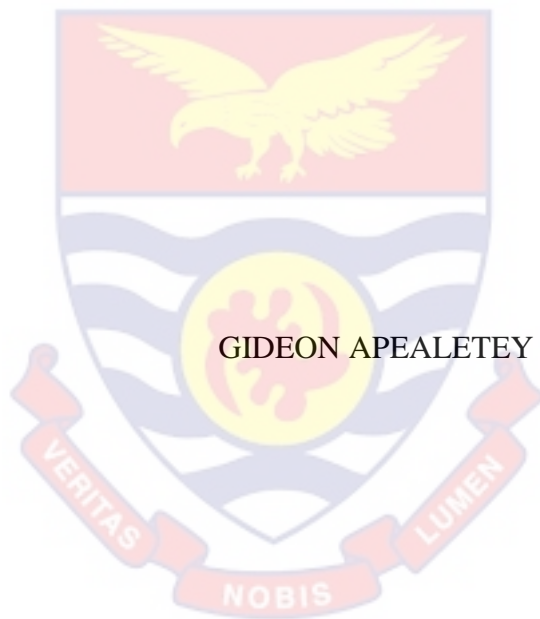UNIVERSITY OF CAPE COAST

TAX KNOWLEDGE AND TAX COMPLIANCE OF HOSPITALITY

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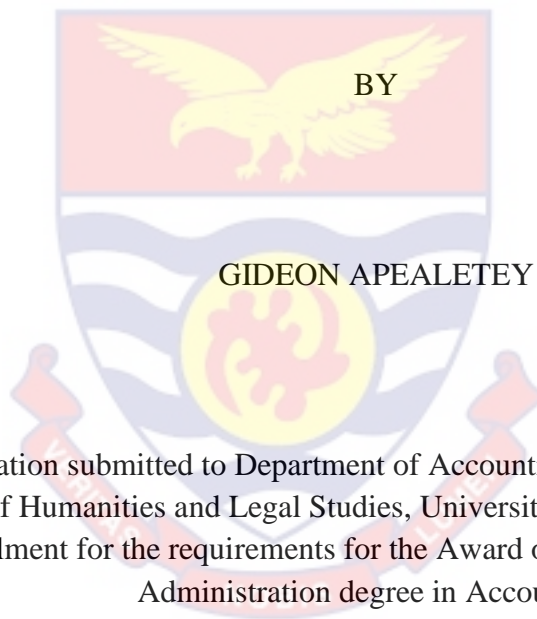
GIDEON APEALETEY

2024

UNIVERSITY OF CAPE COAST

TAX KNOWLEDGE AND TAX COMPLIANCE OF HOSPITALITY

FIRMS IN CAPE COAST

BY

GIDEON APEALETEY

Dissertation submitted to Department of Accounting, School of Business, College of Humanities and Legal Studies, University of Cape Coast, in partial fulfilment for the requirements for the Award of Master of Business Administration degree in Accounting

NOVEMBER 2024

DECLARATION

Candidate's Declaration

I hereby declare that this dissertation is the result of my own original research and that no part of it has been presented for another degree in the university or elsewhere.

Candidate's Signature ……………………   Date ……………………

Name: Gideon Apealetey

Supervisor's Declaration

I hereby declare that the preparation and presentation of the dissertation was supervised in accordance with the guidelines on supervision of dissertation laid down by the University of Cape Coast.

Supervisor's Signature …………………..   Date …………………………

Name: Dr. James Tuffour

ABSTRACT

This study investigated the correlation between tax knowledge and the tax compliance of small and medium-scale enterprises operating in the hospitality industry in Cape Coast. The primary data was collected from 113 small and medium-scale enterprises owners, managers and employees in Cape Cost. The study adopted a quantitative approach and utilized a questionnaire as the primary data collection tool. Partial Least Square estimation was employed for data analysis and an explanatory research design was utilized. The finding of the study demonstrated a significant and positive relationship between knowledge of tax rights and responsibilities and tax compliance. Further, the study unveiled a significant and negative association between knowledge of business income and tax compliance. Additionally, the study revealed a positive and statistically significant correlation between awareness of sanctions and tax compliance. In light of these findings, it is recommended that small and medium-scale enterprises owners and managers should invest in tax education programs for their employees with a specific focus on ensuring that those involved in financial related issues are well-versed in tax rights and responsibilities. Also, small and medium-scale enterprises should consider seeking guidance from tax professionals who specialize in their industry as these experts can offer valuable insights into optimizing tax compliance strategies. Finally, it is crucial for small and medium-scale enterprises managers to effectively communicate the potential sanctions and consequences of non-compliance to their employees and stay informed about any changes in tax regulations and sanctions.

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I want to offer special recognition to my family for their unwavering love and support. I deeply appreciate their understanding, patience and the sacrifices they have made to see me through this endeavour.

Lastly, I extend my thanks to all the participants and volunteers who took part in this study. Without their participation and cooperation, this research would not have been possible.

DEDICATION

To my children

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CHAPTER ONE

INTRODUCTION

Taxes play a pivotal role in every contemporary economy, serving as a crucial income source for funding social welfare programs and essential public services (Young, Lei, Wong & Kwok, 2016). Also, funds generated from taxes are used to finance public services and infrastructure such as education, healthcare, transportation, public safety and more (Hanifah & Yudianto, 2019; Sitepu, 2021). Equally, taxes contribute significantly to macroeconomic stability by allowing governments to manage their economy through fiscal policies (Bachas & Soto Rodríguez, 2016; Newmanet al., 2018).

This study examined the association between tax knowledge and tax compliance of small and medium-scale enterprises in the hospitality industry in Cape Coast. This chapter presents the background to the study, purpose of the study, research objectives and research hypotheses, significance of the study, delimitations of the study and limitation of the study.

Background to the Study

Taking the case of Ghana, tax revenue constitutes a significant portion of government's overall income (Ibrahim, Musah & Abdul-Hanan, 2015). This is because a decrease in economic activities underscores the importance of taxes as a valuable revenue stream for governments (Amaning, Anim, Kyere, Kwakye & Abina, 2021). This underscores the fact that the economic well-being of nations is heavily reliant on tax revenues (Amaning et al., 2021). The taxes generated from both individuals and businesses such as small and medium-scale enterprises make a substantial contribution to Ghana's Gross Domestic Product (GDP) (Debrah & Yeboah, 2016). For example, the tax

revenue's contribution to the GDP in 2014 was approximately 14 percent in 2014 (ISSER, 2014; Debrah & Yeboah, 2016).

To maintain the sustainability of this critical income source, it has become imperative to ensure that small and medium-scale enterprises adhere to the nation's tax regulations (Alm & Kasper, 2023). Recognising the significant role that taxes play in every economy (Young et al., 2016), governments across several economic landscapes have established effective mechanisms to ensure adherence to tax laws (Amanamah, 2016).

The motives behind these legislative measures are to foster compliance and thereby achieve revenue targets for developmental purposes (Alm & Kasper, 2023). These tax regulations influence the willingness of small and medium-scale enterprises to fulfil their obligations and prompting the need for stakeholders responsible for tax compliance (Alm & Kasper, 2023). This is to encourage this willingness not solely through regulatory means but also through other approaches. Generally, taxes are the financial backbone of a nation, enabling governments to fulfil their responsibilities, promote socio-economic progress and ensure the overall well-being of their citizens (Ibrahim, Musah & Abdul-Hanan, 2015; Young et al., 2016; Hanifah & Yudianto, 2019; Sitepu, 2021).

Given the importance of taxation to the economy of a country, some researchers (see Mandari & Koloseni, 2017; Bernard, Memba & Oluoch, 2018; Surjanti, Nugroho & Sulistyawati, 2019; Budiman & Inayati, 2021) have presented that tax knowledge should be a major concern for government if they want to achieve national development. The authors further opined that it is important for the tax authorities to broaden small and medium-scale

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enterprises knowledge on tax compliance in order for them to comply with the tax regulations, file correct returns, state the genuine revenue made and pay all due taxes.

Tax knowledge refers to small and medium-scale enterprises understanding of tax regulations, laws and processes (Amin, Buhari, Yaacob & Iddy, 2022). Having a strong grasp of tax knowledge is essential for making informed decisions about tax-related matters. Also, tax knowledge empowers SMEs to navigate the complexity of taxation confidently and responsibly (Agusti & Rahman, 2023). The social exchange theory suggests that small and medium-scale enterprises comply with tax laws when they perceive a fair exchange between their tax payments and the benefits they receive from government services and public goods (Blau, 1964; Cropanzano & Mitchell, 2005). Rooted in the exchange theory (Cropanzano & Mitchell, 2005), it can be deduced that tax knowledge of small and medium-scale enterprises is largely traceable to tax compliance (Amin, Buhari, Yaacob & Iddy, 2022; Bani-Khalid, Alshira'h & Alshirah, 2022).

Youde and Lim (2019) explain tax compliance as small and medium-scale enterprises decisions to obey tax requirements. Abd Hamid, Ibrahim, Ibrahim, Ariffin, Taharin and Jelani (2019) also described tax compliance as satisfying all tax obligations freely and entirely. It has been advanced that tax compliance is pivotal for maintaining the financial health of governments, promoting economic growth, ensuring equitable distribution of resources, upholding the rule of law and contributing to the overall well-being of a society (Carsamer & Abbam, 2023). It serves as a cornerstone for stable economies and prosperous nations (Ernest, Danie & Nicholas, 2022).

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However, in Ghana, like other developing countries, which highly depends on taxes to generate the needed revenue have a situation regarding tax compliance where small and medium-scale enterprises deliberately do not honour their tax responsibilities (Amanamah, 2016).

The complexities of tax compliance are influenced by multiple factors necessitating a thorough identification and enhancement of these factors (Ernest, Danie & Nicholas, 2022). This stems from the persistent challenge of tax compliance faced by nations (Omondi & Theuri, 2019; Mayapada, Muliati, Tampang & Djaniba, 2021; Ernest et al., 2022). Hayat, Salameh, Mamun, Helmi Ali and Makhbul (2022) suggest that this challenge is as intricate as the taxation system itself. Ibrahim and Jahja (2022) also share this perspective, examining the global efforts of nations to address the issue of tax non-compliance.

Accordingly, researchers are engaged in comprehending the underlying reasons for the prevalence of high rates of tax non-compliance. Some scholars (Asante & Baba, 2011; Abdul-Razak et al., 2013; Ibrahim, Musah & Abdul-Hanan, 2015) suggest that the persistent presence of this phenomenon will ensure an on-going need for research aimed at comprehending why small and medium-scale enterprises specifically in the hospitality industry fail to adhere to tax regulations.

Statement of the Problem

Tax authorities continually focus on expanding the tax base by ensuring that all eligible entities including SMEs meet their tax obligations (Kushwah, Nathani & Vigg, 2021). While efforts are made to increase compliance among existing taxpayers, significant challenges persist,

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especially within the informal sector. SMEs in the hospitality industry have been observed to demonstrate notable instances of tax non-compliance (Zivanai, Chari, & Nyakurima, 2016; Okpeyo, Musah, & Gakpetor, 2019). This lack of compliance poses a serious issue as it not only impacts tax revenue but also undermines fair competition within the sector, affecting government funding for essential public services.

A key practical concern is that SMEs, particularly in the hospitality industry may lack sufficient knowledge about tax regulations and compliance requirements, increasing the likelihood of inadvertent non-compliance (Taing & Chang, 2021). Without a robust understanding of tax laws, SME owners and managers may not fully recognize their obligations, potentially viewing non-compliance as a minor or even justifiable action. This gap in tax knowledge limits the capacity of these enterprises to contribute effectively to public revenue which is especially concerning in Ghana where SMEs play a vital role in the economy (Amaning et al., 2021).

Conceptually, the nexus between tax knowledge and tax compliance in SMEs is complex. Research suggests that tax knowledge including awareness of tax regulations and compliance procedures, significantly influences tax behavior and compliance rates (Amin et al., 2022; Bani-Khalid, Alshira'h & Alshirah, 2022). Despite the recognized importance of tax knowledge, there is limited research exploring how SMEs in Ghana's hospitality industry understand and respond to tax requirements, particularly at the micro level (Ibrahim, Musah & Abdul-Hanan, 2015). Prior studies in Ghana have mainly focused on broad tax compliance issues (Asante & Baba, 2011; Abdul–Razak & Adafula, 2013) often overlooking the unique characteristics of SMEs in

specific industries like hospitality. The lack of focused research on how tax knowledge affects compliance among hospitality SMEs presents both a conceptual and practical gap. This study aims to address this by examining the relationship between tax knowledge and tax compliance specifically within Cape Coast's hospitality industry.

Purpose of the Study

The purpose of the study was to examine the association between tax knowledge and tax compliance of small and medium-scale enterprises in the hospitality industry in Cape Coast.

Research Objectives

Specifically, the study sought to:

1. examine the influence of knowledge of tax rights and responsibilities on small and medium-scale enterprises tax compliance in the hospitality industry in Cape Coast.

2. assess the effect knowledge of business income has on small and medium-scale enterprises tax compliance in the hospitality industry in Cape Coast.

3. examine the effect of awareness of sanctions on small and medium-scale enterprises tax compliance in the hospitality industry in Cape Coast.

Research Hypotheses

Based on the research objectives, the study hypothesized the following:

H_1: Knowledge of tax rights and responsibilities significantly influence small and medium-scale enterprises tax compliance.

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H_2: There is a significant positive relationship between knowledge of business income and small and medium-scale enterprises tax compliance.

H_3: Awareness of sanctions positively and significantly affects small and medium-scale enterprises tax compliance.

Significance of the Study

The study sought to examine the connection between tax knowledge and tax compliance of small and medium-scale enterprises in the hospitality industry in Cape Coast. The results of the study offers insights into how education and awareness efforts can positively impact tax compliance rates among small and medium-scale enterprises and contribute to the overall economic and social well-being of a nation. Furthermore, the findings of the study help reveal whether a strong understanding of business income and its tax implications influences small and medium-scale enterprises' compliance behaviour. This insight guides small and medium-scale enterprises in developing informed compliance strategies that align with their income profiles. The study's finding will reveal whether small and medium-scale enterprises' awareness of potential sanctions for non-compliance influences their tax behaviour. Understanding this relationship will help clarify if SMEs are more likely to comply with tax laws when they recognize the risk of penalties and fines. Such insights could be instrumental in shaping policies and interventions to improve tax compliance within the hospitality industry.

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Delimitations of the Study

The study focused its investigation specifically on small and medium-scale enterprises within the hospitality industry including businesses such as hotels, restaurants and related hospitality services. Small and medium-scale enterprises in other industries or sectors were excluded. Additionally, the study concentrated on exploring the relationship between tax knowledge and tax compliance among these hospitality enterprises without examining other factors or variables that might influence tax compliance.

Limitation of the Study

This study focused on SMEs in hospitality industry in Cape Coast in the Central region of Ghana. As a result, it is challenging to apply the study's findings universally to other SMEs in other industries, other towns, and other regions. Additionally, some respondents expressed difficulty in comprehending the technical aspects of the research instrument, but the researcher took the necessary time to clarify these technicalities. Furthermore, due to the practical difficulties in obtaining an accurate sampling frame for the entire population, the investigation did not strictly adhere to the principle of randomization. Nevertheless, considering the substantial volume of data collected, it is reasonable to assume that the study's findings and recommendations could be valuable to the management of SMEs in the hospitality industry in Cape Coast in Central region of Ghana.

Organisation of the Study

This study was organized into five chapters. Chapter one, the introductory chapter, presented a background to the study, statement of the problem, objectives of the study, hypotheses, significance, delimitations and

limitations of the study, as well as the organisation of the study. Chapter two contained the review of relevant literature; both theoretical and empirical literature that underpinned the variables in the study. Chapter three presented the methodological framework and techniques employed in the study. Chapter four analysed the data and discussed the results and main findings with reference to literature. The final chapter presented the summary, conclusions, and recommendations of the study.

CHAPTER TWO

LITERATURE REVIEW

Introduction

This study sought to examine the relationship between tax knowledge and tax compliance of small and medium-scale enterprises in the hospitality industry in Cape Coast. This chapter presents review on tax knowledge, tax compliance, small and medium-scale enterprises tax issues and the theories underpinning tax knowledge and tax compliance. The chapter also reviewed works related to knowledge of tax rights and responsibilities and small and medium-scale enterprises tax compliance; knowledge of business income and SMEs tax compliance and awareness of sanctions and small and medium-scale enterprises tax compliance and the development of a conceptual framework.

Theoretical Review

Theories underpinning this study are the social exchange theory (Cropanzano & Mitchell, 2005) and agency theory (Jensen & Meckling, 1976), looking at the connection between tax knowledge and tax compliance of small and medium-scale enterprises in the hospitality industry in Cape Coast in this section.

Social exchange theory

The social exchange theory is a psychological and sociological framework that seeks to explain human interactions and relationships based on the principles of reciprocity and mutual benefit (Cropanzano & Mitchell, 2005). The theory posits that individuals engage in social relationships with the expectation of receiving rewards or benefits in return for their actions or contributions (Cropanzano, Anthony, Daniels & Hall, 2017). This theory can

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be applied to various contexts, including the relationship between small and medium-scale enterprises and tax knowledge and tax compliance (Cropanzano et al., 2017). In the context of small and medium-scale enterprises, the social exchange theory provide insights into how small and medium-scale enterprises' tax knowledge and tax compliance behaviours are influenced by their perceptions of benefits, costs, and reciprocity in their interactions with tax authorities (Stafford & Kuiper, 2021).

According to social exchange theory Cook, Cheshire, Rice and Nakagawa (2013), relationships are built on the principle of reciprocity, where individuals or entities expect fair treatment and benefits in return for their contributions. In view of small and medium-scale enterprises and tax compliance, small and medium-scale enterprises are more likely to comply with tax regulations when they trust that the government or tax authorities will reciprocate by providing public goods and services that benefit their businesses and the community (Stafford & Kuiper, 2021). Also, small and medium-scale enterprises evaluate the benefits and costs associated with tax compliance. Benefits could include access to government services, infrastructure, legal protection and a positive reputation (Cropanzano et al., 2017). Costs might involve financial expenses related to tax preparation and potential penalties for non-compliance (Stafford & Kuiper, 2021).

The social exchange theory proposes that individuals tend to reciprocate favourable actions and attitudes. If small and medium-scale enterprises feel that tax authorities treat them fairly and provide assistance, small and medium-scale enterprises are more likely to respond with greater tax knowledge acquisition and voluntary compliance (Porter, 2018). Conversely,

negative experiences might lead to resistance or non-compliance. Within the framework of the social exchange theory, small and medium-scale enterprises are more likely to seek and share tax knowledge with tax authorities when they perceive a reciprocal relationship (Porter, 2018). If tax authorities are transparent and supportive in assisting small and medium-scale enterprises with tax-related information, small and medium-scale enterprises are more likely to reciprocate by actively engaging in tax compliance.

Again, the social exchange theory suggests that individuals' behaviours are influenced by social norms and peer relationships (Rasoolimanesh, Jaafar, Kock & Ramayah, 2015). If small and medium-scale enterprises perceive that their peers are actively engaged in tax compliance due to perceived benefits, they are more likely to follow suit. Positive experiences and benefits shared by other small and medium-scale enterprises can influence tax knowledge acquisition and compliance behaviours.

Social exchange theory posits that relationships are built on reciprocity and perceived benefits which can influence compliance behaviour. In relation to the first objective, understanding tax rights and responsibilities may lead SMEs to view compliance as a reciprocal part of their relationship with the government if they believe their tax contributions support essential community services and infrastructure (Amaning et al., 2021). For the second objective, knowledge of business income can foster a perception among SMEs that accurate reporting is beneficial. By ensuring they contribute fairly to the tax system, they may feel entitled to receive appropriate government support or benefits. This aligns with social exchange theory's emphasis on mutual benefit

within relationships (Amin et al., 2022; Bani-Khalid, Alshira'h, & Alshirah, 2022).

Finally, the awareness of sanctions explored in the third objective introduces a cost-benefit analysis aspect. According to social exchange theory, SMEs weigh the consequences of non-compliance such as the costs associated with penalties against the benefits of compliance. This perception of reciprocity can significantly influence their tax behaviour as SMEs may choose to comply if they believe that the advantages outweigh the risks of non-compliance (Taing & Chang, 2021).

Agency theory

The agency theory centres on the association between principals (owners) and agents (managers or employees) and how conflicts of interest might arise between them (Jensen & Meckling, 1976). From the perspective of small and medium-scale enterprises and tax compliance, this theory suggests that owners (principals) might not have complete knowledge about the details of tax laws and regulations (Donaldson & Davis, 1991). This knowledge asymmetry can lead to the potential for managers (agents) to exploit this information gap for personal gain, potentially leading to non-compliance. This situation could lead to a lack of transparency and proper tax compliance (Lan & Heracleous, 2010).

The agency theory assert that small and medium-scale enterprises owners need to ensure that they have a sufficient understanding of tax matters or employ mechanisms to monitor and align the actions of managers with the firm's best interests (Mitnick, 2015). Also, the agency theory suggests that conflicts of interest might arise between business owners and managers due to

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differing goals. In its broadest sense, managers might prioritise minimising costs, including taxes to enhance their performance metrics (Panda & Leepsa, 2017). This could lead to managers engaging in tax evasion or aggressive tax planning, potentially jeopardising tax compliance (Shapiro, 2005). Business owners should establish clear expectations and align incentives to discourage non-compliant behaviour.

The agency theory emphasises the importance of aligning incentives, monitoring managerial behaviour and addressing information asymmetry to ensure tax compliance within small and medium-scale enterprises (Shogren, Wehmeyer & Palmer, 2017). The agency theory underscores the need for small and medium-scale enterprises owners to proactively manage their relationships with managers and employees to foster an environment that promotes ethical and compliant behaviour regarding tax matters (Tang, 2020). Agency theory focuses on the relationship between principals (government/tax authorities) and agents (small and medium-scale enterprises, or SMEs). In the context of this study, it explains the motivations and behaviours of SMEs as agents in fulfilling their tax obligations to the government. For the first objective which examines the influence of knowledge of tax rights and responsibilities on tax compliance, agency theory suggests that well-informed agents are more likely to comply with tax laws as they understand their roles and responsibilities within the regulatory framework (Kushwah, Nathani, & Vigg, 2021).

Regarding the effect of knowledge of business income on tax compliance, agency theory emphasizes the importance of reducing information asymmetry between SMEs and tax authorities. Increased

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knowledge enables SMEs to accurately report their income, thereby mitigating compliance risks. This enhanced accountability fosters a more transparent relationship between SMEs and the government (Oladipo, Nwanji, Eluyela, Godo, & Adegboyegun, 2022). Also, when SMEs recognize the potential penalties for non-compliance, they may feel more compelled to meet their obligations to avoid sanctions, reinforcing the importance of compliance within the agency relationship (Zivanai, Chari & Nyakurima, 2016; Okpeyo, Musah, & Gakpetor, 2019).

Conceptual Review

Tax knowledge, tax compliance and small and medium-scale enterprises tax issues are the variables discussed in this section.

Tax knowledge of small and medium-scale enterprises

Mat Udin (2015) defined tax knowledge as the comprehensive understanding that taxpayers including small and medium-scale enterprises possess regarding their tax responsibilities. This encompasses knowing the exact amount one is required to pay in taxes and the specific deadlines for making these payments (Ghani, Abd Hamid, Sanusi & Shamsuddin, 2020). Fauziati, Minovia, Muslim and Nasrah (2020) also conceptualised tax knowledge as a mechanism that influences behavioral outcomes, notably the extent to which taxpayers or small and medium-scale enterprises adhere to tax regulations. In the midst of a rapidly changing and unpredictable environment where governments are actively promoting progress across sectors, tax knowledge has emerged as a pivotal factor that distinguishes and contributes to tax compliance (Alkhatib, Hamad & Hermas, 2020).

Kiow, Salleh, and Kassim (2017) are with the notion that equipping SMEs with pertinent tax knowledge holds the potential to enhance their dedication to adhering to the tax framework. A number of scholars (see Yunus & Ramli, 2017; Zachary, Kariuki & Mwangi, 2017) supplemented this by suggesting that tax authorities should actively communicate to the public the advantages that come with abiding by the tax system. It is believed that such measures could amplify tax compliance. Drummond, Daal, Srivastava and Oliveira (2012) emphasized that government entities should prioritise the dissemination of tax compliance knowledge if they aspire to attain national development goals. Further, it has been postulated that a direct correlation exists between tax compliance and the depth of tax knowledge (Alshir ah, Abdul-Jabbar & Samsudin, 2016).

As outlined by Musimenta (2020), tax knowledge emerges as the paramount factor that decisively shapes the compliance conduct of taxpayers. Rianti and Hidayat (2021) have proposed that tax authorities bear a crucial responsibility in enlightening the broader public about tax compliance with the aim of elevating small and medium-scale enterprises understanding of the significance of taxation and the advantages associated with adhering to tax regulations. Twum, Amaniampong, Assabil, Adombire, Edisi and Akuetteh (2020) underscored the significance of tax knowledge as a pivotal consideration for governments striving to equip small and medium-scale enterprises with a profound comprehension of tax legislation.

According to Palil and Mustapha (2011), tax knowledge signifies one's level of tax education, which can be gauged by their familiarity with tax rights and responsibilities, understanding of taxable income, awareness of personal

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relief, recognition of tax-related violations as well as knowledge of associated penalties and fines. Alongside these tax-related comprehension aspects, being informed about tax rebates, relief and matters concerning dividends and interests are also indicative of an individual's tax education (Palil & Mustapha, 2011).

Mukhlis et al. (2015) conceptualised tax education as the outcome of comprehending tax rights and duties, understanding tax procedures and penalties, grasping various tax categories and rates, comprehending tax processes and payments and apprehending tax assessments. In the scope of this research, the investigation zeroes in on specific dimensions of tax knowledge: understanding tax rights and obligations, familiarity with business income taxation, awareness of employment income taxation and recognition of possible sanctions like fines and penalties.

Tax compliance of small and medium-scale enterprises

James and Alley (2002) highlighted that despite the longstanding presence of the tax compliance concept in the business literature, a universally accepted definition remains elusive. Various scholars have attempted to define it, yet a comprehensive and agreed-upon definition remains lacking. Atawodi and Ojeka (2012), however, posit that this lack of consensus emerges when stakeholders inaccurately conceptualise tax compliance. Consequently, the most widely recognised definition of tax compliance has been provided by Abd Hamid, Ibrahim, Ariffin, Taharin and Jelani (2019). According to Abd Hamid et al. (2019), tax compliance refers to the obligatory contributions that taxpayers or small and medium-scale enterprises make to the government typically collected from workers' income salaries.

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James and Alley (2002) perceive tax compliance as the voluntary adherence of individuals, businesses and other taxable entities to tax laws, avoiding the need for coercive measures. Similarly, Choi (2020) characterises tax compliance as the conscientious fulfilment of tax payment responsibilities by small and medium-scale enterprises. Atawodi and Ojeka (2012) see tax compliance as the comprehensive fulfilment of all tax obligations. Youde and Lim (2019) expound that tax compliance encompasses small and medium-scale enterprises conforming to the tax mandates outlined in the Constitution of their respective countries. According to Oppong and James (2016), governments of numerous nations have increasingly turned their attention to tax compliance as scholars delved into the subject to explore the intricate connections between tax knowledge and tax compliance.

Although its conceptual evolution and theoretical framework trace back to the 1950s, the widespread recognition of tax compliance reached its pinnacle around the 1990s (Oppong & James, 2016). The underpinnings of the tax compliance concept are notably more prominent in developed nations, owing to their robust institutional frameworks that ensure efficient and equitable regulations (James & Alley, 2002; Tekper, 2008; Oppong & James, 2016). Ross and McGee (2012) expressed the view that tax compliance stands as one of the most promising endeavours with a positive impact on the global economy.

Tax compliance holds substantial importance according to Hindriks and Weber (2008), as it serves to drive development both in advanced economies and emerging ones. Within the context of Ghana, the notion of tax compliance stands as a crucial element, given its diverse advantages such as

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facilitating the disbursement of worker salaries and bolstering infrastructure advancement (Tekper, 2008; Opoku, 2016). Consequently, the Ghanaian government relies heavily on tax collection as a means to generate essential revenue for national progress (Annan, Bekoe & Nketiah-Amponsah, 2010). However, these scholars also highlight that the country faces the challenge of deliberate non-adherence to tax responsibilities by certain small and medium-scale enterprises (Annan, Bekoe & Nketiah-Amponsah, 2010).

Several studies have contended that this situation arises when taxpayers perceive the tax system as inequitable and believe that their tax contributions are not being allocated for their intended purposes (Soglo, Ntow & Acakpovi, 2013; Opoku, 2016; Oppong & James, 2016; Amboko, 2017). Terkper (2008) further indicated that the economic and administrative framework of Ghana might contribute to instances of tax non-compliance in the country. In a similar vein, Kasipillai (2005) emphasised that establishing a fair tax system and ensuring an accessible, dependable and accountable implementation process could mitigate non-compliance, reduce the uncertainties faced by small and medium-scale enterprises and encourage greater voluntary compliance within the small and medium-scale enterprises.

Small and medium-scale enterprise tax issues

Numerous taxes are levied on small and medium-scale enterprises worldwide. Taxes represent mandatory payments to the government without expecting anything in return (OECD, 1996). The OECD categorises taxes as taxes on income, profits and capital gains; social security contributions; taxes on payroll and workforce; taxes on property and taxes on the production, sale and delivery of goods and services. In the United States, taxes applicable to

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small businesses encompass income tax, employment tax, excise tax, property tax, sales and use tax, estimated tax and self-employment tax (USA.GOV, 2020). In Nigera, small and medium-scale enterprises are subject to taxation including Corporate Income Tax, Value Added Tax (VAT), Pay As You Earn (PAYE), Withholding Tax, Education Tax and Other Levies and Local Taxes based on various factors and the tax system is designed to ensure revenue generation while also supporting the growth of these businesses (Atawodi & Ojeka, 2012). According to GRA (2020), individuals' income from employment, business and investments is subject to taxation. This applies to various individuals such as employees, the self-employed, individuals in partnerships, shareholders and directors of companies and trustees and beneficiaries of trusts.

Personal income tax (employee income and business owner income)

In Nigeria, their progressive tax rate system with tax rates range from 7% to 24%. The rates vary depending on the income level, with higher rates applying to higher incomes (PWC, 2020). Income from employment, business, trade, profession or vocation is generally subject to personal income tax. This includes salaries, wages, bonuses and benefits in kind. Therefore individuals are required to register for tax and obtain a Taxpayer Identification Number (TIN) (PWC, 2020). This progressive income tax rate system is comparable to that of Ghana. This is because Ghana also uses a progressive tax rate system, with rates ranging from 0% to 35%. The highest rate applies to the highest income earners. Both Nigeria and Ghana have tax authorities responsible for enforcing tax laws and ensuring compliance. It is essential for individuals and business owners in these countries to understand the specific tax regulations

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and requirements that apply to their circumstances and to seek advice from tax professionals if necessary to ensure compliance with the law. The tax laws and regulations in both countries can change over time, so staying up-to-date with the latest developments is crucial.

Contrasting this, the UK employs distinct tax rates including a basic rate (20%), higher rate (40%), and additional rate (45%) (GOV.UK, 2020). Within the Ghanaian framework, this tax is levied on an individual's overall income, encompassing earnings from employment, business and investment. This obligation extends to sole proprietors and individuals involved in partnerships who earn income. In Ghana, the Pay As You Earn (PAYE) system mandates employers to deduct taxes from employees' income which the employer then pays on behalf of the employee. This taxation encompasses all forms of income received by the employee, whether in monetary or non-monetary forms. The employer is responsible for submitting a return for the employee by the fifteenth day of the month following the deduction. Moreover, small and medium-scale enterprises employers are also obligated to settle personal income tax referred to as business income, through instalment payments for individuals operating businesses. This tax is applicable to profits or gains derived from conducting a business, trade, profession or vocation (PWC, 2020). The ability of business proprietors to perform self-assessment of their income plays a crucial role in facilitating the accurate payment of this tax.

Income tax stamp

Income tax stamps are physical or digital documents issued by tax authorities to indicate that a particular income tax payment has been made by

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an individual or entity. These stamps serve as evidence of tax compliance and are typically affixed to documents, certificates, or forms related to income tax transactions. This taxation applies to individuals engaged in the informal sector, including professions like dressmakers and tailors, hairdressers, beauticians, barbers as well as roles like susu collectors, chop bar proprietors, cooked food vendors, butchers, container, kiosk and table-top operators, garage owners, and skilled artisans such as masons, carpenters, welders, mechanics, vulcanizers, electricians and sprayers. Additionally, it pertains to hawkers and traveling traders. This tax is assessed and paid on a quarterly basis requiring four payments annually. The tax stamps are categorised based on the business's size, nature, and trade volume.

Corporate income tax

This is commonly known as income tax (for example, USA.GOV, 2020). It is applied to a company's complete income sources at the conclusion of the company's financial year. Businesses are liable to pay taxes on their business and investment income often referred to as gains and profits. Such income calculation excludes the expenses incurred while generating the income. This circumstance typically applies to small and medium-scale enterprises that have formalised their status as registered companies with substantial capital and income streams. Small and medium-scale enterprises operating within the formal sector are typically subject to this tax. However, sole proprietors and partnerships usually do not have this specific tax obligation. For resident companies, a tax rate of 24% is applicable in Malaysia (according to PWC, 2020) and the UK enforces a rate of 19% (GOV.UK).

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Corporate tax rates in Ghana generally stand at 25%, although these rates can vary based on the industry in which a business operates.

Withholding Tax (WHIT)

This tax is known as a withholding tax and is deducted at the source by a designated withholding agent (a person obligated to deduct the tax) while making payments to another individual. Subsequently, the withheld tax is recorded for later accounting. Whenever a registered business remunerates another party for acquired goods and services, a withholding tax is incurred. This withheld amount is retained by the paying business. However, engaging in this practice requires the business to be formally registered. In Ghana, the withholding tax rates for 2020 range from 3% to 15%, contingent on whether the individuals are residents or non-residents. For instance, in the case of the supply of goods or work exceeding GH₵ 2,000, the withholding tax rates span from 3% to 7.5%. In a similar vein, in Malaysia, PWC (2020) outlines that a withholding tax is a mechanism employed by the government to gather taxes from non-residents who have earned income.

Empirical Review

This section presents on the relationship among the variables in the study.

Knowledge of tax rights and responsibilities and small and medium-scale enterprises tax compliance

Research indicate that small and medium-scale enterprises tax compliance is influenced by several factors and among them is tax knowledge (Saad, 2014; Pallil et al., 2013; Aladejebi, 2018; Okpeyo, Musah & Gakpetor, 2019). In a study conducted by Maseko (2014), it was discovered that tax knowledge has no correlation with tax registration and a negative correlation

with filing compliance. This study highlights the need for intensified tax education efforts on the part of tax authorities. Conversely, the findings from Mukhlis et al. (2015) demonstrated that tax knowledge holds a substantial and positive impact on tax compliance.

Notably, Palil et al. (2013) postulated that tax awareness among small and medium-scale enterprises is of paramount importance. Studies underscore the critical role of small and medium-scale enterprises' knowledge of their tax rights and responsibilities in shaping their tax compliance behaviour (Asante & Baba, 2011; Abdul–Razak & Adafula, 2013). Small and medium-scale enterprises that are well-informed about their tax obligations and entitlements tend to exhibit higher levels of compliance (Okpeyo et al., 2019). This awareness enables them to navigate the tax system more effectively, reducing the likelihood of inadvertent non-compliance (Nguyen, 2022). Thus, promoting knowledge of tax rights and responsibilities among small and medium-scale enterprises can significantly contribute to fostering a culture of tax compliance, benefiting both businesses and government revenue collection.

Within the self-assessment framework, Saad (2014) notes that research conducted in Malaysia has highlighted tax knowledge as the foremost predictor of tax compliance. Similarly, Palil and Mustapha (2011) identified a significant link between knowledge of tax rights and responsibilities and tax compliance. In contrast, Tehulu (2016) revealed that knowledge of tax rights and responsibilities does not emerge as a vital variable for explaining attitudes toward tax compliance. According to Alshira'h (2023), when small and medium-scale enterprises possess a clear understanding of their tax rights and

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responsibilities, they are more likely to engage in informed compliance. They will be aware of what is expected of them in terms of tax obligations and will strive to meet those requirements.

Other studies (Amaning et al., 2021; Fauziati, Minovia, Muslim & Nasrah, 2020; Carsamer & Abbam, 2023) hold the view that knowledge of tax rights and responsibilities can lead to voluntary compliance among small and medium-scale enterprises. The researchers further advanced when business owners are informed about their duties and entitlements, they are more inclined to fulfil their tax obligations without the need for enforcement actions (Fauziati et al., 2020; Carsamer & Abbam, 2023). Inasius (2019) affirmed the position of prior studies that understanding tax rights and responsibilities encourages small and medium-scale enterprises to operate within legal boundaries. This, in turn, will make them less likely to engage in risky behaviours that could result in non-compliance or evasion.

Khozen and Setyowati (2023) also averred that knowledge of tax rights and responsibilities enables small and medium-scale enterprises to make informed decisions related to their business operations. This later enables to structure their activities in ways that align with tax regulations while optimising their financial outcomes (Khozen & Setyowati, 2023). It has been advanced that small and medium-scale enterprises that are educated about their tax rights and responsibilities contribute to a stronger tax system overall. Their compliant behaviour supports government revenue generation and societal development (Nartey, 2023). Also, awareness of tax rights safeguards small and medium-scale enterprises from potential abuses or overreach by tax

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authorities (Ojo & Shittu, 2023). On the basis of the narrations above, it is hypothesized that:

H[1]: Knowledge of tax rights and responsibilities significantly influence small and medium-scale enterprises tax compliance.

Knowledge of business income and small and medium-scale enterprises tax compliance

The social exchange theory suggests that small and medium-scale enterprises comply with tax laws when they perceive a fair exchange between their tax payments and the benefits they receive from government services and public goods (Blau, 1964; Cropanzano & Mitchell, 2005). Rooted in the exchange theory (Cropanzano & Mitchell, 2005), it can be deduced that a pivotal factor contributing to tax compliance is understanding one's business income (Mutanga, Ncube, Mbuyisa & Magodhini, 2021). This pertains to small and medium-scale enterprises capacity to assess the revenue it generates and determine the corresponding tax obligations. As asserted by (Novikasari, Ly & Gershaneck, 2021), the self-assessment system has evolved into a central administrative approach for both individual and corporate taxpayers.

Nwokoye, Igbanugo, Ekesiobi and Dimnwobi (2023) emphasise that self-assessment serves as a strategy utilised in developing countries to foster voluntary tax compliance. The capability to ascertain business income for the purpose of preparing accurate tax returns was highlighted by business taxpayers as a significant aspect shaping tax compliance (Nyamwanza, Mavhiki, Mapetere & Nyamwanza, 2014). Research has consistently demonstrated that there is a strong link between small and medium-scale enterprises' knowledge of their business income and their tax compliance

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(Hamid et al., 2019). Small and medium-scale enterprises that possess a clear understanding of their income tend to have higher levels of tax compliance (Amin, Buhari, Yaacob & Iddy, 2022). This knowledge equips business owners with the ability to accurately report their earnings, facilitating transparent and accountable tax practices. Consequently, enhancing the knowledge of business income among small and medium-scale enterprises can be an effective strategy for promoting tax compliance and contributing to a healthier fiscal environment (Bani-Khalid, Alshira'h & Alshirah, 2022).

Shakkour et al. (2021) allude that a strong understanding of business income enables small and medium-scale enterprises to accurately report their financial information on tax returns. The scholar argued out by stating that once small and medium-scale enterprises are knowledgeable about what constitutes business income, they are less likely to misrepresent their earnings, leading to increased tax compliance (Shakkour et al., 2021). An idea that resonate with the view of Vincent (2021) that knowledge of business income sources, deductions and allowable expenses help small and medium-scale enterprises to avoid unintentional errors on their tax returns. This eventually reduces the likelihood of discrepancies that could trigger audits or penalties. As posited by Yong and Fukofuka (2023), when small and medium-scale enterprises are well-informed about their business income, they are more likely to willingly comply with tax Laws. This understanding instils a sense of responsibility and ethical behaviour in fulfilling tax obligations. Fauziati et al. (2020) empirically stressed that knowledge of business income is not only crucial for tax compliance but also for making informed business decisions.

Small and medium-scale enterprises that understand their income sources and financial health are better equipped to strategise, allocate resources and plan for growth. The empirical result of Fauziati et al.'s (2020) lend support to prior submission of Inasius (2019) that, knowledge of business income allows small and medium-scale enterprises to engage in proactive tax planning which also explore legal strategies for optimising deductions and credits. This, in effect, will lead to lower tax liabilities while remaining in compliance with tax laws. Also, empirical evidence suggests that a strong correlation exists between business owners' knowledge of their income and the level of tax compliance among small and medium-scale enterprises (Opoku, 2016). This knowledge significantly influences small and medium-scale enterprises ' ability to accurately report and pay their taxes, leading to improved compliance rates and contributing to a more robust tax system (Opoku, 2016). Hence, it is hypothesized that:

H_2: There is a significant positive relationship between knowledge of business income and small and medium-scale enterprises tax compliance.

Awareness of sanctions on small and medium-scale enterprises tax compliance

Empirical evidence reveals that the awareness of sanctions for non-compliance plays a vital role in shaping the tax behaviour of small and medium-scale enterprises. Small and medium-scale enterprises that are well-informed about the potential penalties and consequences of tax evasion are more likely to adhere to tax regulations, thus enhancing tax compliance. This underscores the importance of effectively communicating and enforcing sanctions to ensure small and medium-scale enterprises meet their tax

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obligations and maintain a fair tax system (Palil & Mustapha, 2011; Twum et al., 2020).

In contrast, Tehulu's (2016) study indicates that familiarity with offenses and penalties does not emerge as a prominent determinant of tax compliance. Wadesango, Mutema, Mhaka and Wadesango (2018) posit that awareness of potential sanctions can act as a deterrent, discouraging small and medium-scale enterprises from engaging in tax non-compliance. Thus, the fear of facing penalties, fines or legal actions can motivate small and medium-scale enterprises to ensure proper tax compliance to avoid negative consequences (Wadesango et al. 2018). Also, small and medium-scale enterprises that are aware of the potential sanctions are more likely to voluntarily comply with tax regulations Yong and Fukofuka (2023). The knowledge of the repercussions of non-compliance can prompt small and medium-scale enterprises to accurately report their income, deductions and other financial information (Abdu & Adem, 2023).

From the social exchange theory (Blau, 1964; Cropanzano & Mitchell, 2005) and agency theory (Jensen & Meckling, 1976) perspective, it can be established that when small and medium-scale enterprises are informed about the sanctions for tax evasion, they are less inclined to underreport their income or engage in fraudulent activities to minimize their tax liability (Carsamer & Abbam, 2023). This can lead to more accurate tax reporting and increased tax revenues for the government.

Along the same line, Le, Tuyet, Hanh and Hung (2020) presented that the awareness of sanctions can bring about a change in the behaviour of small and medium-scale enterprise owners and managers. They may become more

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proactive in seeking advice from tax professionals, staying informed about tax regulations and adopting a responsible approach to tax compliance (Le et al., 2020). According to Musimenta (2020), small and medium-scale enterprises might be influenced by factors such as perceived unfairness of the tax system or financial difficulties. Besides, awareness of sanctions can counteract these motivations by highlighting the importance of adherence to tax regulations for the sake of avoiding penalties (Nasution, Santi, Husaini, Fadli & Pirzada, 2020; Sari, Sunaryo & Kusumawardhani, 2021). Therefore, it is hypothesized that:

H_3: Awareness of sanctions positively and significantly affects small and medium-scale enterprises tax compliance.

Conceptual Framework

The conceptual framework connects knowledge of tax rights and responsibilities, knowledge of business income and awareness of sanctions to small and medium-scale enterprises tax compliance.
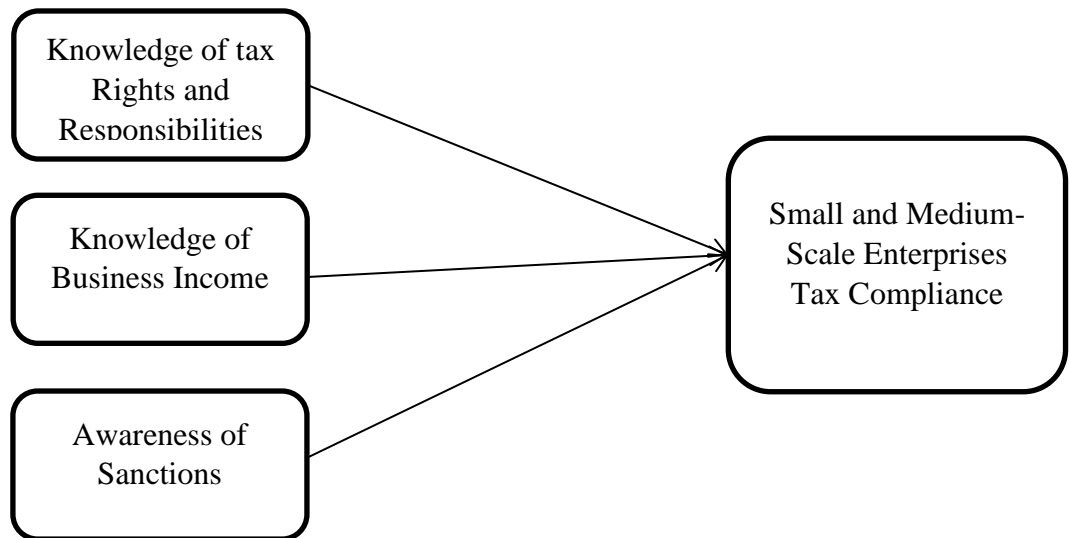
Figure 1: A conceptual framework linking knowledge of tax rights and responsibilities, knowledge of business income and awareness of sanctions to small and medium-scale enterprises tax compliance.

Source: Author's Construct, (2023).

Figure 1 present the relationship between knowledge of tax rights and responsibilities, knowledge of business income and awareness of sanctions and small and medium-scale enterprises tax compliance. This conceptual framework explains that small and medium-scale enterprises that have broad knowledge on the tax rights and responsibilities will foster accurate reporting and informed decision-making and contributes to a culture of voluntary compliance. Also, small and medium-scale enterprises aware of tax non-compliance will voluntary comply with tax, keep accurate records as well as fulfil their tax obligations. Besides, small and medium-scale enterprises that understand their income sources and financial health are better equipped to strategize, allocate resources and plan for growth will comply with tax.

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Chapter Summary

The chapter presented on the review on tax knowledge, tax compliance, small and medium-scale enterprises tax issues and the theories underpinning tax knowledge and tax compliance. The chapter also reviewed works related to knowledge of tax rights and responsibilities and small and medium-scale enterprises tax compliance; knowledge of business income and small and medium-scale enterprises tax compliance and awareness of sanctions and small and medium-scale enterprises tax compliance and the development of a conceptual framework.

CHAPTER THREE

RESEARCH METHODS

Introduction

This study explored the association between tax knowledge and tax compliance of small and medium-scale enterprises in the hospitality industry in Cape Coast. This chapter focused on an overview of the research methods employed, encompassing the research design, research approach, sampling techniques, sample size, analytical method, research instruments as well as the assessment of validity and reliability of instrument.

Regenerate

Research Design

Research design refers to the overall plan that a researcher employs to answer their research questions or test hypotheses (Wyk, 2010). Creswell and Creswell (2016) categorise research designs into exploratory, explanatory and descriptive designs. For the purpose of investigating the impact of knowledge of tax rights and responsibilities on tax compliance; knowledge of business income on tax compliance and awareness of sanctions on tax compliance, an explanatory research design was employed. This choice was made due to the explanatory research design's suitability for explaining relationships between variables under scrutiny (Sekaran & Bougie, 2016; Decoteau, 2017). This design is also perceived by other scholars as a fitting approach for conducting examinations of study objectives through statistical tests of significance (Sekaran & Bougie, 2016; Cantwell, 2020).

In the context of this study, the explanatory design enabled the researcher to determine whether there is a causal link between knowledge of

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tax rights and responsibilities, knowledge of business income, awareness of sanctions and actual tax compliance. Also, the explanatory research helped the study in identifying key factors that significantly influence tax compliance. By collecting data and using statistical methods, researcher determined which aspects of tax knowledge (e.g., rights and responsibilities), understanding of business income or awareness of sanctions have the most significant impact on compliance behaviour. This information informs policy and education efforts.

Research Approach

The research approach includes three main categories: quantitative, qualitative and mixed methods (Neuman, 2014). Lewis (2015) contends that employing a quantitative research allows researchers to critically assess the relationships between study variables using statistical tests of significance. On the other hand, Bengtsson (2016) argues that a qualitative research approach enables researchers to clarify many aspects of social phenomena through observation. The mixed method involves a blend of both quantitative and qualitative research approaches (Tenny, Brannan & Sharts-Hopko, 2017).

In line with the study's specific objectives, which are to investigate the impacts of knowledge of tax rights and responsibilities on tax compliance; knowledge of business income on tax compliance and awareness of sanctions on tax compliance of small and medium-scale enterprises in the hospitality industry in Cape Coast, a quantitative research approach was adopted. This decision was informed by the appropriateness of this approach for studies intending to utilise numerical data (Lewis, 2015; Creswell 2014). Moreover, it facilitates the attainment of comprehensive knowledge and understanding of a study's scope (Bloomfield & Fisher, 2019).

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Study Area

The study area is Cape Coast in the Central Region of Ghana. Overall, the population of central region is informed to be 2,859,821 with males being 1,390,987 and females being 1,468,834, revealing that the females are more than the males in the Region (GSS, 2021). Figure 2 present the map of Cape Coast
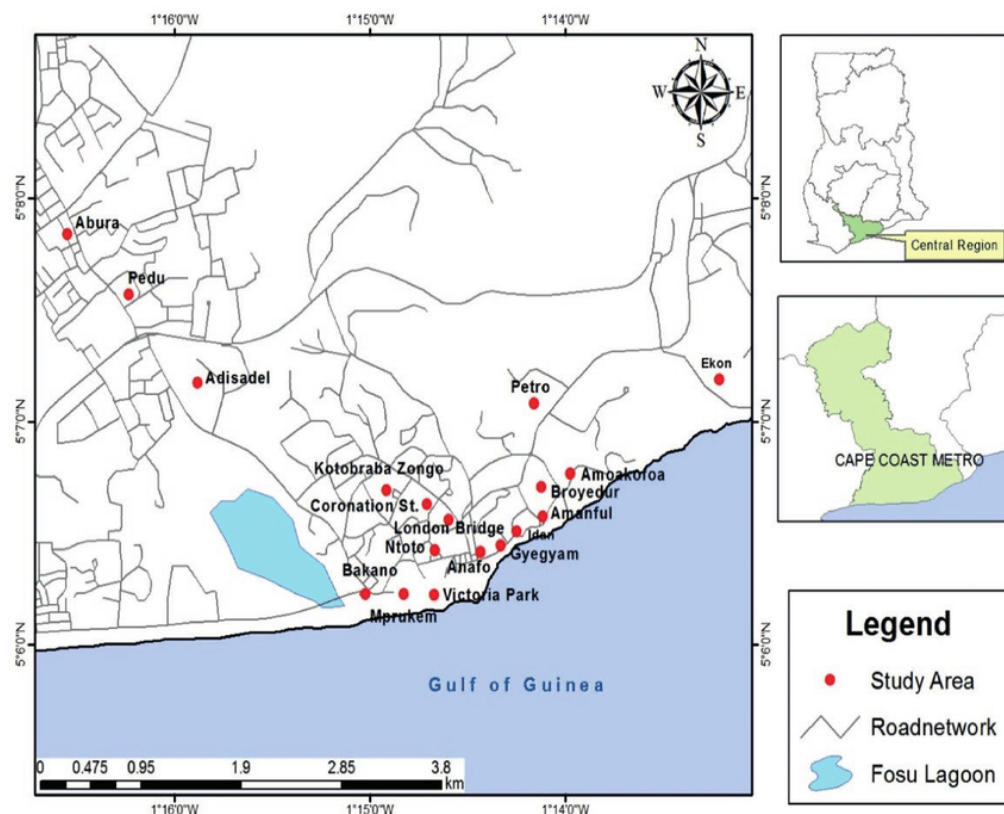
Figure 2: Map of Cape Coast, Ghana
Source: Geographic Information System (GIS) and Cartographic Unit of the Department of Geography and Regional Planning, University of Cape Coast (UCC), Cape Coast.

Cape Coast was chosen as the study area based on two major reasons. First, according to Schensul, Schensul, and LeCompte (1999), a researcher should be trusted by the population under study and have a personal relationship built (in other words, have a rapport built), be comfortable with the people in the field and, as well, know the activities of the study population,

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their interests, cultural dynamics (local customs and norms), and among others.

Population

The research population, also known as the target population refers to the entire group of individuals, objects or events that a research is focused on (Weeks, 2020). The research population represents the broader group that a researcher wants to draw conclusions about (Asiamah, Mensah & Oteng-Abayie, 2017). Identifying the research population is crucial because it sets the scope and defines the group to which researchers want their research findings to apply (Majid, 2018). The respondents for the study were the small and medium-scale enterprises Owners, Managers and Administrative Staff of small and medium-scale enterprises in the hospitality industry in Cape Coast.

The small and medium-scale enterprises in the hospitality industry in Cape Coast are a dynamic and major sector that contributes to the local economy and tourism landscape. The industry contains a range of businesses that offer accommodations, dining, entertainment and tourism services to both local and international visitors. Small and medium-scale enterprises in the hospitality industry in Cape Coast consist of establishments such as hotels, guesthouses, lodges, restaurants, bars, cafes, tour operators and souvenir shops.

The existing population for this study comprises 160 Small and medium-scale enterprises Owners, Managers and Administrative Staff in the hospitality industry in Cape Coast (Ghana Tourism Authority, 2023). This estimate is based on data derived from official records and surveys conducted

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by the Ghana Tourism Authority which provide insights into the business demographics and workforce distribution within this sector in Cape Coast.

Sampling Procedures

Sekaran and Bougie (2016) emphasised that a sample constitutes a subset of a population chosen for a particular study. It has been demonstrated that employing sample surveys enables researchers to conduct studies with greater efficiency compared to studying the entire population (Saunders et al., 2016). Ali, Rasheed, Siddiqui, Naseer, Wasim, and Akhtar (2015) advocate for a minimum sample size of 100 or more. In a different vein, other studies such as Faber and Fonseca (2014) and Taherdoost (2017) contend that research-based investigations necessitate a substantial sample size to ensure credible conclusions and meaningful generalisations. To determine the sample size, taking into account a 5% margin of error and a 95% significance level, the approach outlined in Krejcie and Morgan (1970) sample size determination table was employed. As a result, 113 individuals, comprising small and medium-scale enterprises Owners, Managers and Administrative Staff in the hospitality industry in Cape Coast were randomly selected from 160 aforementioned positions.

Table 1: Sample Composition

Small and Medium-Scale Enterprises	Sample Composition
Hotels	57
Restaurants	45
Tour Operators	3
Beach Resorts	8
Total	113

Source: Ghana Tourism Authority, (2023).

The study adopted a simple random sampling technique. This basically stem from the fact that, simple random sampling helps ensure that every member of the population has an equal chance of being included, making it suitable for obtaining a representative sample from a large population (West, 2016). The simple random sampling technique increases the likelihood that study findings can be generalized to the broader population (Sekaran & Bougie, 2016; Lone & Tailor, 2017).

Data Collection Instruments

To collect data on respondents' knowledge on their tax rights and responsibilities on tax compliance; knowledge of business income on tax compliance and awareness of sanctions on tax compliance of small and medium-scale enterprises, a questionnaire was utilised. Neuman and Kreuger (2003) define a questionnaire as a survey research document containing a set of questions intended for respondents to answer. The use of questionnaires offers respondents the convenience of time-saving and the flexibility to complete it without the direct presence of a researcher (Chang et al., 2020). Additionally, respondents often feel more at ease using questionnaires which

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also fosters honest responses (Grassini & Laumann, 2020; Northstone et al., 2020).

In the context of this study, the questionnaire comprised three distinct sections. Section A gathered data on respondents' demographic characteristics, including gender, age, educational qualifications among others. Section B solicited essential information regarding tax knowledge issues pertaining to tax rights and responsibilities, business income and knowledge about sanctions. Section C collected data on tax compliance. The study's variables under study encompassed tax knowledge and tax compliance.

Measurement of Variables

Each of these variables was measured on a scale ranging from 1 to 5 where 1 is strongly disagree, 2 disagree, 3 neutral, 4 agree and 5 strongly agree. Specifically, tax knowledge was assessed through indicators that pertain to three critical areas: tax rights and responsibilities, knowledge of business income and awareness of sanctions. The indicators used for this assessment were derived from the work of Palil and Mustapha (2011) and Mukhlis, Utomo, and Soesetio (2015) both of which have established frameworks for evaluating tax knowledge.

For the dimension of tax rights and responsibilities, participants were asked to rate their understanding of their obligations and entitlements under tax law. This includes familiarity with what constitutes taxable income, applicable deductions, and their rights to dispute assessments. The responses provide insight into how well SMEs grasp the legal framework governing their tax liabilities. The second aspect, knowledge of business income focused on the participants' awareness of what qualifies as business income for tax

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purposes. Respondents rated their understanding of income sources such as sales revenue, investments and other earnings relevant to their business operations. This measurement aims to identify gaps in knowledge that could lead to underreporting or misreporting income, thus affecting compliance.

The third area of assessment, awareness of sanctions explored how well SMEs understand the consequences of failing to comply with tax laws. Participants rated their knowledge of potential penalties, fines and other repercussions associated with tax non-compliance. This aspect is crucial as awareness of sanctions can significantly influence the willingness of SMEs to comply with tax obligations.

Moreover, the tax compliance construct was measured using a scale developed by Kirchler and Wahl (2010) and further refined by Mukhlis et al. (2015). This measurement item scale captures various aspects of tax compliance behaviour including timely filing of tax returns, accurate reporting of income and adherence to payment deadlines. Participants evaluated their compliance behaviour on the same 1 to 5 scale, allowing researchers to measure the degree of compliance exhibited by SMEs in the hospitality industry.

Reliability and Validity of the Instrument

Reliability as explained by Myer, Karim, Joubert and Ehrlich (2007), pertains to the consistency of obtaining identical results even when measurements are taken repeatedly. To minimise random measurement error, the selected instruments were derived from well-tested and standardised sources. According to Liu, Kuang, Yin, and Hu (2017), the role of reliability in relation to a construct or variable lies in reducing errors and biases inherent

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in a study. Consequently, the study's constructs' internal consistency was validated by computing Cronbach's Alpha coefficient for the study variables. It has been established that items are considered reliable when their Cronbach's Alpha coefficient is 0.70 or higher (Henseler, Ringle & Sarstedt, 2015). Reliability of the variables was checked by looking at the reliability of the individual items and internal consistency reliability of the research items (Henseler, Ringle & Sarstedt, 2015).

The validity of an instrument according to Naik, Jandavath and Byram (2016) determines how a research instrument measures a particular variable it supposed to measure. Validity is the accuracy with which a phenomenon is described (Bagozzi & Yi, 2012; Chin, 1998). Common sources of invalidity are selection, information and confounding bias (Myer et al., 2007). To reduce information bias, the researcher adapted survey instruments with study design with high validity levels. Besides, based on the study objectives, validity was checked by determining the Average Variance Extracted (AVE).

Data Collection Procedure

The researcher sought approval from the small and medium-scale enterprises Owners and Managers of SMEs in the hospitality industry in Cape Coast. Following this, the respondents were provided with a clear assurance that the study was being conducted for academic purposes and that their responses would be held in strict confidentiality. This was done to facilitate the respondents' willingness to fill the research instrument. The administration of the questionnaire was conducted by the researcher during the first week of September 2023 and respondents returned their completed questionnaires by the final week of the same month.

Ethical Considerations

Rubin and Babie (2016) argue that research participants should be adequately informed about ethical considerations before engaging in a study. This is to facilitate their willingness to respond to the questionnaire. As a result, the researcher informed the respondents that their participation was voluntary. In an effort to safeguard their privacy, respondents were explicitly instructed not to include personal identifiers that could potentially reveal their identity.

Data Processing and Analysis

The hypotheses of the study were tested using two software tools: thus Statistical Package for the Social Sciences (SPSS) version 24 and Smart Partial Least Squares (Smart PLS) version 4. The SPSS software was specifically employed for conducting descriptive analysis to ascertain the characteristics of the study respondents. On the other hand, Smart PLS-SEM was utilised for structural equation modelling (SEM) in line with the study's hypotheses. Moreover, the Confirmatory Factor Analysis (CFA) model of SEM was used for construct validation, scale refinement and path analysis within the study. This approach helps in the determination of association among study's constructs. The utilisation of SEM's Confirmatory Factor Analysis aids in preventing bias in estimating item loadings as supported by Götz, Liehr-Gobbers and Krafft (2010); Hair, Sarstedt, Hopkins and Kuppelwieser (2014); and Hair, Hult, Ringle and Sarstedt (2016).

Chapter Summary

This chapter delved into the methodologies adopted for this research. It covers discussions on the research design, research approach, population, sampling techniques, sample size, analytical method, research tools, validity, reliability and ethical considerations.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This study aimed to explore the association between tax knowledge and tax compliance of small and medium-scale enterprises in the hospitality industry in Cape Coast Metropolis. This chapter begun with assessment of the characteristics of respondents in the study. Furthermore, the chapter delved into the presentation of results pertaining to the various relationships examined in the study. The findings were then discussed with prior studies. The data was analysed using the Partial Least Squares (PLS) analytical approach. Fornell (1982) asserts that the application of the PLS analytical approach is suitable even when collected data do not adhere to multivariate normal distributions, making it well-suited for testing theories in their developmental stages. Similarly, as per Chin (1998), this approach is appropriate when the primary objective is a causal predictive test rather than an assessment of an entire theory.

Demographic Characteristics of Respondents

Table 2 presents the distribution of respondents' characteristics in the study. It is evident from Table 2 that the male are more than the female in the study. The data concerning the respondents' highest qualification reveals that Bachelor's Degree holders dominate the study with a score of 70.8%. Additionally, examining the number of years respondents have been in business indicates that, 2.7% have less than 5 years of experience, 55.8% fall within the 6-10 years category, 23.9% have been in business for 11-15 years and 15.0% have 16 years or more of experience. Findings on the type of

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industry SMEs belongs specify that 50.4% SMEs belongs to Hotel, Restaurant specify 39.8%, Tourism records 2.7% and Beach had 7.1%. Moreover, the type of ownership of enterprise indicates that 28.3 % are Partnership and Sole-proprietorship 71.7%. Finally, the study revealed that employees of the enterprises are 6-10 represent 57.5%, 11-15 denote 24.8% and 16 and above represent 17.7% (See Table 2).

Table 2: Respondents of Demographic Characteristics

Variable	Frequency	Percentage
Gender		
Male	67	59.3
Female	46	40.7
Highest Qualification		
Higher National Diploma	23	20.4
Bachelor's Degree	80	70.8
Master's Degree	10	8.8
Number of years in Business		
Less than 5 years	3	2.7
6-10 years	63	55.8
11-15 years	27	23.9
16 years and above	20	15.0
Type of Industry SMEs Belong		
Hotel	57	50.4
Restaurant	45	39.8
Tourism	3	2.7
Beach	8	7.1
Type of Ownership of Enterprise		
Partnership	32	28.3
Sole- proprietorship	81	71.7
Number of Employees		

Table 2 continued

6-10	65	57.5
11-15	28	24.8
16 and above	20	17.7

Source: Field Survey (2023)

Checking for Common Method Bias

In order to examine the potential presence of common method bias in the primary data collected, this study employed both Harman's one-factor test and a collinearity test. Through Harman's one-factor test, all variables were subjected to common method bias analysis and it was revealed that only 17.1% of the variance could be attributed to a single factor. This figure falls below the recommended threshold of 50% established by Podsakoff, MacKenzie, Lee and Podsakoff (2003) for common method bias, thus indicating absence of such bias in the study results. Moreover, the complete collinearity test conducted through Partial Least Squares Structural Equation Modeling (PLS-SEM), demonstrated that all Variance Inflation Factors (VIFs), as outlined in Table 6, were less than the suggested threshold of 3.3 (Kock, 2015). This outcome affirms that the model remains unaffected by common method bias.

Checking for reliability and validity of the model

An indicator is deemed reliable when its outer loading is or exceeds 0.7, following the criteria established by Henseler, Ringle and Sarstedt (2015). As shown in Table 3, all the indicators used in the model exceeded the 0.7 threshold. Table 3 provides a list of all latent variables, the retained indicators and their corresponding outer loadings.

Table 3: Outer loadings

Indicators	Awareness of Sanctions	Knowledge of Business Income	Knowledge of Tax Rights and Responsibilities	Tax Compliance
AOS1	0.889			
AOS2	0.954			
AOS3	0.947			
AOS4	0.826			
KOBI1		0.880		
KOBI2		0.757		
KOBI3		0.967		
KOBI4		0.952		
KOBI5		0.902		
KORR1			0.916	
KORR2			0.981	
KORR3			0.970	
KORR4			0.902	
TC1				0.920
TC2				0.918
TC4				0.917
TC5				0.938

Source: Field Survey (2023)

To evaluate the reliability of each construct, the researcher examined the Composite Reliability (CR) of the constructs employed in the model. The CR for each construct significantly exceeds the minimum threshold of 0.7, with values ranging from 0.948 to 0.970, as detailed in Table 4. This outcome validates the reliability of the constructs in accordance with the standards outlined by Hair, Sarstedt, Hopkins and Kuppelwieser (2014).

Table 4: Construct reliability and validity

	Cronbach's alpha	Composite reliability	Average variance extracted
AOS	0.928	0.948	0.820
KOBI	0.939	0.952	0.801
KORR	0.959	0.970	0.889
TC	0.942	0.958	0.852

Source: Field Survey (2023)

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Additionally, the researcher evaluated convergent validity by examining the AVE for each construct. Following the criteria proposed by Hair et al. (2014), the AVE for latent variables in a study should not fall below 0.5. The results as depicted in Table 4, demonstrate that all AVE values for the latent variables used in the study exceed the 0.5 threshold confirming the attainment of convergent validity.

Also, the AVE values for each construct (latent variable) exceed the squared values of the correlations between the constructs as indicated in Table 4. This outcome underscores the achievement of discriminant validity. In Table 5, it is evident that each indicator is more strongly associated with its corresponding construct than with any other constructs in the model, further substantiating the model's discriminant validity (Hair et al., 2014).

Table 5: Fornell–Larcker criterion for determining discriminant validity

	Awareness of Sanctions	Tax Compliance	Knowledge of Business Income	Knowledge of Tax Rights and Responsibilities
AOS	0.782			
TC	0.557	0.749		
KOBI	0.584	0.745	0.747	
KORR	0.547	0.609	0.616	0.683

Source: Field Survey (2023)

Hypotheses Testing

Table 6: Structural model results

Construct	Path coeff.	f-square	T-statistics	p-value	R^2	Q^2	VIF
AOS -> TC	0.151	0.025	4.320	0.000	0.712	0.318	1.000
KOBI -> TC	-0.519	0.517	21. 889	0.001	0.712	0.172	1.670
KORR -> TC	0.195	0.428	20.127	0.000	0.712	0.130	1.230

Source: Field Survey (2023)

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H1: Knowledge of tax rights and responsibilities significantly influence small and medium-scale enterprises tax compliance.

In this study, the researcher investigates the connection between tax knowledge and tax compliance among small and medium-scale enterprises within the hospitality industry in Cape Coast. The findings presented in Table 6 reveal that the R^2 value within the structural model is 0.712, signifying that the model effectively explains approximately 71% of the variances in tax compliance. The study's hypotheses were validated by evaluating the path coefficients alongside their corresponding p-values. As shown in Table 6, it is established that knowledge of tax rights and responsibilities has a noteworthy positive impact on tax compliance ($\beta = 0.151$, $p = 0.000$), thereby confirming the first hypothesis. Recognising the positive effect of SMEs' knowledge of tax rights and responsibilities on tax compliance highlights the importance of proactive tax education efforts.

These findings suggest that improving tax literacy among small and medium-scale enterprises in the hospitality industry is not only beneficial for tax authorities but also for small and medium-scale enterprises' growth and overall economic stability. An idea that links with Alshira'h (2023) that when small and medium-scale enterprises possess a clear understanding of their tax rights and responsibilities, they are more likely to engage in informed compliance. They will be aware of what is expected of them in terms of tax obligations and will strive to meet those requirements. Other studies (Amaning et al., 2021; Fauziati et al., 2020; Carsamer & Abbam, 2023) hold the view that knowledge of tax rights and responsibilities can lead to voluntary compliance among small and medium-scale enterprises. The researchers

further advance when business owners are informed about their duties and entitlements, they are more inclined to fulfil their tax obligations without the need for enforcement actions (Amaning et al., 2021; Fauziati, Minovia, Muslim & Nasrah, 2020; Carsamer & Abbam, 2023).

Inasius (2019) affirm the position of prior studies that understanding tax rights and responsibilities encourages small and medium-scale enterprises to operate within legal boundaries. This, in turn, will make them less likely to engage in risky behaviours that could result in non-compliance or evasion. Khozen and Setyowati (2023) also averred that knowledge of tax rights and responsibilities enables small and medium-scale enterprises to make informed decisions related to their business operations. It has been advanced that small and medium-scale enterprises that are educated about their tax rights and responsibilities contribute to a stronger tax system overall. Their compliant behaviour supports government revenue generation and societal development (Nguyen, 2022; Nartey, 2023). Also, awareness of tax rights safeguards small and medium-scale enterprises from potential abuses or overreach by tax authorities (Ojo & Shittu, 2023).

H₂: There is a significant positive relationship between knowledge of business income and small and medium-scale enterprises tax compliance.

Furthermore, the path coefficient ($\beta = -0.519$, $p = 0.001$) signifies a significant and negative association between knowledge of business income and tax compliance. This result contradicts hypothesis 2, which had anticipated a positive relationship between these variables. The implication of this finding is that, despite the significant relationship between knowledge of

business income and tax compliance, it does not translate into tax compliance among small and medium-scale enterprises, contrary to the initial expectations. The negative relationship between knowledge of business income and tax compliance suggests complex dynamics at play within the tax system. It also highlights the need for policymakers to address potential barriers and misunderstandings that may be discouraging tax compliance among business owners as well as to explore strategies to align knowledge with compliance behaviour.

While the study identified a notable negative association between knowledge of business income and tax compliance, the researcher posits that knowledge of business income can, in fact, positively influence tax compliance. This interpretation stems from the significant relationship observed between knowledge of business income and tax compliance, suggesting a potential positive impact of business income knowledge on tax compliance behavior (Nwokoye et al., 2023). The capability to ascertain business income for the purpose of preparing accurate tax returns is highlighted by business taxpayers as a significant aspect shaping tax compliance (Nyamwanza et al., 2014). Shakkour et al. (2021) also allude that a strong understanding of business income enables small and medium-scale enterprises to accurately report their financial information on tax returns.

According to Vincent (2021), knowledge of business income sources, deductions and allowable expenses help small and medium-scale enterprises to avoid unintentional errors on their tax returns. This eventually reduces the likelihood of discrepancies that could trigger audits or penalties. Yong and Fukofuka (2023) posit that when small and medium-scale enterprises are well-

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informed about their business income, they are more likely to willingly comply with tax Laws. This understanding instils a sense of responsibility and ethical behaviour in fulfilling tax obligations. Fauziati et al. (2020) empirically stressed that knowledge of business income is not only crucial for tax compliance but also for making informed business decisions.

H₃: Awareness of sanctions positively and significantly affects small and medium-scale enterprises tax compliance.

The path coefficient ($\beta = 0.195$, $p = 0.000$) demonstrates a positive and statistically significant relationship between awareness of sanctions and tax compliance. This result aligns with the study's third hypothesis, confirming that a heightened awareness of sanctions contributes to tax compliance among small and medium-scale enterprises. The positive relationship between awareness of sanctions and tax compliance supports the idea that creating awareness about potential penalties and consequences can be a powerful tool in promoting tax compliance among small and medium-scale enterprises. This finding holds significance for tax policy development and enforcement strategies emphasizing the need for well-designed awareness programs and clear communication about tax obligations and sanctions. The awareness of potential sanctions and penalties plays a pivotal role in ensuring business proprietors fulfil their tax responsibilities.

The finding affirm the positions of Palil and Mustapha (2011) and Twum et al. (2020) findings that that a noteworthy correlation between awareness of tax sanctions and tax compliance. Wadesango et al. (2018) posit that awareness of potential sanctions can act as a deterrent, discouraging small and medium-scale enterprises from engaging in tax non-compliance. Thus, the

fear of facing penalties, fines or legal actions can motivate small and medium-scale enterprises to ensure proper tax compliance to avoid negative consequences. Also, small and medium-scale enterprises that are aware of the potential sanctions are more likely to voluntarily comply with tax regulations (Yong & Fukofuka, 2023).

The knowledge of the repercussions of non-compliance can prompt small and medium-scale enterprises to accurately report their income, deductions and other financial information (Abdu & Adem, 2023). Along the same line, Le, Tuyet, Hanh and Hung (2020) present that the awareness of sanctions can bring about a change in the behaviour of small and medium-scale enterprises owners and managers. They may become more proactive in seeking advice from tax professionals, staying informed about tax regulations and adopting a responsible approach to tax compliance (Le et al. 2020). Musimenta (2020) is also with the view that small and medium-scale enterprises might be influenced by factors such as perceived unfairness of the tax system or financial difficulties.
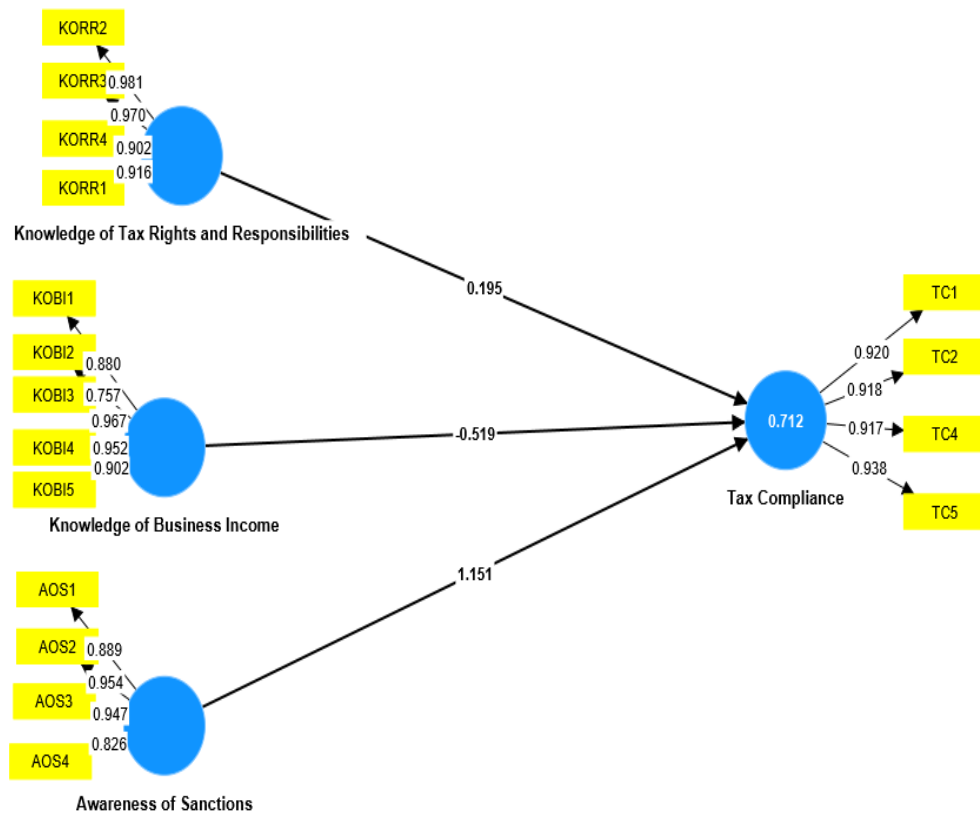
Figure 2: Path modelling and factor loading results

Source: Field Survey (2023)

Chapter Summary

This chapter presented the test results of the primary data sourced. Similarly, the chapter presented results on the influence of knowledge of tax rights and responsibilities on small and medium-scale enterprises tax compliance in the hospitality industry in Cape Coast; effect knowledge of business income has on small and medium-scale enterprises tax compliance in the hospitality industry in Cape Coast; and effect of awareness of sanctions on small and medium-scale enterprises tax compliance in the hospitality industry in Cape Coast.

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CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter offered a presentation of the findings derived from the analysis conducted in chapter four. The chapter drew conclusions based on these findings and presents practical recommendations for owners, managers and employees of small and medium-scale enterprises in the hotel and hospitality industry.

Summary of the Study

This study was designed to investigate the influence of tax knowledge on tax compliance among small and medium-scale enterprises operating within the hospitality industry in Cape Coast. To address this overarching objective, three specific objectives were formulated. Data related to tax rights and responsibilities, business income, knowledge about sanctions and the tax compliance of small and medium-scale enterprises were collected in the Cape Coast Metropolis. A simple random sampling method was employed to select a sample of 113 small and medium-scale enterprise owners, managers and administrative staff who were surveyed using a structured questionnaire. This study relied on primary data source and the analysis was conducted using PLS 4 to test hypotheses and achieve the stated objectives

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Summary of Key Findings

The significant findings pertaining to the specific study objectives are outlined as follows:

1. The study conclusively established that knowledge of tax rights and responsibilities had a significant and positive influence on tax compliance.

2. The study reveals a significant and negative relationship between knowledge of business income and tax compliance.

3. The study demonstrates a positive and statistically significant relationship between awareness of sanctions and tax compliance.

Conclusion

In summary, this study has delved into the relationship between tax knowledge and tax compliance among small and medium-scale enterprises within the hospitality industry of Cape Coast. The study has resulted in three significant findings, each of which offers valuable insights for both small and medium-scale enterprises and tax authorities. Most importantly, the study has clearly established that knowledge of tax rights and responsibilities plays a pivotal role in influencing tax compliance. This discovery highlights the importance of proactive tax education programs and initiatives emphasizing the need to enhance small and medium-scale enterprises' understanding of their tax obligations to foster a culture of compliance. However, the study also unveiled a significant and negative relationship between knowledge of business income and tax compliance. This finding prompts further examination into the underlying factors that give rise to this paradoxical

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association which can potentially provide guidance for policymakers and tax authorities on how to address this issue effectively.

Lastly, the study has demonstrated a positive and statistically significant connection between awareness of sanctions and tax compliance. This underscores the potential deterrence effect of sanctions in encouraging small and medium-scale enterprises to adhere to tax regulations highlighting the significance of communicating the consequences of tax non-compliance. Overall, this study contributes valuable insights to both small and medium-scale enterprises and tax authorities serving as a stepping stone towards the improvement of tax compliance practices within the dynamic hospitality industry of Cape Coast. These findings can potentially lead to more effective tax education and enforcement strategies promoting a fair and efficient tax system in the region.

Recommendations

The study offers recommendations tailored for owners, managers and employees of small and medium-scale enterprises, particularly within the hospitality industry.

1. Recognising the positive impact of tax knowledge on tax compliance, the government and other tax agencies should invest in tax education programs for small and medium-scale enterprises owners, managers' and employees. They must ensure that those involved in financial matters are well-informed about tax rights and responsibilities. This is because knowledgeable owners, managers, employees are more likely to adhere to tax regulations, leading to better compliance.

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2. Given the complex relationship found between knowledge of business income and tax compliance, small and medium-scale enterprises should consider consulting with tax professionals who specialize in their industry. These experts can provide insights on optimizing tax compliance strategies.

3. Following the study result that there is a positive and statistically significant relationship between awareness of sanctions and tax compliance, small and medium-scale enterprises managers should clearly communicate the potential sanctions and consequences of non-compliance to their employees. Moreover, they must stay informed about any changes in tax regulations and sanctions.

Suggestions for Further Research

Given the unexpected negative relationship between knowledge of business income and tax compliance, further study is warranted to investigate the underlying reasons and implications for policy development. Future research can investigate deeper into the behavioural and psychological factors that influence small and medium-scale enterprises' awareness of sanctions and its impact on tax compliance. This can provide more detailed insights for policymaking.

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APPENDIX A

QUESTIONNAIRE ON TAX KNOWLEDGE AND TAX COMPLIANCE

OF SMEs IN HOSPITALITY INDUSTRY

Dear Respondent,

My name is Gideon Apealetey, and I am currently pursuing a Master of Business Administration (MBA) with a specialization in Accounting. As part of my academic program, I am conducting a research study titled, *"Tax Knowledge and Tax Compliance in Hospitality Firms in Cape Coast."* Your participation in this questionnaire is highly valued and I want to assure you that all responses will be treated with strict confidentiality and used exclusively for academic purposes. Thank you very much for your time and input.

Section A: Demographic Data

Please provide your response and mark the box that accurately reflects your

identity with a checkmark ($\sqrt{}$).

1. Gender:
    a. Male   [ ]
    b. Female   [ ]

2. What is your highest educational qualification?
a. WASSCE/SSCE   [ ]
b. Higher National Diploma   [ ]
c. Bachelor's   Degree   [ ]
d. Master's Degree   [ ]
e. Doctorate   Degree   [ ]

3. Number of years in business:
    i.   Less than 5 years   [ ]
    ii.   6- 10 years   [ ]
    iii.   11- 15 years   [ ]
    iv.   16 years and above   [ ]

4. What type of Industry does the business belongs?

a.	Hotel	[ ]
b.	Restaurant	[ ]
c.	Tourism	[ ]
d.	Beach	[ ]
e.	Other please specify……………………	

5. What is the type of ownership of your enterprise?

a.	Private limited liability	[ ]
b.	Public limited liability	[ ]
c.	Partnership	[ ]
d.	Sole- proprietorship	[ ]

6. Number of Employees:

i.	5	[ ]
ii.	6- 10	[ ]
iii.	11- 15	[ ]
iv.	16 and above	[ ]

Section B: Tax Knowledge

7. For each statement, please indicate your level of agreement or disagreement using the scale provided below. Choose the response that best reflects your opinion Where 1= Strongly Disagree 2=Disagree 3=Neutral 4=Agree 5= Strongly Agree

No.	Items	1	2	3	4	5
Knowledge of Tax Rights and Responsibilities						
1	I have acquired knowledge about diverse tax rights and responsibilities.					
2	Tax education has enlightened me about my duty to fulfil tax obligations.					
3	The tax instruction I have received has informed me that tax rates are equitable and well-grounded.					
4	Tax education has revealed to me the advantages and entitlements associated with tax payments.					
Knowledge of Business Income						
5	Tax education has empowered me to calculate my business revenue and profit.					
6	I have received instruction on maintaining my accounting records.					

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7	I have learned the importance of seeking help in managing financial records.					
8	Tax education has underscored the necessity of preparing and presenting accounts to tax authorities.					
9	I can now carry out self-assessment on my tax					
Awareness of Sanctions						
10	The tax education I have received has heightened my awareness of the repercussions of non-compliance.					
11	I now recognize that my business could face closure due to noncompliance.					
12	I am now informed that tax education has alerted me to the possibility of fines for noncompliance.					
13	I am cognizant that tax education has emphasized the potential for legal prosecution in cases of non-compliance.					

Section C: Tax Compliance

9. For each statement, please indicate your level of agreement or disagreement using the scale provided below. Choose the response that best reflects your opinion on.
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No.	Items	1	2	3	4	5
1	I voluntarily fulfil my tax obligations.					
2	I pay my taxes without seeking ways to minimize them.					
3	I consistently submit my returns to the relevant tax authorities without being subject to audits.					
4	I consistently adhere to my tax payment responsibilities.					
5	I am confident that I am on the right path by fulfilling my tax obligations.					

Thank You.