied with the working experience of sampled respondents because their long working experience on tax related issues.

With regards to the positions held by tax officials, six (6) tax officials, two (2) principal revenue officers, three (3) senior revenue officers and one (1) chief revenue officer were sampled for the study. This result is an indication that all tax officials sampled have some level of work experience that qualifies him to supervise tax related activities. Table 4.1 gives details of the demographic characteristics of the interviewees.

Table 4.1: Descriptive analysis of respondents

	Variables	Frequency	Percent	Valid Percent	Cumulative Percent
	Gender				
Valid	Male	7	58.3	58.3	58.3
	Female	5	41.7	41.7	100.0
	Total	**12**	**100.0**	**100.0**	
	Level of Education				
Valid	Degree	5	41.7	41.7	41.7
	Masters	7	58.3	58.3	100.0
	Total	**12**	**100.0**	**100.0**	
	Working Experience				
Valid	Four Years	5	41.7	41.7	41.7
	Five Years	4	33.3	33.3	75.0
	Six Years	2	16.7	16.7	91.7
	Seven Years	1	8.3	8.3	100.0
	Total	**12**	**100.0**	**100.0**	
	Position				
Valid	Revenue Officer	6	50.0	50.0	50.0
	Senior Revenue Officer	3	25.0	25.0	75.0
	Principal Revenue Officer	2	16.7	16.7	91.7
	Chief Revenue Officer	1	8.3	8.3	100.0
	Total	**12**	**100.0**	**100.0**	

Source: (Author's Construction of Field Data, 2022)

4.3 Presentation of Result and Discussion

The discussion of results in this section is based on the objectives set for the study.

4.3.1 Tax officials' knowledge of tax system loopholes

Tax loophole is one of the concepts investigated in this study. The information gathered from the interviewees (tax officials) is discussed in this section.

All respondents indicated that significant areas of tax loopholes include; tax on income, property and domestic goods and services. Some of the respondents had to say this.

According to SP10 (2022)

> *"If not until recently, I thought one area we usually experience tax loopholes was income and property tax. Some shops and malls have been sanctioned for creating loopholes in tax obligations on domestic goods and services. This became rampant, especially when e-levy was introduced*" (SP10, Senior Revenue Officer, 2022).

This is what SP4 (2022) also had to say;

> "*One major area I have experienced major tax loopholes over the years is the income tax. Companies most especially undervalue their annual income to pay less. As for property tax, the least said about it, the better. People just don't pay and are proud they don't pay* " (SP4, Senior Revenue Officer, 2022).

High tax rates and weak tax systems are the major themes that demonstrate the various reasons contributing to tax loopholes.

> *"Putting my ears on the ground, and by my long years of working experience, the reasons that have contributed to tax loopholes mostly concern perceived high-income taxes. When taxpayers assume tax rates to be extremely high, they find ways to reduce tax amount. Taxpayers sometimes involve tax officials to aid them in reducing tax amount*" (SP12, Chief Revenue Officer, 2022).

> *"Again, when taxation systems are not robust enough, it yields a lot of system manipulation. Sometimes the system fails to calculate the appropriate tax amount for a taxpayer. This situation demonstrates a major loophole in the tax collection system"* (SP8, Revenue Officer, 2022).

Various challenges posed as a result of tax loopholes are themed as follows; not meeting tax targets, loss of trust in the tax system and non-tax compliance. Some of the respondents had this say;

> "*When there are a lot of loopholes within the tax system, it leads to issues of accountabilities and distrust in tax officials. Tax officials are obliged to report to their superiors on tax revenues collected. These*

> *revenues are matched against target revenues. Many loopholes may imply that fewer revenues will be collected against expected revenue, not leading to meeting tax target"* (SP12, Chief Revenue Officer, 2022).

> "*When tax systems are weak and do not represent what taxpayers should pay, it will result in a loss of trust on the part of tax officials"* (SP5, Revenue Officer, 2022).

> *Gradually, when loopholes are too many and do not go in taxpayers' favour, they will develop various illegal ways of evading tax (tax non-compliance). Arguably, most taxpayers don't like paying tax, hence if there are loopholes, they will capitalize on that"* (SP7, Senior Revenue Officer, 2022).

Various strategies adopted to control the negative effect of these loopholes include digitization and tax amendments.

> *"Gone are the days when everything was manual-oriented. However, in today's era, things have changed. An IT integration system has been mounted to track and monetize the tax system. This will ensure that the weakness in the tax system will be resolved"* (SP12, Chief Revenue Officer, 2022).

> *"Well, since most of the loopholes are as a result of high tax rates, there have been conversations to amend some of the tax laws. These laws will ensure a substantial decrease in tax rates"* (SP10, Senior Revenue Officer, 2022).

Table 4.2: Thematic summary of tax system loopholes

Q num	Themes	SP1	SP2	SP3	SP4	SP5	SP6	SP7	SP8	SP9	SP 10	SP 11	SP 12
1	Income Tax	■	■	■	■	■	■	■	■				■
	Property Tax	■	■	■	■	■	■	■	■	■	■		■
1	Tax on domestic goods and services	■	■	■			■	■	■	■	■	■	■
2	Weak tax system	■	■	■				■	■			■	
	High tax rates				■	■	■			■	■		■
3	Issues of distrust									■	■	■	■
	Not meeting target			■	■	■	■		■				
	Tax non-compliance	■	■					■					
4	Tax amendment					■	■	■	■		■		
	Digitization	■	■	■	■					■		■	■

Source: (Author's Construction of Field Data, 2022)

Notes: Qnum: Question number, SP: Sample Participant

Concerning the thematic analysis, it was evident that tax officials were pretty informed about the various loopholes within the tax system. The study evidenced that various areas that experience tax loopholes include tax activities related to income tax, property tax and tax on domestic goods and services. It was also realized that tax officials also observed tax loopholes in the taxes charged on properties. There are a lot of loopholes that property owners enjoy as means of evading tax. Income tax relates to tax levied on income-generated activities from business ventures. Some of the reasons that could be attributed to these loopholes include; weakness in the tax system and high tax rates.

The various loopholes identified in this study have posed various challenges to tax officials. Some of the challenges identified include; not meeting tax targets, tax non-compliance and Loss of credibility with tax authorities. Upon the challenges they face, tax officials continuously amend tax laws and use information and technology to amend the identified loopholes.

4.3.2 How various tax reforms have contributed to mending the tax net

Tax officials were interrogated on the various tax reforms introduced in recent times, leading to the mending of tax. Tax officials' responses concerning the various tax reforms covered these themes; Covid 19 Health Recovery Levy Act, Financial Sector Recovery Levy Act, Energy Sector Levy (Amendment) and Electronic Transfer levy Act. Some of the tax officials had this to say;

> *"Well, in recent times, various tax reforms have been implemented. For instance, the energy sector levy (amendment), Act 2021 (1064), Covid 19 Health Recovery Levy Act, 2021 (Act 1068), and Financial sector Recovery Levy Act 2021 (Act 1067). But I think the most recent and most controversial one, I must say, is the Electronic transfer levy Act, 2022 (Act 1075)"* (SP12, Chief Revenue Officer, 2022).

> *"Most recently, I will say the Electronic Transfer levy Act, 2022 (Act 1075). I also consider the Covid 19 health recovery levy Act 2021 and the financial sector recovery Act 2021 as recent tax reformation policies*" (SP10, Senior Revenue Officer, 2022).

Also, tax officials' responses were sought on how tax-reformed policies have improved tax revenue mobilization. Though a few respondents (SP1, SP3, SP5, SP6) believe that the various tax reforms have not contributed to improving tax revenue mobilization, a majority (SP2, SP4, SP7, SP8, SP9, SP10, SP1, SP12) of the respondents agreed that tax reformed policies have contributed to improving tax revenue mobilization through an increase in tax revenue and simplicity in tax collection. This is what some of the tax officials had to say.

> "*Erhm, though there have been various tax reforms to improve tax revenue, I think taxpayers have also adopted ways of evading these tax reforms. So, yes, the reforms are there, but I don't think its contributing to achieving its main purpose"* (SP1, Revenue Officer, 2022).

> *"I think the tax reforms have taken an indirect shape; hence its easier to mobilize funds. Mostly indirect taxes are easy to collect. Hence tax officials may not struggle with taxpayers' overpayment"* (SP7, Senior Revenue Officer, 2022).

> *"I can say that if not for some of these reforms, with the impact of the Covid 19, I think the economy would have been financially handicapped. I think it has helped in the stabilization of the economy"* (SP12, Chief Revenue Officer, 2022)

Information on how taxpayers appreciate the various tax reforms proved to be unappreciative. All tax officials acknowledged that taxpayers had not appreciated the tax reforms enough.

> *"I don't think taxpayers have not appreciated it well enough. I think if taxpayers had an option, they would have reversed such reforms"* (SP2, Principal Revenue Officer, 2022).

> *"Most of the tax reforms have been unpopular. For instance, the e-levy has been fought against since its introduction. I think e-levy should be looked at again."* (SP9, Revenue Officer, 2022).

> *Well, from where I sit, I think something is wrong. I am saying this because considering the projected revenue for the various reforms, and there isn't a deficit of tax revenue mobilization"* (SP1, Chief Revenue Officer, 2022).

Responses on the possible ways of mending the tax net from tax officials' perspective include; stakeholder engagement, enforcement of tax laws and informal sector inclusion.

> *"Well, most of the tax reforms have remained unpopular due to the absence of negotiating with taxpayers and stakeholders. When taxpayers see taxes as an imposing element, they will fight it. I think*

thorough negotiations and education should be done on taxes yet to introduce. Opinion of leaders of taxing groups should be appreciated and incorporated into tax reforms policies" (SP2, Principal Revenue Officer, 2022).

"*It's disgraceful, but that is the truth. We need to enforce our tax laws. But this wouldn't be possible without our help of ourselves. I don't think we will have tax net issues if we do our work well. When we add professionalism to what we are doing and do away with this whole thing about bribes and corruption, I think we can achieve a lot*" (SP12, Chief Revenue Officer, 2022).

"To mend the tax net, we should find secured ways of including the informal sector in the taxation net. Most petty traders have not been properly captured in the tax system, leading to a lot of tax evasion. We need to have a tax collection system that can cover all tax-related transaction" (SP7, Senior Revenue Officer, 2022).

Table 4.3: Thematic summary of tax reforms leading to mending of tax net

Q num	Themes	SP1	SP2	SP3	SP4	SP5	SP6	SP7	SP8	SP9	SP 10	SP 11	SP 12
1	Electronic Levy	■	■	■	■	■	■	■	■	■	■	■	■
	Covid 19 Levy	■	■	■	■	■	■	■	■		■		
	Energy Sector Levy			■	■	■	■	■	■	■			
	Financial Sector Levy	■	■	■	■	■	■				■		
2	No effect	■		■		■	■						
	Simplicity				■			■		■			
	Increase in tax revenue		■		■				■		■	■	■
3	Unpopular/Unappreciated	■	■	■	■	■	■	■	■	■	■	■	■
4	Enforcement of tax laws									■	■	■	■
	Informal sector inclusion	■						■	■				
	Stakeholders' engagement		■	■	■	■	■						

Source: (Author's Construction of Field Data, 2022)

Notes: Qnum: Question number, SP: Sample Participant

Results based on the tax reforms contributing to mending the tax net are discussed here. Though taxpayers do not appreciate the various tax reforms, tax officials have recognized their usefulness in mending the tax net. Covid 19 Health Recovery Levy Act, Financial Sector Recovery Levy Act, Energy Sector Levy (Amendment) and Electronic Transfer levy Act were the recent tax-reformed policies acknowledged having contributed to mending the tax net. The various tax reforms have contributed to mending the tax net through the following means;

1. Increase in tax revenues: These reforms especially e-levy, have contributed to increasing tax payers within the tax net. As a results, most individuals within the informal sector who are not captured in the tax net have now been captured.
2. Simplified system of tax mobilization: Most of the recent tax reforms have taken an electronic shape hence making tax mobilization very easy

4.3.3 Contemporary ways of improving tax compliance

This section discussed areas of improving tax compliance from the tax officials' perspective. Tax officials' role towards tax compliance was explored. Tax officials agreed they have a role to play in ensuring tax compliance. However, taxpayers have a role to play.

> *"We haven't shied away from our core mandate. We will do everything to put the nation first to ensure that we execute our task very well as tax officials*" (SP12, Chief Revenue Officer, 2022).

> *"All I can say is that we as tax officials have the mandate to collect tax, and the taxpayer too must pay. Yes, we have a role, but I think the taxpayer also has a role. So I will agree with you if you assume the role as a dual purpose role"* (SP10, Senior Revenue Officer, 2022).

Existing strategies that triggered tax compliance included; penalties and fines, business closure and tax reforms.

> *"In a case where the taxpayer is proven to have intentionally decided not to pay tax, the tax authority takes legal action (persecution of victim) leading to penalties and fines. Further sanctions may be applied, such as imprisonment*" (SP7, Senior Revenue Officer, 2022).

> "*In a case where victims of non-tax-compliance are business set-ups, mostly we close down the business set-up so that we can have leaders of the business for a discussion. Consensus is usually sought in negotiations that may lead to tax compliance*" (SP2, Principal Revenue Officer, 2022).

> *"Annually, we ensure the evaluation of tax policies. In a case where we have realized a stringent tax policy or law, a whole department is mandated to recommend the extent to which that policy should be reformed or amended"* (SP12, Chief Revenue Officer, 2022).

Tax officials responded to questions about the challenges associated with the existing tax compliance strategies.

> *"Despite the professional effort we put into ensuring taxpayers' compliance with taxes, it presupposes that there are issues with the existing strategies. I think some form of bribery and corruption is going somewhere*" (SP12, Chief Revenue Officer, 2022).

Here is what SP10 (2022) had to say;

> *"I am pretty sure tax laws are not strict enough on taxation. The complacency is too much when it comes to tax compliance in our country"* (SP10, Senior Revenue Officer, 2022).

SP4 (2022) had this to say on the issue;

> *"Perhaps there is no conclusiveness on stakeholder engagement. Taxpayers usually do not agree to tax policies. They sometimes feel it has been imposed, hence the non-compliance"* (SP4, Senior Revenue Officer, 2022*)*.

Tax officials responded to suggestions on contemporary ways tax compliance could be improved.

> "*You see, I believe in the power of communication and recognition. I think there are few consents from taxpayers when tax reforms are*

made. I think if leaders of various tax groups are engaged, and the importance of the tax is well explained to them, I don't think tax officials will have the form of resistance they have now. In the future, I think there should be a formal engagement with various leaders to ensure tax payment concensus" (SP11, Principal Revenue Officer, 2022).

"It is very good Ghana has started a digitization system that can integrate individual details. This system would make tracking non-taxpayers easy with the IT system. We need to boost tax compliance level" (SP7, Senior Revenue Officer, 2022).

"It should be mentioned that compliance is very difficult without trust. When taxpayers don't trust the tax authorities and tax systems, achieving a complementing tax compliance agenda would be challenging. Tax officials should be ready to account and be transparent towards tax revenue. I think if taxpayers are explicitly told of what their taxes are used for, a lot of people will yield to the payment of tax" (SP2, Principal Revenue Officer, 2022).

Table 4.4: Thematic summary of contemporary ways of improving tax compliance

Q num	Themes	SP 1	SP 2	SP 3	SP 4	SP 5	SP 6	SP 7	SP 8	SP 9	SP 10	SP 11	SP 12
1	Tax officials	■	■	■	■	■	■	■	■	■	■	■	■
	Tax payers	■	■	■				■	■	■	■		
2	Penalty and fines	■								■	■	■	
	Closure of Businesses		■	■	■	■	■	■	■				
	Tax reforms												■
3	Bribery and corruption	■		■				■					■
	Less enforcement of Law				■	■	■		■	■	■		
	Lack of stakeholders' engagement		■	■	■							■	
4	Accountability of tax revenue		■		■	■			■				
	Digitization	■		■			■	■					
	Stakeholders' engagement									■	■	■	■

Source: (Author's Construction of Field Data, 2022)

Notes: Qnum: Question number, SP: Sample Participant

This section discussed the contemporary ways of improving tax compliance from the tax officials' perspective. There is a general assertion on the role of tax compliance. Tax officials have acknowledged their role in ensuring tax compliance. However, they have also acknowledged taxpayers' role in compliance. Taxpayers have identified challenges in previous strategies (penalties and fines, closure of businesses) used to ensure tax compliance. As a result, contemporary ways of boosting tax compliance were suggested. These include; accountability (report to taxpayers), digitization (technology to capture taxpayers) and stakeholder engagement (don't impose a tax on taxpayers).

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

The main purpose of this study is to explore ways of mending the tax net in Ghana with much emphasis on tax officials. This chapter is focused on the key findings derived as a result of this study. The chapter captured the summary of the results, conclusion, recommendations and suggestions for further studies.

5.1 Summary of Findings

The study focused on exploring ways of mending the tax net in Ghana. The study used GRA tax officials at Swedru. The researcher adopted a qualitative approach to investigating the phenomenon. An interview supported the collection of data from tax officials. The study developed three main research objectives. The research objectives were investigated using interviews and further analyzed using thematic analysis. The objectives set include;

1. The first objective sought to investigate tax officials' knowledge of the various loopholes in the tax system that contributes to tax evasion. It was evidenced that the various tax loopholes on income tax, property tax and tax on domestic goods and services. The study showed that the tax system that supports these forms of taxes is weak and has high charging rates, creating many loopholes within the tax system.
2. Tax officials have noted notable tax reforms that have contributed to mending the tax net in Ghana. Covid 19 Health Recovery Levy Act, Financial Sector Recovery Levy Act, Energy Sector Levy (Amendment) and Electronic

Transfer levy Act were identified to be the recent tax reforms that have contributed to mending the tax net. The officials recognized that these reforms have contributed to mending the tax net by increasing tax revenue and simplifying the taxation system to ensure that other taxpayers are captured in the tax system.

3. Contemporary tax compliance strategies were identified to support the existing tax compliance strategies that already existed. It resulted that the contemporary tax compliance strategy includes; accountability, digitization and stakeholder engagement. These findings were sole assertions of tax officials.

5.2 Conclusions

Based on the results that emerged to support the research objectives, the following conclusion was drawn;

Various tax systems that contain tax loopholes include; income tax, property tax and tax on domestic goods and services.

Tax officials suggest that recent tax reforms (Covid 19 Health Recovery Levy Act, Financial Sector Recovery Levy Act, Energy Sector Levy (Amendment) and Electronic Transfer levy Act) contribute to mending the tax net through an increase in revenue and simplicity in revenue mobilization.

Contemporary tax compliance strategies include; responsible accountability, digitization and formalized stakeholder engagement.

5.3 Recommendations

Based on the conclusion drawn from this study, the following recommendations were suggested;

1. GRA should consider amending systems that support income, property, and domestic tax. Robust systems should be adopted. Again, actual tax rates will be charged on these various tax forms. Outrageous tax rates is an indication of an unforeseen tax loophole.
2. Since digitation is core in mending the net, the study suggests modern and sophisticated technological equipment that can minimize loopholes and draw a lot of taxpayers in the tax net.
3. Professional GRA officials should be employed to undertake policies that would ensure transparency and accountability to taxpayers. Again, the importance of stakeholder engagement should be emphasized.
4. Future researchers may consider mending the tax net from taxpayers' perspective
5. Researchers may also consider tax officials from a different jurisdictions. Comparison analysis may be conducted to compare the results of tax officials at Swedru and other areas.
6. A quantitative dimension of this study may be considered. A hypothesis may be tested on the various assertion made.

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APPENDIX

Interview Guide

UNIVERSITY OF EDUCATION, WINNEBA

SCHOOL OF BUSINESS

UNIVERSITY OF EDUCATION, WINNEBA

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING

I am Olivia Appiah, a final MBA student at the University of Education, Winneba-School of Business. I am researching the topic: "**Mending the Tax Net in Ghana: A Perspective of Tax Official**".

Kindly spend a few minutes answering the questions on this questionnaire as your response will be essential to this study. This exercise is purely academic, and be assured that information provided in this questionnaire is for academic purposes only and will be treated with utmost confidentiality.

SECTION A

PERSONAL INFORMATION OF PARTICIPANTS

Please tick (√) by observing the most appropriate section or item that best describes you.

1. Gender

Male { } Female { }

2. Level of Education

HND { } Degree { } Masters { } Other ___________________

3. Years of Working Experience

____

4. Position or Portfolio

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SECTION B

ASSESSING THE VARIOUS LOOPHOLES WITHIN THE TAX SYSTEMS THAT CONTRIBUTES TO TAX EVASION.

Please provide answers to the following questions concerning the various loopholes within the tax systems that contribute to tax evasion.

1. What major loopholes have you identified within the tax system as a tax official?

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2. Kindly identify various reasons that have contributed to these loopholes

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3. Are there challenges that are possed as a results of these loopholes?

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4. What efforts have been adopted to mend these loopholes?

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SECTION C

EXAMINING HOW VARIOUS TAX REFORMS CONTRIBUTED TO MENDING THE TAX NET IN GHANA.

Please answer the following questions concerning how the various tax reforms have contributed to mending the tax net in Ghana.

1. As a tax official, are you aware of any tax-reformed policies introduced by GRA in recent time that has contributed to mending the tax net?

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2. How has these tax-reformed policies introduced improved tax revenue mobilization?

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3. Kindly describe how tax payers' appreciate these tax reforms

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4. As tax officials, what are some of the ways you can suggest to mend the tax net ?

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SECTION D

IDENTIFY CONTEMPORARY STRATEGIES/TECHNIQUES TO INCREASE TAX COMPLIANCE IN GHANA.

Please answer the various questions concerning the contemporary strategies that could contribute to tax compliance in Ghana.

1. To what extent to do you agree that tax officials have a role to play in tax compliance in Ghana?

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2. As a tax official, are you aware of existing strategies towards tax compliance?

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3. What do you think it is wrong with previous tax compliance strategies?

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4. Identify contemporary strategies that can contribute to tax compliance

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