DETERMINANTS OF TAX EVASION AMONG SMEs IN BOLGATANGA MUNICIPAL ASSEMBLY.

BY

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

JULY, 2017.
DECLARATION

Candidate’s Declaration

I hereby declare that this Dissertation is my own work towards the award of Master in Business Administration (MBA Accounting) and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the university, except where due acknowledgement has been made in the text.

Signature ……………………………. Date ……………………………

Name: Charles Akorbila Ayambire

Supervisor’s Declaration

I hereby declare that the preparation and presentation of the Dissertation were supervised by me in accordance with the guidelines on supervision of dissertations laid down by the University of Cape Coast.

Signature…………………………. Date ……………………………

Name: Dr. Samuel Kwaku Agyei
ABSTRACT

Taxation is the major source of revenue to support the execution of government developmental projects. In Ghana, one major sector where more taxes could have collected is the Small and Medium Scale Enterprises (SMEs) of the informal sector. The sector contributes about 80% to the employment in the country (Ghana living Standard Survey - GLSS, 2010); but, its contribution in terms of tax revenue, relative to its size, is just a drop in the national coffers. The research, therefore, aimed at finding out why SMEs in the Bolgatanga Municipality evade tax.

To achieve the objectives of the study, the survey method was adopted and a questionnaire was designed and administered to a sample size of three hundred and nine (309), comprising three hundred and four (304) tax payers and five (5) tax officials in the Bolgatanga Municipality.

The study concluded that tax evasion rate among SMEs in the municipality was at the high side. Key reasons for this phenomena was attributed to low coverage in terms of tax education, high tax rates, large size of the tax district, large size of the informal sector in the municipality coupled with inadequate human and logistical challenges facing the GRA Office. Measures such as intensification of tax education, regular monitoring, capacity building, provision of adequate logistics, Creation of Zonal Offices, among others were recommended as means of reducing tax evasion and challenges of taxing SMEs in the Bolgatanga Municipality.
ACKNOWLEDGEMENT

First and foremost, I would like to thank the Almighty God for giving me the knowledge, strength and good health to come out with this work.

Secondly, my deepest appreciation goes to Dr. Samuel Kwaku Agyei, my supervisor, for his patience, understanding, and useful suggestions and contribution which helped me in no small way in coming out with this work.

To my wife, Mrs. Agnes Ayine, and children, I say: “Thank you for your prayers, support and encouragement.” Also my appreciation and thanks go to Mrs. Doris Alaale, my Boss, for granting me the chance to peruse this programme.

Finally, I give thanks to my Uncle, Samuel Akolgo, for his encouragement; and Ahmed Abdul-Majeed and Francis Hillary, for always doing my official assignment when I was in school.
DEDICATION

To my grandparents and Parents,

Amisena, Atoo- Akolgo, Ayambire, and Ayesinna.
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CHAPTER ONE
INTRODUCTION

Background to the study

Many organizations today have recognized the importance of taxation as a means of generating revenue for the government to improve the economy as a whole. Taxes are used to finance development projects and it is the duty of every citizen to fulfil his/her tax obligation to the state, though this is not voluntary. Funds provided through taxation have been used by states and their functional equivalents throughout history to carry out many functions, such as the enforcement of law and order, protection of property, building economic infrastructure and the operation of government itself.

Taxation is therefore, a major fiscal tool in mobilizing government revenue for efficient and effective planning and directing investment and for that matter proper running of the economy. It has important impacts on many parts of the economy including impacts on firm creation and developing of the informal sector particularly the SMEs.

In most countries, conventionally defined legal taxes and levies constitute a significant proportion of GDP and finance a major part of government expenditure. It is therefore essential that tax systems be designed to achieve the appropriate trade-offs among revenue generation, allocation, efficiency, equity, and administration and compliance costs.

The economy of Ghana is largely made up of individual and small scale enterprises. That sector makes significant contribution to the Gross Domestic product (GDP), which, if taxed, could increase government internally generated revenue.
However, most of the SMEs consciously evade tax thereby denying Government the needed revenue for the development of the economy of Ghana. Records at the Registrar General Department of Ghana (RGD) shows that, there are 226,760 self-employed registered in the informal sector, but only 53,352 are registered with IRS now the Domestic Tax Revenue Division (DTRD) and are being assessed to tax (Ghana News Agency- GNA, 2009).

Taxation is one of the most reliable sources of revenue available to countries which Ghana is not an exception. In Ghana, tax contributes about 22% to Gross Domestic Product (GDP) and over 80% to total government revenue Ghana Living Standard Survey (GLSS, 2010). However, one of the greatest problems facing Ghana’s Tax System (GTS) is the problem of tax evasion and avoidance

Murphy points out that tax avoidance is responsible for a loss of some £20 billion a year in the UK; tax evasion is responsible for some £80 billion a year (Murphy, 2014). With such numbers, most experts feel that the efforts and resources of the government should be focused on addressing the £80 billion of losses; that £80 billion is made up of tax evasion specifically and taxes that are not paid for illegal activities such as the drug trade (Murphy, 2014).

As the example in the UK makes clear, this tax behavior costs nations tremendously. If a country is losing the equivalent of billions of dollars per year due to tax evasion/ tax avoidance activities, there is no doubt that other government expenditures, such as those for social programs and important government investment spending, cannot be receiving the funding that they otherwise would.
There has been a growing interest in taxing the informal sector in most developing countries for a number of reasons which include revenue needs; the phenomenal size and growth of informal sector; the impact of tax compliance in the formal sector; state legitimacy; demands from the informal sector and tax-accountability (Aryee, 2007).

As a measure to expand the tax base to the informal sector, the Government of Ghana has introduced several taxes to specifically target the informal sector operators. These include the vehicle Income Tax (VIT) on public transport operators, the Tax Stamp for collecting income tax from small traders and Flat Rate Scheme for expanding the reach of the VAT (Prichard, 2009). This has brought some improvement in the revenue yield but the overall collection from the informal sector has remained a challenge relative to other taxes such as PAYE and Corporate tax.

Like any developing country, taxing the informal sector in Ghana is a herculean task. This was acknowledged by the 2007 Budget Statement of Ghana when the Minister of Finance and Economic Planning stated that. One of the major challenges facing Ghana is how to broaden the tax net. The fact that the vast majority of Ghanaians are in the informal private sector makes revenue generation a daunting task (MOF, 2007). To enhance revenue collection and bring a fairer distribution of the tax burden which is currently borne by those employed in the formal sector, the Budget proposes that during 2007 the government will develop and implement a system to assess and collect income tax using the value of vehicles registered, because a significant percentage of vehicle registrations are from informal sector operators most of whom are not taxpayers (MOF Ghana, 2007).
While tax evasion is a willful and deliberate violation of the law in order to escape payment of tax, tax avoidance is the active means by which the taxpayer seeks to reduce or remove altogether his tax liability without actually breaking the law (Reynolds, 1993)

These “Twin devils” have created gulf between actual and potential revenue. The government has for the meantime complained of the widespread incidents of tax avoidance and evasion in the country as companies and other taxable persons employ various tax avoidance devices to escape or minimize their taxes or deliberately employ fraudulent ways and means of evading tax altogether, sometimes with the active connivance of the tax officials (Reynolds, 1993)

The existing empirical studies on tax revenue losses due to tax avoidance and tax evasion in developing countries distinguish between a domestic component and an international component. The domestic component includes tax evasion which occurs due to the domestic shadow economy. The international component includes profit shifting by corporations and offshore holdings of financial assets by private individuals (Fuest and Riedel, 2009).

The most widely cited study of the domestic component of tax evasion is (Cobham A., 2005), who estimates that developing countries lose $285 billion per year due to tax evasion in the domestic shadow economy. Cobham’s calculation of tax evasion is based on estimates of the size of the domestic shadow economy by (Strafford and LaCascio, 1995)
In an attempt to probe into the issue of tax evasion and avoidance by SMEs in the informal sector, (Adam, 2009) examined the tax policy and administration for SMEs in Ghana. The findings revealed that the class of SMEs that are worse offenders of non-payment of tax, tax avoidance, non-submission of tax returns, and non-adherence to tax laws and regulations were those found in the small class of the SMEs.

The informal sector of Ghana economy is largely made up of individual and small scale enterprises. The sector makes significant contribution to the Gross Domestic Product (GDP), which if taxed, could increase government internally generated revenue. The main source of employment in Ghana is the informal sector (SMEs) which provides employment opportunities for at least 80% of the labour force. However, less than 27% of domestic tax revenue is generated from that sector (Adam, 2009). If the SMEs GDP contribution could be translated into tax, revenue would have appreciated significantly.

Ghana still has gaps in its social and infrastructural development. The government is still facing a lot of liquidity problems though the informal sector businesses are growing. This may be attributed to the unwillingness of the informal sector to honor their tax obligation. Hence government is heavily relying on the formal sector of the economy to raise revenue for the needed developmental programmes it is embarking on (MOF Ghana, 2007).

Statement of the problem

The prosperity of a nation depends on available resources and revenues. There are many developmental issues that are not attended to because of inadequate resources. The major challenges facing developing
countries are their inability to mobilize resources locally to undertake economic activities that will improve the living standards of their citizens.

One of the main sources of revenue is through taxation. Even though taxes are the most reliable sources of revenue to developing countries, its contribution from the informal sector remains a challenge. In Ghana, the informal sector accounts for over 80% of the total employment. (Ghana Living Standard Survey (GLSS), 2010). It has also been estimated that, in terms of economic activity, about 86.3% is carried out by the informal sector. Out of the total self-employed in the informal sector less than 30% have been registered and are being assessed to tax (Abajuliet, 2011). With this large contribution to the employment, the policy that aimed at maximizing tax collection should target the informal sector.

The Bolgatanga Municipality is characterized by self-employed, that is, individuals who have established their own businesses. Tax evasion and avoidance is likely to be high in the municipality because of the dominance of the informal sector. Much revenue may not be collected because of the nature of activities within the informal sector in the municipality. (Ghana Statistical Service (GSS), Population and Housing Census, 2010).

From the preliminary survey conducted by the researcher on revenue loss due to tax evasion, it came to light that an amount of fourteen million, five hundred and eighty eight thousand, seven hundred and seven Ghana Cedis (GHC14, 588,707.00 was lost to the state from 2013-2015 by individual tax payers particularly the self-employed within the Bolgatanga Municipality. (Domestic Tax Revenue Division of GRA, Bolgatanga).
The practice of tax evasion in the Bolgatanga Municipality within the informal sector may be attributed to lack of or inadequate tax education by the relevant tax authorities. In a study conducted by Somuah (2011) on the topic “Taxation and Informal Sector, a case study of the Bolgatanga Municipality”, it came to light that “there was 100% affirmations that owing to capacity constraints and lack of resources the Internal Revenue Service (IRS) now Domestic Tax Revenue Division (DTRD) in the Bolgatanga municipality does not organize tax education programs regularly to educate the public and for that matter the taxpayers on the need to file returns and pay taxes on time”.

The continued existence of tax evasion in the Bolgatanga Municipality as shown in Table 3 on page 31 inspired the current study to examine the causes of tax evasion in the Bolgatanga Municipality.

**Purpose of the study**

The main purpose of the study is to find out the determinants of tax evasion among SMEs of the informal sector in the Bolgatanga Municipality.

**Research objectives**

In order to achieve the purpose of the study the following specific research objectives was pursued:

i. examine the nature of SME activities in Bolgatanga Municipality;

ii. identify the reasons for tax evasion among SMEs in Bolgatanga Municipality

iii. To suggest ways of minimizing tax evasion in the Bolgatanga Municipality.
Research questions

The research will specifically seek to find answers to the following questions

- What is the nature of SME activities in the Bolgatanga Municipality?
- Why Tax evasion among SMEs in Bolgatanga Municipal?
- What measures can be put in place to reduce Tax evasion among SMEs?

Significance of the study

This research study has suggested ways to prevent tax evasion. Secondly, the findings and recommendations serves as reference and guide for the appropriate Revenue Authorities. It has also added to the already existing body of knowledge in the area of taxation and serve as a reference material for other researchers.

Delimitations

The study covers the Bolgatanga Municipality of the Upper East Region of Ghana. Specifically the study covers six communities namely Bolga central, Sumbrumgu community, Zuarangu community, Kumbosico/Yaragabisi/Gambebiko community, Sherigu community and Yoro community respectively. It covers only the self-employed individuals and groups who are operating business in the research area. Specifically the study covers businesses in the informal sector such as petty traders, hawkers, hairdressers, dressmakers, artisans and so on in the Bolgatanga Municipality.
The decision of the researcher to use the tax district in Bolgatanga Municipality as a case study was based on the fact that the tax district is full of informal sector operators who are purported to be paying taxes to the state. It excludes formal business that is registered companies and are doing business in the municipality. The study also excludes individuals and companies who are into international business and residing in the Bolgatanga municipal.

**Limitation of the study**

The limitation of the study was that, the population is not fairly represented since tax evasion is a national issue rather than municipal level. Another limitation was the interpretation of the questionnaires for respondents to understand. The researcher had to get people who could interpret the questionnaire to some of the respondents.

Since most of the SMEs are not registered, it was difficult locating them to involve them in the research. Because of that, the sample may not be representative. However non probability sampling procedure was adopted which makes it difficult to generalize.

**Organization of the study**

The study consists of five chapters. Chapter one deals with the introduction which comprises background of the study, the statement of the problem, and the objectives of the study and research questions. Other aspects of the chapter are significance of the study, Delimitations and limitations of the study.
Chapter two focuses on the review of related literature. In this chapter, books, journals, articles, published and unpublished research works relating to the study have been reviewed.

The methodology of the study is the subject of chapter three. It describes the research design, the population, sample and sampling procedures of the study. Also covered in the chapter are the variables of the study, methods of data analysis and limitations to data collection. In chapter four, results and discussion of the findings are presented. Finally, the summary of findings, conclusions and recommendations form the concluding chapter of the study that is chapter five.
CHAPTER TWO
LITERATURE REVIEW

Introduction

The study seeks to find out the determinants of tax evasion among Small and Medium Scale Enterprises (SMEs) of the Informal Sector in the Bolgatanga Municipality of the Upper East Region of Ghana. This chapter highlights on the theoretical framework of tax evasion, conceptual underpinnings, empirical review and conceptual framework.

Also, the chapter highlights the definitions and characteristics of SMEs in the informal sector. Finally the chapter ends with the researcher’s conclusion based on the literature review.

Theoretical framework

This work critically reviews existing literature on the definition and measurement of tax evasion within SMEs in the informal sector. A number of authors and researchers have given their own working definition of tax evasion. A number of attempts have been made to define exactly what tax evasion is made up off.

Tax evasion may be defined as any action that results in the concealment of all or part of a person’s legitimate or illegal economic activities from the tax authorities in order to escape or dodge the payment of tax. It is the willful attempt to circumvent the tax laws through misrepresentation or deceit. In short, it is an intentional and illegal avoidance of paying mandatory taxes to the government (CATA) Annual Conference, 2005).
Tax evasion takes three forms, namely, non-declaration of income, under-declaration of income and inflation of deductions from income (Aryee, 2007). Tax evasion has been defined by (Soyode, & Kajola, 2006) as a deliberate and willful practice of not disclosing full taxable income in order to pay less tax. This behavior is portrayed as criminal act of violating the provision of tax laws which will eventually lead to reduction in total government revenue. Hence, in general, paying less tax or not at all than what one is legally obliged to, described the concept of tax evasion (Eboziegbe, 2007) posited that the act of tax evasion remained one of the most serious threats to the revenue and indeed entire economy of the Nation.

(Feld, L.P., & Frey, B.S., 2002), asserted that in most cases tax evasion arises in a situation where a taxpayer arranges his financial affairs in a way that would make him not to pay or pay the least possible amount of tax by infringing the legal rules.

With regard to the distinction between tax evasion and tax avoidance (Gabor, R., 2012), suggests that tax evasion is an intentional illegal behaviour leading to a direct violation of tax law to escape the payment of tax. (Sandmo, A., 2005) adds that tax evasion is a violation of tax law, whereby the taxpayer refrains from reporting income which is, in principle, taxable.

Tax evasion represents the illegal practices to escape from taxation that can occur in an isolated incident within the activity or in the informal or the shadow economy where the whole activity takes place in an informal manner. Taxpayers will try to conceal taxable income or profit by deliberately overstating deductions, exemptions or credits (Alm, J. & Martinez-Vazquez J., 2003). In other words, tax evasion may represent an intentional falsification of
tax-relevant information through the non-declaration of financial assets, taxable income and profit and trade mispricing (Riahi-Belkaoui, A., 2004)

Tax avoidance, on the other hand, is used to describe tax reductions achieved through artificial but permissible arrangements of personal or business affairs. It refers to the legitimate use of loopholes in the tax laws in order to minimize one’s tax burden. In short, tax avoidance is the legal planning to minimize one’s tax liability (CATA Annual Conference, 2005).

By contrast, tax avoidance occurs within the tax system and taxpayers exploit the legal scope for the discretion of tax laws running counter the purpose of tax legislation. Generally, individuals or firms engage in legal activities and use discretionary tax practices to reduce tax liabilities. These practices include the pricing of inter-company tangible goods transactions, the increase in inter-company debt and the location of central services and intangible assets. Therefore, there is nothing illegal about it and it is every person’s right. Both tax evasion and avoidance result in loss of national revenue and are therefore undesirable to tax administration. (Zee, H.H., 2005)

In 2008, a US senate subcommittee issued a report highlighting that banks located in tax havens cost US taxpayers some USD 100 billion a year in lost revenue. This leakage occurred despite solid US laws, institutions and other mechanisms to help control tax evasion. If such capital flight is occurring with regulatory frameworks commonly perceived as sound, one can imagine how many more opportunities exist for evasive practices in countries with weak regulatory and legal environments. (Yankelovich, Skelly and White, 1984)
Developing countries lose vital revenue through tax evasion and the siphoning of money to tax havens. According to the World Bank, illicit flows of cash from developing countries amount to between USD 500 - 800 billion a year. These are funds that could otherwise have been used to fund development priorities. Countering the loss of revenue caused by tax havens is a vital element of the G20’s and G8’s global responses to the current economic crisis. Hundreds of billions of dollars per year have left the African continent between 1991 and 2004. These outflows are estimated at 7.6% of the annual GDP of the region and, in effect, make African countries net creditors of donor countries. They also undermine African countries’ tax bases (Pretoria Communiqué).

(McGee, R.W., & Noronha, C., 2008) Conducted study in order to authenticate the various arguments which are presented for tax evasion. (Alm, & Vazquez 2003) discussed the structured features of tax system, weak tax enforcement capacity, corruption, presence of informal sector in the economy and tried to correlate the informal sector with the fiscal gap.

Also, (Gabor, 2012) suggests that tax evasion is an intentional illegal behaviour leading to a direct violation of tax laws to escape the payment of tax. (Sandmo, A., 2005) adds that tax evasion is a violation of tax law, whereby the taxpayer refrains from reporting income which is, in principle, taxable.

Tax evasion represents the illegal practices to escape from taxation that can occur in an isolated incident within the activity or in the informal or the shadow economy where the whole activity takes place in an informal manner. Taxpayers will try to conceal taxable income or profit by deliberately
overstating deductions, exemptions or credits (Alm & Martinez-Vazquez, 2003). In other words, tax evasion may represent an intentional falsification of tax-relevant information through the non-declaration of financial assets, taxable income and profit and trade mispricing.

McGee, & Nornoha (2008) discussed the ethical aspects of tax evasion and concluded that there is a general perception that tax evasion is unethical and also that there is a wide spread feeling that tax evasion is justified in certain cases.

(Siehl, D. E., 2010), discuss that, tax system in almost all the developing countries are not well established. The author also indicated some main reasons of tax evasion such as low tax morale, low quality of service in return of taxes, corruption, low transparency etc. (Neck, R., Wachter, J.U., & Schneider, F., 2011) focused on the effect of tax evasion and tax avoidance on the size of economy.

Tax avoidance and tax evasion have continued to reduce tax revenue to the government. For the country to meet up with its aspiration of a better economy by 2020, the tax avoidance and evasion should not be allowed to continue to strangle revenue to the nation. For instance, under the direct personal taxation as practiced in Nigeria, collection of taxes from the self-employed such as businessmen, contractors, professional practitioners like doctors, accountants just to mention a few, has been a problem. As observes (Ayua, L. A., 1999), these persons blatantly refuse to pay tax by reporting losses every year.

Similarly (Duni, L., 2009) asserted that many individuals and corporate bodies setup non-profit making organizations including Non-Government
Organization (NGOs) and religions bodies and siphoned profit recorded by various corporate bodies through donations to such organizations purposely to reduce the amount of tax paid.

Also (Olabisi, 2010), in his article “An assessment of tax evasion and avoidance in Nigeria” added that even the civil servants and other salaried workers are equally guilty of this nefarious practice of tax evasion in the manner in which they abuse the personal allowances and reliefs statutorily provided by law. Furthermore the activities of trade union in the formal sector do not pave way for successful tax policy implementation.

Although these acts are more or less ways through which tax evasion are perpetrated but in themselves constitute criminal act under tax laws and of all these failure to render tax returns is the most common form found in Nigeria (Kiabel, B. D., & Nwankwo, N. G., 2009).

Tax avoidance and tax evasion are anti-social and unpatriotic; they continue to shrink government revenue, thereby hindering any meaningful development in the country. Tax avoidance and evasion have continued to strife despite various reform programmes aimed at reducing or totally eliminating the problem by the Ghana Revenue Authority (GRA). (Abajuliet’s blog, 2011).

There are also theories propounded on the determinants of tax evasion that are grouped into three theoretical perspectives, general deterrence theory, economic deterrence models and fiscal psychology (Riahi-Belkaoui, A., 2004).
**General deterrence theory**

General deterrence theory suggests that the crime rates of populations decrease by the threats of punishment which must be characterized by certainty, celerity and severity to be effective (Stack, S., 2010). The exact level of certainty that must be reached for punishment to deter crime is unknown, and empirical research suggests that at least 30 per cent of offenders should be held accountable to reduce the crime rate (Stack). This theory refers to the capability of a legal system, through sanctions to reduce the phenomenon of tax evasion in one country.

**Economic deterrent theory**

The economic deterrence models focus on the cost-benefit framework, as they incorporate an economic rational taxpayer who will evade taxation as long as the pay-off from evading is greater than the expected cost of being caught (Hasseldine, H.D., & Bebbington, J.K., 1991). These models suggest that the economic, legal and institutional characteristics of one country (e.g. level of enforcement, corruption, bureaucracy and competition laws) may influence tax evasion practices.

**Fiscal psychology theory**

Finally, fiscal psychology models examine the attitudes and beliefs of taxpayers to predict their behaviors (Hasseldine, & Bebbington, 1991). This reasoning is based on the fact that attitudes are unbiased proxies for the taxpayers’ behaviors. These models consist of the examination of the taxpayers’ profiles to identify the causes behind tax evasion (Lewis, 1982a). Fiscal psychology models suggest that factors such as age, sex, social-
economic background, education level and occupation may affect the level of
tax evasion. Besides, tax morale also represents an important variable which
captures taxpayer’s behaviour towards fiscal duties.

In sum, the general implications of these theories are that tax evasion is
deterred by sanctions, can be viewed as an economic decision under
uncertainty in which taxpayer estimates the economic advantages and costs of
tax evasion and tax noncompliance can be explained by non-economic factors
related to taxpayers’ attitudes and perceptions on compliance (Riahi-Belkaoui,
2004).

The above theories are relevant to the study and will help the
researcher to explain the determinants of tax evasion in the Bolgatanga
municipality. The general deterrent theory will help the researcher to find out
whether the tax officials at GRA applies the appropriate tax laws to sanctioned
informal taxpayers who evade tax in the municipality or they don’t.

Also the economic deterrent theory will help the researcher to assess
the level of enforcement of tax laws in the municipality to serve as a deterrent
to those who want to evade tax. Taxpayers are comfortable if they realized that
the cost of evading tax is minimal as compared with the benefits derived from
tax evasion. The practice of corruption and political interference could result
in low level of enforcement of tax laws, hence, an opportunity for the
researcher to explain tax evasion in the Bolgatanga municipality.

The fiscal psychology theory deals with the attitude, believes and
demographical factors such as age, sex, level of education etc. of taxpayers in
a particular locality. The researcher will assess the activities of taxpayers
within the municipality to see whether these factors can cause tax evasion in the study area or not.

**Determinants of tax evasion**

(Riahi-Belkaoui, A., 2004) examines the determinants of tax evasion for a sample of 30 developed and developing countries in 1996. To measure tax evasion, he uses the direct approach which consists of a tax compliance survey conducted by the Global Competitiveness Report (GCR) in 1996. He focuses on four variables thus, the economic freedom index, the importance of equity market, the level of serious crimes and the effectiveness of competition laws. He documents that the high level of economic freedom, importance of equity markets and the effectiveness of competition laws are positively associated with tax compliance, while the high level of criminology reduces the level of tax compliance.

(Picur, R. D., & Riahi-Belkaoui, A., 2006) extend the analysis by examining the effect of two important legal and institutional variables, namely, bureaucracy and corruption, for a sample of 30 developed and developing countries in 1996. Bureaucracy is measured by the percentage of tax government expenditures over Gross Domestic Product (GDP), while corruption is proxied by a score ranging from 2.5 to 2.5, where higher scores indicate lower corruption. They control for legal system (1 for common law countries and 0 otherwise) in their model. They document that the low level of corruption is positively associated with tax compliance, whereas the high level of bureaucracy increases tax evasion. They also provide evidence that countries belonging to a common legal system are more compliant with tax rules.
(Richardson, G., 2006), extends this line of research by considering economic and demographic variables based on the detailed review of (Jackson, B., and Milliron, V., 1986) who consider ten key variables – age, gender, education, income level, income source, marginal tax rates, fairness, complexity, revenue authority initiated contact and tax morale. Tax evasion is measured using the direct approach based on two scores collected from the GCR of the World Economic Forum (WEF, 2002, 2003, 2004). He controls for legal and institutional (democracy and legal system), economic (economic development), non-economic (religion), cultural and behavioral variables. Based on a sample of 45 developing and developed countries, he documents that the complexity of fiscal rules is positively associated with tax evasion, while the high levels of general education, services income source, fairness and tax morale are negatively associated with the same variable.

(Tsakumis, G. T., Curatola, A.P., & Porcano, T.M., 2007) alternatively explore the relationship between tax evasion and cultural dimensions (uncertainty avoidance, individualism, masculinity and power distance) as defined (Hofstede, G. H., 2001) Tax evasion proxy is based on (Schneider, F., 2004) who uses a macro indirect approach to estimate such a variable. Based on a sample of 50 developed and developing countries, they document that uncertainty avoidance and power distance are positively associated with tax evasion, while individualism and masculinity are negatively associated with tax evasion.

(Richardson, G., 2008) extends the empirical analysis of Tsakumis et al. by considering several proxies of tax evasion and including other legal, political and religious variables. He considers Tsakumis et al.’s analysis as a
preliminary international examination of the association between tax evasion and cultural dimensions. Using the micro direct approach by collecting taxpayers’ perceptions from the GCR (WEF, 2002, 2003, 2004) and based on a sample of 47 developing and developed countries, he documents that individualism is negatively associated with tax evasion, while uncertainty avoidance is positively associated with the same variable. Contrary to Tsakumis et al., masculinity is not significantly associated with tax evasion. With regard to control variables, it seems that the levels of legal enforcement, trust in government and religiosity are negatively associated with tax evasion across countries.

(Gabor, R., 2012) also extends the empirical analysis of Tsakumis et al. (2007) by considering the same model and adding two new cultural dimensions, including long-term orientation and indulgence. In this study, tax evasion is measured using a macro indirect approach based on (Schneider, 2004). The sample consists of 58 developed and developing countries, and data are collected for the period 2008-2010. Results show that these new cultural dimensions do not affect tax evasion. In addition, masculinity is negatively associated with tax evasion, while uncertainty avoidance is positively associated with the same variable. Controlling for the level of economic development, he documents that GNP is negatively related to tax evasion across countries.

(Abasi, E., & Haidaryemady, H., 2012) conducted a research to find out the reason of tax evasion by employees and legal persons and give remedies for the problem in Iran. (Wadhwa, L., & Pal, D.V., 2012) concluded that the main reasons of tax evasion are high tax rates, corruption,
multiple tax rates and inefficient tax administration. (Thure, N., 2013), proposed a single comprehensive model containing the factors that have the most influence on tax compliance. (Muhrta, V., & Ogundeji, C., 2013) argued that the issue of tax evasion and tax avoidance is the same in almost all countries of the world. The study was based on the information gathered from tax professionals. They concluded that most significant factors were; deficiencies in tax structure.

Unreformed tax laws, inefficient legislation, lack of patriotism, poverty, corruption and ineptitude on the side of successive government to pay sufficient attention to the necessity to generate adequate revenue from taxation has been evident in Ghana (Abajuliet’s blog, 2011).

(Kiabel, B. D., 2001) argued, some businessmen do not see rationale for paying tax irrespective of the huge profit they might have made. They prefer to make up their account in such a way that a loss will be reflected. This is not an exception in Ghana. (Onuihbo, P., 1986) listed some determinants why people may be reluctant to disclose their actual income and pay tax, which include: i) Inequitable distribution of amenities ii) Misuse or mismanagement of tax revenue. iii) Inability of government/tax authority to identify the actual taxpayers and serve them with assessment notice and iv) Lack of civic-spirit responsibility from the public.

(Beattie, 2010) is of the opinion that, the desire to own more wealth is one of the reasons for evading taxes. This is because ultimate benefit of the sales of a businessman is the amount of money remaining after he has paid all expenses including taxes. His goal is to reduce cost, reduce his price to obtain
Inadequate Tax Incentive by Government

According to (Ablordepy, S., 2005), "the tax incentives offered by government have neither hindered up to the expectation or motivating investors into the country nor influencing the location of business”. If the incentives given by government are promising enough, investors and tax payers would be willing to pay the taxes due the government instead of avoiding and/or evading it.

Poverty or Shortage of Funds

There is a wide spread of tax avoidance and evasion which can be attributed to high standard of living that has left many individuals in poverty. In view of this, Poor individuals who enter into sole proprietorship will always want to evade or avoid tax in order to meet their pressing needs.

Also it is believed that, only rich people drive nice cars and in expensive houses thus, some people avoid and evade tax to enable them get these desires and other necessities of life, like food, shelter and clothing.

Loose and Weak Tax Law

Where the tax laws are loose and full of loop holes, it will tempt avoiders and evaders. Punishment for tax evasion is very mild in Ghana, and people may be tempted to evade taxes. The multi-nationals operating within the country may capitalize on this loop holes and also lack of effective tax legislation to reduce their tax liabilities.

Inadequate Personnel

The relevant tax boards and offices are grossly under-staffed. The amounts of work exceed manpower and the tendency has always been to rush
up work in an attempt to live up to the tasks. This leads to mistake of assessment or complete omission of some tax payers name from the tax list (Ntim, 2007)

**Inadequate Tax Education**

Where a tax payer who is not criminally minded is aware of massive tax evasion by other tax payers, he may feel that the least he could do is avoid tax by planning in order not to bear more than his fair share of tax burden (Nightingle, H., 1997). This is because adequate measures have not been carried out by government to educate citizens about the importance and benefits of taxation to the Ghanaian economy.

**The Conceptual underpinnings**

According to (Bannock G., Baxter, R.E., & Davis, E., 1998), Taxation is a compulsory transfer of money (or occasionally of goods and services) from private individuals, institutions or groups to the government.

The US Treasury Department also defines it as a compulsory payment for which no specific benefit is received in return (Slavin, S. L., 1999). Tax policy is concerned with the reasoning behind how much revenue the government is collecting, what the revenue is being used for, and whether the government is collecting revenue in the most appropriate way.

The US Treasury Department definition of tax is adopted for discussing on the topic the determinants of tax evasion among Small and Medium Enterprises (SMEs) of the Informal Sector in the Bolgatanga Municipality of Upper East Region of Ghana. The definition as above means that individuals both in the informal and formal sector are required by law to pay tax for the development of the nation. This tax is compulsory for every
citizen in Ghana to pay, the default of which sanctions are to be meted against
the individual.

The people who pay these taxes may be thinking to receive direct
benefits in return. Some may be tempted to think that they are paying money
to people to enjoy to the detriment of their sweat. Others may have the notion
that the government is rather to find money to satisfy their needs since they
have voted the government into power.

Some think that Government is an individual person who is rich and
so have to provide for everybody in the country and not to rather tax their
incomes.

These thoughts motivated economist to propound the benefit principle
in taxation. The benefit principle is based on the idea that people should be
taxed in proportion to benefits they receive from the government (goods and
services provided by that tax) (Strafford, A.D., & LoCascio, H.D., 1995) Thus,
the amount of tax paid by an individual should be directly related to the
benefits, which that individual derives from government expenditure.

The absence of “these benefits” tax payers both in the formal and
informal sector (of which the study is focus) try to evade paying. This study
seeks to find out the reasons that contribute to tax evasion apart from this
benefit principle just discussed.

Even though tax payers are thinking of direct benefits, there are many
purposes of which the government collects tax from its citizens. As noted by
(Edgar, T., & Sandler, D., 2005) revealed that there are five purposes for
collecting revenue through taxes: to give government power to allocate
resources; to enable government to provide/support social development; to
stabilize the economy; to constitute and define the market place; and to encourage optimal economic growth. Furthermore, three of these are of greatest urgency in developing countries: economic growth; internal and external stability; and ensuring that incomes are distributed appropriately.

**Principles of Taxation**

A good tax system should possess some principles or qualities. In his book, the Wealth of Nations Adam Smith stated four principles which he called the canons of taxation (Hardwick, P., Khan, B., and Langmead, J., 1994). These include:

**Equity Principle**

This principle has been subjected to two interpretations by Modern Economists thus, the benefit principle and ability-to-pay principle. The benefit principle is based on the idea that people should be taxed in proportion to benefit they receive from the government (goods and services provided by that tax) (Strafford, A.D., & LoCascio, H.D., 1995). Thus, the amount of tax paid by an individual should be directly related to the benefits, which that individual derives from government expenditure.

Strafford, & LoCascio, further state that the ability-to- pay principle on the other hand, is based on the idea that people who are better able to pay taxes should pay a larger proportion of their income or wealth than people who are less able to pay. This means that taxes should be imposed on people according to what they can afford to pay. Thus, the amount of tax paid should correlate the income available to the taxpayer. In modern day taxation, progressive taxation supports this principle.
The benefit principle as stated by Strafford, & LoCascio, could be a yardstick for citizens to use as a bases of evading tax when their expectation are not meet. They actually expect government to buy and share goods and other services that will meet their individual needs.

The progressive tax system as practice in Ghana where the higher your income the more tax you pay is encouraging people to evade tax by cutting down their salary which is subject to tax and introducing allowances that are out of the tax brackets. This practice is done both in the formal and the informal sector of the economy, thus denying government as well as the assemblies the needed revenue for the necessary developments

Certainty Principle

This principle states that, the payment of taxes should be clear and certain to the tax payer and the tax collector. Thus, both the tax payer and the tax collecting agency should be certain about how much, when and where to pay the tax. In this direction, tax laws must be made available to the citizens so that they will know their rights and obligations with regard to tax.

Tax education is very important in times of tax revenue mobilization. The absence of tax education may be a determinant of tax evasion. If the citizens are not given the needed education by tax authorities, they may not see the need to pay tax, thus evading tax payment, sometimes by ignorance but not intentional, denying government the needed revenue

Convenience Principle

This principle means that the method, manner, and time of payment should be convenient to the tax payer. For instance the location of the tax offices must be at the convenience of the tax payer as well as the forms to be
completed must be simple for the tax payer. Thus, taxes should be enforced in a manner that facilitates voluntary compliance to the maximum extent possible (Ali-Nakyea, 2006)

The informal sector businesses are scattered all over and far to reach areas. The GRA offices may not be many enough to make accessibility easy for tax payers. For example the GRA’s office in Bolgatanga is located at the ministries which is far away from the business centers of the municipality, where buying and selling takes place, thus making it difficult for tax payers to locate or feel lazy to go and pay their taxes. This can cause many tax payers especially the informal sector to evade tax.

**The Principle of Economy**

This principle means that the cost of collection in relation to the tax yield should be minimal. The cost of collecting taxes falls on two parties: the government, which takes on administration costs and the taxpayer who bears the cost of compliance (Wilkinson M., 2001) the administration cost includes principally the cost of running the tax authority; the largest being the salaries of all the employees. Compliance costs, on the other hand, include time spent on tax affairs, keeping records, filling in forms, money spent on professional advisers among others by the taxpayer.

When the cost of paying tax by tax payers are high, they tend to evade tax and on the other hand government in accessing the high cost of collecting tax from the informal sector, turns to tax only the formal sector and allowing the informal sector to evade tax and denying it the needed revenue for development of the economy.
Empirical Review

The researcher’s recent interaction with one of the officer who is a tax analyst with the Domestic Tax Revenue office, Bolgatanga branch concerning the study topic, he exclaimed “My brother, some of the SMEs in the informal sector do not register their business with the tax authorities in other to avoid paying tax. Some of them register just to get a tax clearance certificate and after which they will not go back to pay the appropriate taxes”

Again, the Monthly Reports of Tax Payment by the self-employed of the informal sector from the records of the Domestic Tax Revenue Division (DTRD) of the Ghana Revenue Authority (GRA) Bolgatanga Municipality reveals the following as shown in Table 2
Table 1: Monthly Tax Payments by Informal Sector

<table>
<thead>
<tr>
<th>New files opened</th>
<th>Active files</th>
<th>No. paying for the Month</th>
<th>No. of defaulters For the month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan</td>
<td>9</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Feb</td>
<td>10</td>
<td>18</td>
<td>61</td>
</tr>
<tr>
<td>Mar.</td>
<td>5</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>April</td>
<td>4</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>May</td>
<td>7</td>
<td>12</td>
<td>8</td>
</tr>
<tr>
<td>June</td>
<td>17</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>July</td>
<td>11</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Aug.</td>
<td>14</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Sept.</td>
<td>8</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>Oct.</td>
<td>9</td>
<td>9</td>
<td>34</td>
</tr>
<tr>
<td>Nov.</td>
<td>1</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Dec.</td>
<td>2</td>
<td>1</td>
<td>194</td>
</tr>
<tr>
<td>Totals</td>
<td>97</td>
<td>80</td>
<td>345</td>
</tr>
</tbody>
</table>

Source: Domestic Tax Revenue Division of GRA – Bolgatanga

- 15 files deleted in September, 2013
- 139 files deleted in April 2014
- 4 files deleted in August, 2014.
Table 2: Average Annual Self-Employed Tax Payers From 2013-2015

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Number of active files</td>
<td>855</td>
<td>828</td>
<td>849</td>
</tr>
<tr>
<td>Average Number paying tax</td>
<td>305</td>
<td>407</td>
<td>451</td>
</tr>
<tr>
<td>Average Number of tax defaulters</td>
<td>550</td>
<td>421</td>
<td>398</td>
</tr>
<tr>
<td>% of defaulters against active files</td>
<td>64.4%</td>
<td>51.00%</td>
<td>46.88%</td>
</tr>
</tbody>
</table>

Source: Domestic Tax Revenue Division of GRA – Bolgatanga

The above tables 2 & 3 access the prevalence of tax evasion in the Bolgatanga Municipality. In table 3, the average annual defaulters of Self-Employed business who registered with the GRA ranges from 64.4% in 2013, 51.00% in 2014 and 46.88% in 2015. From table 2, GRA deleted 15 files in September, 2013, 139 and 4 files in April and August 2014, thus increasing the defaulting rates to 66.08% in 2013 and 68.12% in 2014.

Table 3: Assessment of Revenue Lost From 2013-2015

<table>
<thead>
<tr>
<th>Year</th>
<th>Aver. No. SMEs</th>
<th>Actual.Amt Collected</th>
<th>Aver. No. Defaulter</th>
<th>Amount Estimated</th>
<th>% Estimated Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>305</td>
<td>3,150,634.83</td>
<td>550</td>
<td>5,681,472.64</td>
<td>20.98%</td>
</tr>
<tr>
<td>2014</td>
<td>407</td>
<td>4,354,158.75</td>
<td>421</td>
<td>4,503,933.25</td>
<td>16.63%</td>
</tr>
<tr>
<td>2015</td>
<td>451</td>
<td>4,989,669.90</td>
<td>398</td>
<td>4,403,300.71</td>
<td>16.25%</td>
</tr>
<tr>
<td>Totals</td>
<td>1,163</td>
<td>12,494,463.48</td>
<td>1,369</td>
<td>14,588,706.60</td>
<td>53.86%</td>
</tr>
</tbody>
</table>

Source: Domestic Tax Revenue Division of GRA – Bolgatanga

Table 4 above shows the amount of money that is lost in the Bolgatanga municipality due to tax evasion by SMEs. Based on the actual tax paid, it means that each tax payer paid an annual tax of Ghc10, 329.95 in 2013, Ghc10, 698.18 in 2014 and Ghc11, 063.57 in 2015. Using this as a
bases, to multiply by the average no. of defaulters, it means that the Bolgatanga municipality lost a total tax revenue amounting to Fourteen Million, Five hundred and eighty eight thousand, seven hundred and seven Ghana cedis (Ghc14,588,707.00) from 2013-2015 representing 58.86% of average no. of active files with GRA of Bolgatanga branch

**Conceptual framework**

The informal sector of the economy can contribute so much in terms of tax revenue to the development of any country. Therefore, there seems to be a consensus that African governments and their tax authorities would have to work around the clock to bring the informal sector into the tax bracket.

Efforts by governments to widen the tax base will greatly increase revenue leading to a reduction in the reliance on donor funding and also in incidences where governments are forced to increase taxes on basic commodities. But a large chunk of this sector continues to slip through the noose of tax authorities, even as governments grapple with the complex problem of how to avoid this. For example the administrative reform of 1985 was focused on measures to enhance the efficiency of the tax administration and improve upon the equity of the tax system.

A major component of this reform was the conversion of the Internal Revenue Service (IRS) and Customs, Excise and Preventive Service (CEPS) into the Ghana Revenue Authority (GRA), an autonomous corporate body with new organizational structures in 2009. Its objective is to strengthen the role of the revenue institutions in achieving increased revenue collection and changing the structure of the tax system to make it more efficient and equitable.
In 2007, the tax administration management information system was computerized and a unique identification number assigned to taxpayers for easy tracking by tax collectors. In addition, there has been gradual reduction of tax rates and elimination of multiple tax rates to reduce the distortions that arise from such tax systems.

The introduction of the e-government project in November 2011 is aimed at linking Ghana Revenue Authority (GRA) to the Registrar General’s Department (RGD) electronically to ensure GRA has access to the database of registered businesses for easy tracking and collection of tax payments.

The introduction of the tax stamp in Ghana in 2005 was a major reform policy that targeted at the Small and Medium Scale enterprises that do not register their business with the GRA to rope them into the tax net by getting them to pay their taxes.

In spite of the several fiscal reforms implemented to minimize tax burden and discourage activities of the underground economy, tax evasion continues to be a problem in Ghana Anan, (Bokoe, & Nketia-Amponsah, 2010). The presence of a large shadow economy implies activities which are liable to tax payments are hidden from the tax authorities and the related tax revenues are not collected. Tax evasion thus reduces government revenue, increases the taxes that compliant tax payers face and often reduces the public services that citizens receive. It also causes distortions in the economy which influence policy makers to make misinformed decisions.
Definition of SMEs

There is no single uniformly acceptable of small firm ((Storey, H., 1994) as also cited by (Quartey, A., Osei, R., and Sowa, N. K., 2000). Firms differ in their level of capitalization. Sales and employment. Hence which employment measure or size (number of employees, turnover, profitability, net worth etc.) when applied to one sector could lead to all firms being classified as small, while the same size definition when applied to a different sector could lead to different result (Quartey et al 2000). According to (Bock, J., 1989) Georgia Institute of Technology alone has more than fifty definitions for SMEs.

The International Labour Organization (ILO) gives a broad meaning which includes modern industrial firms employing up to 50 employees, family units employing 3 to 4 people, cottage industries, group companies and small self-employed firms in the informal sector of the economy (Lassor, J. M., & Clavier, L., 1989). In Ghana, the most important criterion used in defining the size of the enterprise is employment (Boon, F.W., 1989). The Ministry of Local Government and Rural Development (Ghana) considers any establishment that employs 1 to 9 employees, a small scale enterprise, 10 to 20 employees as medium scale enterprise and above employees as a large scale enterprise.

The National Board for Small Scale Industries (NBSSI) as production unit that are engage primarily in manufacturing outside the residence, with an investment and tool of not less than nine people (NBSSI, 1997).

(Amonoo, E., 2003) noted that Ghana, it is notable that some of these definitions vary according to number of employees, level of investment, total
assets and turnover. From the foregoing, it can be discovered that there is no consensus in the issue of the definition of SMEs. Given changes in the value of the domestic currency, heterogeneity of assets and variation in turnover, using these factors to differentiate does not seem very appropriate.

Currently, small and medium sized enterprises are defined by their size. In the European Union, SMEs are define in the Commission's Recommendation of May 6, 2003. Concerning this recommendation an enterprise is regarded as a small or medium sized if it has not more than 250 employees and not more than 50 million Euro turnover representing a balanced sheet total of not less than 43 million Euro and if not more than 25% of the shares of such an enterprise are in the ownership of another enterprise. (Hauser, G., 2005).

The International Labour Organization (ILO) thus defines the informal sector as one characterized by ease of entry, reliance on indigenous resources, family ownership of enterprises, small scale of operation, labor-intensive and adapted technology, skills acquired outside the formal school system, and unregulated and competitive markets. There is however need to broaden these definitions to reflect the reality of many Africa countries. When talking of the informal sector the first picture that comes to mind for many is the micro and small business such as hawkers and street vendors. The truth however is that the informal sector in many African countries encompasses a wider section of the economy.
Types and Characteristics of SMEs

SMEs in the developing countries such as Ghana may be classified according to their operational objectives, ownership, size, management structures and operational regulations. Businesses may therefore be classified into four major sectors, namely,

1. Primary
2. Secondary
3. Tertiary
4. Quaternary sectors

The primary business is concerned with the category of business that engage in acquiring and trading in unprocessed natural resources such as farming, forestry, mineral extraction and fishing products. The secondary sector involves businesses that engage in adding value to natural resources such as manufacturing industry.

The tertiary sector businesses that deal with services (education and health, distribution and retail trade, banking, transport services, hospitality services etc.). Most SMEs in the developing world fall under one or the other of these three categories.

The quaternary sector is now being introduced to most developing countries and only very few of them are in that sector. These are information based services such as the internet, mobile phone network, satellite communication systems and space travel.

In Ghana and in most African countries, SMEs are dominated by people who are not highly educated or who are computer illiterate. We fine “Galamsay”, small scale manufacturing industry and artisans, service
providers such as legal services, entertainment industry, hospitality and tourism industry education retail and petty trading businesses and construction industry. (Amanuah-Mensah, 2003).

SMEs are potential sources of employment and income in many developing countries. According to (Daniels, M., 1994) as cited by (Quartey et al, 2000)), it is estimated that SMEs employ 22% of adult population in developing countries. He brought to the fore, the fact that data from the Registrar General Department indicated that 90% of companies registered are Micro, Small and Medium Enterprises.

According to (Yankson, P.W.K., 1992) SMEs are individually owned and operated, Family ownership dominates the ownership of the informal sector businesses because family provides cheap source of labour. Lack of trust on the part of individual does not promote the formation of partnerships and joint ventures.

SMEs are so scattered and unionist, hence very difficult to be regulated. According to (Farrell, S., & Mathew, G., 2000), Not even the combine effort of the government and individuals is able to regulate the activities of the informal sector properly. The cost of regulating the informal sector will far exceed the benefits and in fact such an attempt will be a -wild-goose chase.

Setting a business in the informal sector is very easy since the capital requirement, technology and regulatory requirements are very low and so any body at a point in time can set up business in the informal sector. Capital intensity in this sector is low- most of the entrepreneurs use labour intensive
technology – with the targets units having the most fixed capital per employee (Yankson, 1992).

According to (Joshi, A., & Ayee, j., 2009) the characteristic of the informal sector exacerbates these problems. The informal economy is characterized by transience and uncertainty. Cash transactions dominate. There is indifference to formal accounting due to high levels of illiteracy and a shortage of affordable accountancy services. In some areas of the informal economy such as transportation or street vending the mobility of the operators makes it difficult to enforce tax compliance.

The large number of people engaged in the sector and the relatively small amounts of tax payable pose an additional logistical problem for collection. Thus, taxation based on formal systems of income calculation, accounts, and payment options are not suited to the informal sector.

The vast majority of informal sector operators have very low incomes, and this creates a strong argument for near total exemption from taxation. On the other hand, many informal sector operators have very substantial income and should rightly be asked to pay significant income taxes. In the absence of effective record keeping, the need for equity in the treatment of the low income group almost certainly makes it more difficult to target those with higher incomes (Prichard, W., 2009)

Several observers have suggested that taxing the informal sector is politically problematic because the informal sector forms a substantial vote bank for politicians (Cross, 1998 cited by Joshi, & Ayee, 2009). State officials and politicians turn a blind eye to activities in the informal sector in order to retain their support base; simultaneously, organized informal sector workers to
pressurize government officials to reduce enforcement (Joshi & Ayee). In fact, there are often implicit contracts made by politicians that allow tax burdens to be low on informal activities in exchange for political support (Tendler, J., 2002). This is what (Tendler) has termed the —devil’s deal. —If you vote for me…I won’t collect taxes from you; I won’t make you comply with other tax, environmental or labour regulations; and I will keep the police and inspectors from harassing you (Tendler). This goes a long way to explain the reasons why the smaller formal sector operators are often over burdened with taxes.

Summary /Conclusion

From the literature review is it clear that tax evasion by SMEs in the informal sector is both an International and National problem that affect revenue to the government, particularly in the developing countries.

Again most of the researchers like Myles (2005) has identified among others, inadequate tax incentives by government, poverty or shortage of funds, loose and weak tax law, inadequate personnel and inadequate tax education as some of the determinants of tax evasion.

Though many researchers have made an attempt to find reasons for tax evasion there are varied views about the concept determination of tax evasion. There is no suggesting as how to mitigate this canker in the economies and allow government to mobilize the appropriate tax revenue for the development of the nation. Also the earlier researcher on the topic rather looks at the global, international and national levels in their assessments of the determinants of tax evasion and its effects on government revenue. This study is more focus on a particular municipality where the informal sector is predominant to assess the determinants of tax evasion in that tax jurisdiction.
Also the earlier researchers have not been able to prove with facts and figures the rate of revenue loss to the various governments as a result of tax evasion. A recent survey by this researcher in the study area of Bolgatanga municipality revealed that revenue loss by the municipality “between” 2013-2015 due to tax evasion amounted to about fourteen million and six hundred thousand Ghana Cedis, Ghc14,600,000.00, representing about 54% of total tax collected.

This has motivated the researcher to still research on the topic determinants of tax evasion in the Bolgatanga municipality and to agree with or disagree with the factors as identified by earlier researcher as the causes of tax evasion. The researcher will also suggest ways of eliminating or reducing tax evasion in the municipality
CHAPTER THREE
RESEARCH METHODS

Introduction

The main objective of the study is to examine the determinants of tax evasion among Small and Medium Scale Enterprises of the Informal sector in the Bolgatantaga Municipality. The previous chapter looked at tax evasion theories, the empirical studies on tax evasion and identified a gap in the literature. The study seeks to fill that gap, and the analytical framework designed to address the gap is presented in this chapter. Basically this chapter deals with the research design, the population, sample and sampling techniques, data collection procedure, the procedure for analyzing the data collected and limitations to the data collection.

Research Design

A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. The research design is the conceptual structure within which research is conducted; it constitutes the blueprint for the collection, measurement and analysis of data.

The research adopted the survey approach. A survey is defined as a method of gathering primary data based on communication with a representative sample of individuals (Zikmund, 2003).

A survey was used for this study to identify the determinants of tax evasion by SMEs. The purpose of the survey is to generalize from a sample to the population so that inferences can be made about some characteristics, attitude, or behavior of the population.
Surveys enable the acquisition of information that is difficult to discuss or cannot otherwise be computed by observation, such as risk, fear, religious belief, and racial attitude. Through a survey design, a researcher can collect data in different ways such as the use of questionnaire administered in person, interviews, and telephone surveys (Gerhardt, T., 2004).

Surveys using questionnaires ensures the collection of standardized data from a high volume of respondents in a very economical way, allowing easy comparisons.

Besides, survey strategy facilitates the collection of quantitative data which can be analyzed using descriptive and inferential statistics. Data obtained through survey can be used to suggest possible reasons for particular relationship between variables (Saunders, M., Lewis, P., & Thornhill, A., 2012).

Survey is an appropriate method used to obtain sensitive information such as tax evasion (Reinikka, E., & Svensson, D., 2004) Surveys can be designed to elicit taxpayers’ attitudes about their reporting.

The use of survey design in tax evasion and compliance literature is not uncommon. For instance, (Gupta, R., 2009), among others, have used the survey design in their studies. In their study on tax compliance involving business income earners among small and medium size enterprises in kerugoya town in Kenya, observe that the use of survey design enables generalization of research findings on how taxpayers’ positive attitudes influence business income tax compliance.
Study area

The study area for this research is the Bolgatanga Municipality which was established in 2004 by Legislative Instrument (LI) 1797 (2004). The municipality is located in the center of the Upper East Region, approximately, between latitudes 10°30' and 10°50' North and longitudes 0°30' and 1°00' West, it is also the regional capital.

Bolgatanga Municipality is bordered to the north by the Bongo District, south and east by the Talensi and Nabdam Districts, and to the west by the Kassena-Nankana Municipality. It covers a total land area of 729 square kilometers. Population and Housing Census Report, 2010 (PHC, 2010).

The Municipality comprises of six communities namely, the Bolgatanga central, Zuarangu, Kumbosiko/Yarigabisi/Gambebiko, Sumbrugu, sherigu and yorogo.

It has a total population of 131,550 accounting for 12.6 percent of the population of the Upper East Region. Out of the total population, male population is 62,783 (47.79%), females are 68,767 or 52 percent of the total population.

The total number of self-employed constitutes about 44,686 (83.4%) of the total employment sector 53,570. About 19,842 (77.9%) of the self-employed are males while 24,844 (88.4%) are females.

More than half (58.1%) of the population 15 years and older are self-employed without employees, 3.1 percent self-employed with employees, and 15.5 percent are contributing family workers. Employees constitute 18.3 percent with two times more males than females. More females are self-employed without employees, contributing family workers, and domestic
employees. The proportion of the population who are employed in the private informal sector is 83.4 percent, the public sector and the private formal employ 11.8 percent and 3.9 percent respectively. Males are more likely than females to be in these two sectors. (GSS, 2014)

Nearly two-thirds (64.6%) of the population 11 years and older are literate whiles 35.4 percent are not literate in any language. The proportion of literate males (72.8%) is higher than females (57.4%). The proportion of males who can read and write in English and a Ghanaian language is 17.0 percent as compared with 10.6 percent of their female counterparts.

The demographic characteristics of the population of the study area as discussed above is likely to have an adverse effects on taxation since the informal sector accounts for 83.4% of the total population of the municipality.

The illiteracy rate of the female population is higher than the male and this could account for tax evasion since they are the majority who are engage in petty trading and are likely not to understand the need to pay tax to the state.

**Sample and sampling techniques**

This section provides the techniques and the procedures used to select the sample for the study. These techniques and procedures include description of the target population, determination of the sample size, and sampling procedures.
Target population

The target population of the study area comprises taxpayers in the informal sector who qualify to pay tax. Those taxpayers include persons operating in kiosks, identifiable groups such as hairdressers and beauticians, dressmakers and fashion designers, craft works, food vendors, butchers, contractors, general market traders, artisans such as masons, carpenters, welders, and mechanicals, among others. These category of taxpayer’s forms part of the self-employed in the informal sector.

In the study area, the total number of self-employed constitutes about 44,686 (83.4 %) of the total employment sector 53,570. About 19,842 (77.9 %) of the self-employed are males while 24,844 (88.4%) are females. The table below shows the employed population in the study area, 15 years and older by employment sector and sex. The data shows that 83.4 percent of the employed population works in the private informal sector whilst 11.8 percent are public sector workers. About 88 percent of the female employed population is in the private informal sector compared to 78 percent of the male population. Contrarily, the public sector employs more males (15.4%) than females (8.5%). More males are also employed in the private formal sector than females.
Table 4: Employed Population 15 Years and Older By Employment Sector and Sex

<table>
<thead>
<tr>
<th>Employment Sector</th>
<th>Both sexes</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>%</td>
<td>No.</td>
</tr>
<tr>
<td>Public (Gov.)</td>
<td>6,333</td>
<td>11.8</td>
<td>3,932</td>
</tr>
<tr>
<td>Private Formal</td>
<td>2,065</td>
<td>3.9</td>
<td>1,408</td>
</tr>
<tr>
<td>Private Informal</td>
<td>44,686</td>
<td>83.4</td>
<td>19,842</td>
</tr>
<tr>
<td>Semi-Public/Parasternal</td>
<td>61</td>
<td>0.1</td>
<td>36</td>
</tr>
<tr>
<td>NGOs (Local and Inter.)</td>
<td>413</td>
<td>0.8</td>
<td>234</td>
</tr>
<tr>
<td>Other International Org.</td>
<td>12</td>
<td>0.0</td>
<td>9</td>
</tr>
<tr>
<td>Total</td>
<td>53,570</td>
<td>100</td>
<td>25,461</td>
</tr>
</tbody>
</table>

Source: Ghana Statistical Service, 2010 Population and Housing Census

Taxpayer qualifying to pay tax cases was also adopted as the basic unit of analysis for this study. The unit of analysis was to measure the effects of general deterrence, economic deterrence and fiscal psychology and other factors such as ignorance and distance on tax evasion among tax payers who qualify to pay tax. That is to say that the empirical focus of the study was on the micro-business and self-employed who file returns at the GRA.

**Determination of sample size**

The target population for the study (the informal sector self-employed) represents a portion of the total population of taxpayers in the study area. The 2010, population and Housing census pegs self-employed in the study area at 44,686. Hence, with a given level of confidence as well as error of margin, the minimum sample size was determined proportionately as:
Where:

\[ n = \frac{pqz^2}{E^2} \]

\( p \) is the percentage belonging to the specified category and it is based on assumed population proportion, existing information or pilot studies, \( q = 1-p \), the percentage not belonging to the specified category, \( z \) is the z-value corresponding to the level of the confidence required, and \( E \) is the margin of error required.

For unknown population size, \( p=0.5 \) produces largest possible sample size.

Source: (Cochran, 1977; Saunders et al., 2012).

Since the sampling frame for tax payers is unknown in the study area, \( p \) is considered to be 0.5. Taken 95% as the level of confidence, 5% margin of error and a z-value of 1.96, the minimum sample size was calculated as:

\[ n = \frac{0.5(0.5)(1.96)(1.96)}{0.05(0.05)} = 384 \]

Since the total population (population of selfemployed) from which the proportion was ascertained is more than 10,000, the computed minimum size was not adjusted (Saunders et al., 2012). The above sample size was distributed according to the population of each of each of the communities selected. The reason is that there was no accurate data on the number of taxpayers in each of the community and so, the use of population density was deemed to yield representativeness.

**Sampling Procedure**

Considering the nature of the study area, three sampling techniques were used. Stratified sampling which is a probability sampling procedure in which simple random subsamples are drawn from within different strata that
are more or less equal on some characteristic (Zikmund, 2003) was first used to divide the study area into six strata with each stratum representing paramountcy and simple random sampling techniques which is define as a sampling procedure that assures each element in the population an equal chance of being included in the sample (Zikmund, 2003) was used to select a community from each of the stratum. In all, six communities were selected. The communities are Bolgatanga central, Sumbrungu, Zuarangu, Gambigo / Kumbosico / Yarigabiisi, Sherigu and yorogo.

In order to obtain the sample size computed, a quota was assigned to each of the selected community. The assignment of quota was based on the premise that a sample will represent the population as a variability in sample for various quota variables is the same as those in the population (Saunders et al., 2012). The calculation of quotas is based on relevant data and usually relative to proportions in which they occur in the population. Nevertheless, such criteria vary as a range of factors including the nature and type of research play a major role (Sarandakos, 1997). Hence, quota was assigned to the communities based on population density of the community. Population was used on the assumption that the larger the size of the population, the larger the number of taxpayers in that community. The table below shows the distribution of respondents.
Table 5: Distribution of Respondents by Community

<table>
<thead>
<tr>
<th>Communities</th>
<th>Population</th>
<th>Quota</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bolga Central</td>
<td>66,456</td>
<td>289</td>
</tr>
<tr>
<td>Sumbrungu</td>
<td>4,611</td>
<td>20</td>
</tr>
<tr>
<td>Zuarangu</td>
<td>7,054</td>
<td>31</td>
</tr>
<tr>
<td>Kumbosiko/Yarigabisi/Gambebiko</td>
<td>6,471</td>
<td>28</td>
</tr>
<tr>
<td>Sherigu</td>
<td>2,652</td>
<td>12</td>
</tr>
<tr>
<td>Yoro</td>
<td>920</td>
<td>4</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>88,164</strong></td>
<td><strong>384</strong></td>
</tr>
</tbody>
</table>


After the quota was assigned to each of the community, a simple random technique was used to actually select the samples. In every community where sample was drawn, one out of two taxpayers was selected. The process was repeated until the suitable sample was drawn. This approach was adopted to give each and every taxpayer in the community an equal opportunity to be selected as part of the quota. Additionally, this sampling technique was adopted to ensure the possibility of making generalization about the population.

In the case of the respondents from DTRD, purposive sampling technique define as a nonprobability sampling technique in which an experienced individual selects the sample based on his or her judgment about some appropriate characteristic required of the sample members (Zikmund, 2003) was used. All the five (5) tax officials were purposively selected from the operations department since they deal directly with taxpayers so far as
assessment and collection of taxes are concerned. The five (5) respondents were made up of three (3) senior and two (2) junior staff members.

**Data Collection Instrument**

The survey instrument used to collect the data was questionnaire. A questionnaire was used since it was considered as suitable for making quantitative analysis. Questions on the questionnaire were constructed in such a way that alternative responses, such as “don’t know and undecided” were avoided. The use of this approach was to ensure suitability in data analysis. As a result, categorical, self-coded and Yes or No questions were used to measure all the variables of interest except the distance which was measured using a moving car. However, probing questions were used to confirm respondents’ responses where it was thought appropriate to do so.

To facilitate the speedy collection of the data, the researcher was helped by four (4) research assistants. Thus, with the help of the research assistants, the questionnaires were personally administered. Prior to the commencement of the data collection, the four research assistants were taken through some orientation. Such orientation acquainted them with the skills of administering questionnaires. The selection of the research assistants was based on their educational background, proficiency in gurune language. Furthermore, their ability to translate the English language into the aforementioned local dialect was critically considered.

**Response rate**

Three hundred and eighty nine (389) questionnaires were administered but fifty (50) of the respondents refused to answer all the questions and thirty
(30) of them were also ineligible to answer some of the questions on the questionnaire.

Only three hundred and nine (309) of the questionnaires were completely responded to, giving an active response rate of about 79%. A response rate on anything over 30% in a random tax survey is generally regarded as acceptable given the sensitive nature of the topic (Devos, 2008)

**Validity testing**

Validity (internal) refers to the capability of an instrument to effectively measure attributes it is purported to measure (Saunders et al., 2012). Three basic approaches employed in estimating the validity of an instrument are content validity, criterion-related validity, and construct validity (Bloomberg, cooper and Schindler, 2008). For the purpose of this study only two of them (content validity and criterion-related validity) were considered.

Content validity is concerned with the extent to which the measurement questions in the questionnaire adequately cover the domain of the investigative questions. This according to Saunders et al. (2012) can be attained in three ways when developing instrument for testing. The three ways are (1) carefully defining what is to be measured through the reviewed literature, (2) prior discussion with others and (3) use of panel of individuals to assess whether each measurement question in the questionnaire is ‘essential’ ‘useful but not essential’ or ‘not necessary; All but use of panel of individuals were employed to ensure content validity of the questionnaire used in this study.
Second approach, criterion-related validity is also called predictive validity. It is concerned with the capability of the measurement question to make accurate prediction. Thus, it refers to the extent to which the independent variables in the questionnaire accurately predict the dependent variable. This can be achieved through statistical analysis such as correlation (Saunders et al., 2012). A correlation analysis which was performed indicated that each of the independent variables in the questionnaire was able to predict the expected relationship as found in the literature review (the criterion specified).

Data analysis

The raw data obtained from a study is useless unless it is transformed into information for the purpose of decision making (Emory and Cooper, 1997). The data analysis involves reducing the raw data into a manageable size, developing summaries and applying statistical inferences. Consequently, the following steps will be taken to analyze the data for the study. The data will be edited to detect and correct, possible errors and omissions that are likely to occur, to ensure consistency across respondents.

The data will then be coded to enable the responses to be grouped into limited number of categories. Statistical Package for Social Sciences (SPSS) will be used to analyze data. In analyzing data, descriptive statistical tools such as bar graphs, pie charts, complemented with means and modes will be used with the aid of Microsoft Excel.
Limitations to data collection

The major limitation of the study was ignorance and fear of being taxed; the respondents may not be co-operative initially. However, they were made to understand that the study was just meant for academic purpose and not to collect information for the government for the purpose of increasing their taxes.

Besides, some of the respondents considered the exercise as a waste of time and for that matter was not prepared to spend a few minutes of their precious time to answer the questions. The research was also limited by financial constraints taking cognizance of the extent of the scope of the study and other investigation that was undertaken by the researcher.

Another area of limitation to this study was the inability of respondents to complete and submit questionnaire on time for data to be analyzed. More so, it must be accepted that the outcome of the study may not be generalized to all self-employed businesses in the country since the outcome of the study might have been influenced by the norms and traditions of the people, economic conditions among others of Bolgatanga Municipality.

Chapter summary

This chapter began with the research design adopted for the study area of the Bolgatanga municipality. The chapter also looked at the sample and sampling techniques employed, the target population and how the sample size was determined. It also covers the data collection instrument which was mainly a questionnaire, the rate of response to the questionnaire, how the data was analyzed using the SPSS and the limitation during the data collection process.
CHAPTER FOUR
RESULTS AND DISCUSSION

Introduction

The main objective of the study was to examine the determinants of tax evasion among Small and Medium Scale Enterprises of the Informal sector in the Bolgatanga Municipality.

The researcher employed the survey method in obtaining information and data from the primary source. A questionnaire was designed for both the tax officials and the taxpayers. Samples were selected based on targeted units using the non-probability sampling method of random sampling, specifically the purposive sampling technique. This method ensured that representative samples of all the known elements of the population were covered in the sample.

The data obtained was entered and analyzed using the SPSS module. These were further represented by Tables and Figures.

Respondents distribution

Three hundred and eighty nine (389) questionnaires, comprising three hundred and eighty four (384) taxpayers and five (5) tax officials of the target population in the Bolgatanga Municipality was administered. However, three hundred and four (304) of the taxpayers and 5 of the tax officials responded. In percentage terms, 79.17% of the taxpayers and 100% of the tax officials responded to the questionnaire. Eighty of the taxpayers did not either respond or answer the questionnaires correctly while the handwriting of others was not legible for interpretation. The break down in Table 7 shows the distribution of respondents for the study.
Table 6: Respondents Distribution

<table>
<thead>
<tr>
<th></th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Officials</td>
<td>3</td>
<td>2</td>
<td>5</td>
<td>1.60%</td>
</tr>
<tr>
<td>Taxpayers</td>
<td>141</td>
<td>163</td>
<td>304</td>
<td>98.40%</td>
</tr>
<tr>
<td>Total</td>
<td>144</td>
<td>165</td>
<td>309</td>
<td>100%</td>
</tr>
<tr>
<td>(%)</td>
<td>46.60%</td>
<td>53.40%</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>


As indicated in Table 6, 1.60% of the respondents were tax officials of the Bolgatanga Municipality GRA, while the taxpayers registered the remaining 98.40%. The research further revealed a ratio of 1:1.4 with regard to male and female distribution as illustrated in Figure 2. The ratio indicated enough evidence of 53.40% of slight female dominance, thus, lays credence to the assertion that there is a fair gender balance in the tax industry, with the male population coming up strongly. This emphasizes the point that the informal sector has much higher female population as compared to the male.

The high incidents of tax evasion in the municipality could be attributed to the dominance of the female population engaging in petty trading and who have no formal education or semi-formal education and had difficulty in paying taxes due to ignorance.

Figure 2 shows the gender ratio of tax payers of the informal sector of the municipality.
Figure 2: Gender Ratio


The age distribution of respondents

The ages of the respondents were within the range of 16 and 61+ years for taxpayers and 16 and 58 for staff. The study exhibited the age group 31 – 45 years as the modal class of the respondents with 46% representation (142 in absolute terms); and closely followed by age group 16 – 30 years which attained 39.80% (i.e. 123 respondents); however, tax official representation was bi-modal for 31 – 45 years and 46 – 60 years, with each showing a value of 2 respondents.

Table 7: Age Groups of Respondents

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Tax Officials</th>
<th>Tax payers</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>16-30 years</td>
<td>1</td>
<td>122</td>
<td>123</td>
<td>39.80%</td>
</tr>
<tr>
<td>31-45 years</td>
<td>2</td>
<td>140</td>
<td>142</td>
<td>46%</td>
</tr>
<tr>
<td>46-60 years</td>
<td>2</td>
<td>35</td>
<td>37</td>
<td>12%</td>
</tr>
<tr>
<td>61+ years</td>
<td>0</td>
<td>7</td>
<td>7</td>
<td>2.2%</td>
</tr>
<tr>
<td>Total</td>
<td>5</td>
<td>304</td>
<td>309</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Field survey, 2016
In summary, the study illustrated that, 85.8% strong representations of youthful and energetic respondents with about 12% more belonging to the middle age class and 2.2% representation of the aged.

It came to light that most of the new SMEs in the Municipality are owned by people within the age range of 16-45. This group has the conviction that, it is the Government responsibility to provide them Jobs and if that is not done, as a result of which they go into small business to survive, they see no reason why they should pay tax to the state. This perception contributes to the high tax evasion in the municipality.

During the administering of the questionnaire one of the taxpayer named Baba exclaimed, “If I don’t cover the cost of my capital which I used to start my business and meet my basic needs like accommodation and a means of transport, there is no way I will pay tax to the Government”.

**Number of years official worked at GRA**

The researcher wanted to find out the number of years that staff has worked with the Ghana Revenue Authority. This will determine the level of experience that staff have in the assessments and collections of taxes.

Figure 3 demonstrates the number of year’s staff had served with GRA.

![Figure 3: Years with GRA](source: Field survey, 2016)
As illustrated in Figure 3, 40% of the staff respondents had served the organization (GRA) within a period of 6 and 10 years while 40% had chalked more than ten years of service with (GRA). By virtue of the results, it could be easily explained that the Bolgatanga Municipality tax district of the GRA could boast of well experienced and knowledgeable tax officials.

**Marital status of respondents**

The marital status of the Taxpayers are presented on table 9.

**Table 8: Marital Status of Taxpayers**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cum Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Married</td>
<td>219</td>
<td>72.0</td>
<td>72.0</td>
<td>72.0</td>
</tr>
<tr>
<td>Single</td>
<td>73</td>
<td>24.0</td>
<td>24.0</td>
<td>96.1</td>
</tr>
<tr>
<td>Divorced</td>
<td>3</td>
<td>1.0</td>
<td>1.0</td>
<td>97.0</td>
</tr>
<tr>
<td>Separated</td>
<td>4</td>
<td>1.3</td>
<td>1.3</td>
<td>98.4</td>
</tr>
<tr>
<td>Widow/Widower</td>
<td>5</td>
<td>1.6</td>
<td>1.6</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>304</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
<td></td>
</tr>
</tbody>
</table>


From table 8, Out of the 304 respondents 219, represented by 72% were married, 73 or 24% of the respondents were single, 1% had divorced their marriages, and 1.3% had separated their marriage whilst 1.6% had lost their husbands or wives. This means that 75.90% of the taxpayers who are into business in the informal sector are responsible citizens who knows the importance of tax and would have the interest in honoring their tax liabilities. The Marital status of the tax officials was not demanded by the researcher since they are not the focal group.
Educational level of respondents

The research revealed that aggregately, about 27% of the entire respondents had only Basic education, while the university graduates (i.e. both first and second degrees) made up of about 23%; albeit, this group formed the modal level of education for all tax officials (i.e. 100%). It was again observed that as much as 18% (i.e. 56 persons in absolute terms) has not acquired any form of formal education; and they were basically found within the domain of taxpayers. Professionals on the other hand cumulatively represented 1.94% (and were found in taxpayers and tax official’s domain).

As illustrated in Table 10, 82% of the taxpayers were educated one way or the other; thus, it was assumed that the respondents know the importance of taxation and their respective tax obligations to the state.

Table 9: Educational Level of Respondents

<table>
<thead>
<tr>
<th>Levels</th>
<th>Tax officials</th>
<th>Taxpayers</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Freq.</td>
<td>%</td>
<td>Freq.</td>
</tr>
<tr>
<td>Basic</td>
<td>0</td>
<td>0</td>
<td>83</td>
</tr>
<tr>
<td>SHS/SSS</td>
<td>0</td>
<td>0</td>
<td>53</td>
</tr>
<tr>
<td>Tech/Vocational</td>
<td>0</td>
<td>0</td>
<td>38</td>
</tr>
<tr>
<td>Diploma</td>
<td>2</td>
<td>40</td>
<td>0</td>
</tr>
<tr>
<td>1st./ 2nd degrees</td>
<td>2</td>
<td>40</td>
<td>69</td>
</tr>
<tr>
<td>Professional</td>
<td>1</td>
<td>20</td>
<td>5</td>
</tr>
<tr>
<td>No formal Educ.</td>
<td>0</td>
<td>0</td>
<td>56</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5</td>
<td>100</td>
<td>304</td>
</tr>
</tbody>
</table>

Source: Field survey, 2016
Religious background of respondents (Taxpayers)

The researcher had an interest in knowing whether religion plays a role in the businessmen willing to honor their tax obligation or not. Both Quran and the Bible talks about the need for Muslims and Christian to pay their taxes. Table 11 demonstrates the various religious groups that responded to the questionnaire.

Table 10: Religious Groups

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cum. Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Christianity</td>
<td>193</td>
<td>63.5</td>
<td>63.5</td>
<td>63.5</td>
</tr>
<tr>
<td>Islamic</td>
<td>77</td>
<td>25.3</td>
<td>25.3</td>
<td>88.8</td>
</tr>
<tr>
<td>Traditional</td>
<td>33</td>
<td>10.9</td>
<td>10.9</td>
<td>99.7</td>
</tr>
<tr>
<td>Others</td>
<td>1</td>
<td>0.3</td>
<td>0.3</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>304</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>


From table 10, Christians forms 63.50% of the respondents, Islamic religion was 25.30% followed by Traditional religion covering 10.90% of the respondents whilst others covers 0.30%; thus, it was assumed that the respondents know the importance of taxation and their respective tax obligations to the state.

- What is the nature of SME activities in the Bolgatanga Municipality?

Types of business

To answer the research question, the researcher first of all wanted to find out the type of businesses that are dominating in the Bolgatanga Municipality.
The study classified the respondents into six main types of business in the informal sector; namely, Hairdressers and Beauticians, Dressmakers and Fashion Designers, Artisans, Contractors, Food Vendors and General traders. Artisan includes Motor fitters, Mechanics, Craftsmen, welders and weavers. Contractors include Foodstuff contactors, Electrical contractors and Building contractors, while general traders include druggist, Provisions sellers, clothing businesses, Vegetables sellers etc.

Their representation as per the responses are shown in Figure 4

![Figure 4: Types of Business](source: Field survey, 2016)

As indicated in Figure 4, General Traders registered 45.40% (i.e. 138 in absolute terms) which apparently represented the modal class of the tax payers; followed by Artisans/Mechanics, which chalked 14.50 (44 in absolute terms). The Dressmakers and fashion Designers class attracted 35 respondents (representing 11.50%); Hairdressers and beauticians 11.20% (34 persons in absolute terms) was attained, while 10.20% (31persons in absolute terms) was
recorded for food vendors and the remaining 7.20% (22 respondents) went to contractors.

**Nature of businesses**

The study revealed that most of the businesses in the municipality are mostly retail businesses as indicated in table 12.

Table 11: *Nature of Business*

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cum. Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sole trader</td>
<td>299</td>
<td>98.4</td>
<td>98.4</td>
<td>98.4</td>
</tr>
<tr>
<td>Partnership</td>
<td>5</td>
<td>1.6</td>
<td>1.6</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>304</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>


Table 11 indicated that, retail businesses are dominant in the Bolgatanga Municipality recording 98.4% of the respondents, while partnership businesses registered 1.6% (5 in absolute terms). There was no response for Joint venture business in the municipality. The predominant of the sole ownership business was reaffirmed by a 100% for all the 5 staff who responded.

The type and nature of business in the Municipality as discussed above has direct relationship with tax evasion. The reason is that they are basically retail and operate in smaller business which does not require legal procedures as that of partnerships and Companies. Most of them go into the business without pre-information of taxation, hence feel uncomfortable when they are now demanded by tax authorities to pay tax, hence the evade taxes.
Location of business

The study shows that 39.80% or 121 in absolute figure of the respondents operate their businesses in stores, followed by those who operate in Kiosk/Containers with 114 or 37.50% of the respondents. Those who operate in market stall were 7.9% or 24 in absolute terms. Those who operate in offices represent 7.2% or 22 respondents, while those who trade on tabletops had 4.60% or 14 in absolutes terms. Those whose trade is Hawking recorded 3.00% or (9 in absolute terms).

![Bar chart showing the location of business]

Figure 5: Location of Business


Type of business and location

The researcher wanted to find out where the SMEs operate their businesses from. The study reveals that those who do their businesses in stores are the general traders with a score of 74 representing 61.16% of the respondents, followed by Hairdressers and Beauticians with a score of 23.14%. Dressmakers and fashion Designers who operates in stores scored 14.05% or 17 respondents, while Artisans/Mechanics and food vendors scored 1 each, while contractors scored none.

64
Those who operate in the market stall are general traders with a score of 14 or 58.33% of the respondents, followed by Dressmakers/ Fashion Designers with a score of 8 or 33.33%, while Food vendors had 2 or 8.34% of the respondents. For those who do their business on Table-Top general traders had a score of 12 or 85.71% of the respondents, followed by food vendors with a score of 2 or 14.29%. Those whose business is by Hawking, general traders had 8 or 88.89% of the respondents, followed by food vendors who had 1 or 11.11% of the respondents. Respondents whose businesses are done in Kiosk/Containers, Artisans/Mechanics had the highest score of 37.72% or (43 in absolute figure), followed by general traders with a score of 26.32% or 30 respondents, Dressmakers/ Fashion designers had 8.77%, while Hairdressers/ Beauticians scored 5.26%. For those whose businesses operates in offices are mostly the contractors with a score of 100% or 22 in absolute figures.
Table 12: Type of Business and their Location

<table>
<thead>
<tr>
<th>Business</th>
<th>Store</th>
<th>Market stall</th>
<th>Table top</th>
<th>Hawking</th>
<th>Kiosk/Container</th>
<th>Offices</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hairdressers</td>
<td>28</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>6</td>
<td>0</td>
<td>34</td>
</tr>
<tr>
<td>Dressmakers</td>
<td>17</td>
<td>8</td>
<td>0</td>
<td>0</td>
<td>10</td>
<td>0</td>
<td>35</td>
</tr>
<tr>
<td>Artisans</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>43</td>
<td>0</td>
<td>44</td>
</tr>
<tr>
<td>Contractor</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td>Food Vendor</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>25</td>
<td>0</td>
<td>31</td>
</tr>
<tr>
<td>General Trader</td>
<td>74</td>
<td>14</td>
<td>2</td>
<td>8</td>
<td>30</td>
<td>0</td>
<td>138</td>
</tr>
<tr>
<td>Total</td>
<td>121</td>
<td>24</td>
<td>14</td>
<td>9</td>
<td>114</td>
<td>22</td>
<td>304</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2016

In view of these findings, GRA could easily target the General traders, most of who operates on stores, market stall, table tops, and containers and food venders, many of whom could be located at the permanent locations they ply their trade while others are hawkers who are constantly in mobility. The localized food venders could only be tracked when their wares are still on sale but leaves their premises the moment their produce finishes.

Apart from the two classes of business mentioned earlier on, Hairdressers and beauticians ‘and Dressmakers and Fashion Designers‘ are the next class of business dominant in the municipality. The latter, just like the Artisans and contractors ‘could be targeted by using the Associational strategy.

**Years in business**

The researcher wanted to know the number of years that the respondents had been in business in the municipality. From table 14 business that existed from 1-5 years scored the highest with a score of 42.43% or (129 in absolute figures), followed by 6-10 years with a score of 29.28%, while 11-
15 years had a score of 15.13% and 15 years and above scored 13.16%. From the analysis, it is observed that there are a lot of businesses springing up almost every day in the municipality which GRA had to identified and register them for tax purposes. If care is not taking, the old businesses will continue to pay taxes leaving the new ones to evade tax by no registering them.

Table 13: Years in Business

<table>
<thead>
<tr>
<th>Years</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-5 years</td>
<td>129</td>
<td>42.4</td>
<td>42.4</td>
<td>42.4</td>
</tr>
<tr>
<td>6-10 years</td>
<td>89</td>
<td>29.3</td>
<td>29.3</td>
<td>71.7</td>
</tr>
<tr>
<td>11-15 years</td>
<td>46</td>
<td>15.1</td>
<td>15.1</td>
<td>86.8</td>
</tr>
<tr>
<td>15 years &amp; above</td>
<td>40</td>
<td>13.2</td>
<td>13.2</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>304</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2016

Sources of capital

The researchers wanted to find out the source of capital for the informal businesses in the municipality. The study reveals that 67.80% or 206 respondents had started their business with personal savings, 16.80% or 51 respondents had their capital from family and other relations, while 14.10% or 43 respondents said they had their from the banks in a form of loans. Three (3) or 1.00% had their capital from the microfinance, and 1 or 0.30% had the capital from friends.

It was revealed that the banks always require collateral security before loans can be granted; as such the bank interest rates are very high such that you might not be able to pay back the loan and also get profit. These, it was
observed was the main cause of businesses unable to access credit from the banks to either start or expand their business in the informal sector.

The nature of source of capital for these SMES exposed them to tax evasion, the reason been that if their source of capital were gotten from the financial institutions, they would have required to provide business as well as tax clearance certificates as evidence of their business existence. This would have minimized unregistered business with GRA and hence reduce tax evasion.

![Source of Capital](image)

*Figure 6: Source of Capital*


**Registration of businesses with regulatory bodies**

The researcher wanted to find out whether the informal businesses in the municipality have been registered with any business advisory centers such as National Board for Small Scale Industries, (NBSSI), and Business Advisory Centers (BAC) etc. for regulations, monitoring and control.

The study reveals as in Figure 6 that those who have not registered their business with any of the regulatory bodies scored 81.60% or 248 of the respondents. Those who had registered their business with NBSSI or any of the regulatory bodies scored 18.40% or 56 of the respondents.
In view of the study it was observed that most informal sector businesses in the Bolgatanga municipality were not registered for control and monitoring purposes. This could have an effect on the payment of income tax since they cannot be controlled.

![Figure 7: Registration with Business Advisory Centers](image)

Source: Field Survey, 20116

From figure 7, it is observed that most of the businesses in the Bolgatanga municipality were retail businesses whose capital is been financed by personal savings which does not allow for expansion of businesses in the informal sector. Most of these businesses were not registered by the regulatory bodies including the GRA. This could have a consequential effect on taxation in the municipality.

As observed by (Riahi-Belkaoui, 2004), theory of determinants of tax evasion, he noted that fiscal and psychology models includes age, sex, social economic background, level of education etc. of taxpayers has a direct relationship with tax evasion. These fiscal psychology factors as discussed
above in the Bolgatanga municipality points to a positive affirmation of (Riahi-Belkaoui) theory of determinants of tax evasion. The results from the study on ages, Sex, Social economic factors such as nature of business, type of business and source of capital, etc., and level of education of the respondents all had relevance to the study since they play a role in the determinants of tax evasion of which the study seeks to find out.

- Why Tax evasion among SMEs in Bolgatanga Municipal.?

**Tax information**

To answer the research question, why tax evasion among SMEs in the Bolgatanga Municipality, the researcher first of all wanted to find out the knowledge of taxpayers on tax. That is whether they have even heard about tax or not and the source of their information. It was found out from table 14 below shows that 47 respondents said they have not heard of income tax, representing 15.5%, 41.80% or 127 respondents said they heard of tax from GRA tax education programs, while 42.70% heard about tax from other sources.

It is therefore observed that 58.20% that is (15.5% +42.70%) do not have accurate tax education. They could be misinformed about taxation and this could have an impact on the payment of taxes in the informal sector in the Bolgatanga municipality. In view of the study GRA could enhance their tax education to cover most if not all taxpayers in the Bolgatanga municipality.
Tax education

Tax Illiteracy forms the basis of tax evasion. If taxpayers are not educated or informed about the importance and uses of tax revenue, it will be very difficult for people to agree to pay tax willingly. The research has reveal that 41.80% or 127 of the respondents had been given tax education by GRA at various periods as can be read on Figure 8 below. On the other hand, 58.20% or 177 of the respondents never attended tax education programs by GRA. However, the response from the tax official had scored 100% positive response on tax education. They (GRA Officials) seek to suggest that they have been organizing tax education either quarterly or annually for taxpayers in the municipality. This is contrary to taxpayer view of tax education programs by GRA. In view of this research, GRA can improve their tax education programs so that those who have started new business will be educated on taxation to minimize tax evasion in the municipality.
Business registration with GRA

The researcher wants to find out whether the informal businesses in the municipality had registered with GRA or not. The study reveals that 39.10% or 119 of the respondents had registered their business with GRA for taxation purposes, while 60.90% or 185 of the respondents had not registered their business with GRA. Of the 119 who had registered their businesses, 66.40% or 79 respondents went to the tax office to register, while 33.60% or 40 respondents were registered at their places of business by GRA officials.

This was confirmed by the response from tax officials with 80% in favor of office registration as against 20% for field of businesses. The research therefore reveals that most of the informal businesses in the municipality have not been registered. This could result in massive tax evasion in the municipality.

Though there were reasons such as high illiteracy rate in the municipality, Taxpayers unwilling to provide accurate information about their businesses and lack of records keeping among others, impede the registration
of businesses in the municipality, GRA could use the research findings to improve the registration of businesses in the municipality to reduce the incidence of tax evasion.

Table 14: Place of Registration

<table>
<thead>
<tr>
<th>Place</th>
<th>Taxpayers</th>
<th></th>
<th>Tax Officials</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Percentage</td>
<td>Frequency</td>
<td>Percentage</td>
</tr>
<tr>
<td>Tax Office</td>
<td>79</td>
<td>26%</td>
<td>4</td>
<td>80%</td>
</tr>
<tr>
<td>Field of Business</td>
<td>40</td>
<td>13%</td>
<td>1</td>
<td>20%</td>
</tr>
<tr>
<td>Non</td>
<td>185</td>
<td>61%</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2016

Reasons for not registering with GRA

The study sought to find out if there were reasons why taxpayers were not willing to register their businesses. It was revealed that 55.14% said they do not know that they have to register their business with GRA, 40.54% said the process for registration is very cumbersome, while 4.31% said they (GRA) will worry them to pay tax.

One of the respondent who I had a chat with in the process of completing the questionnaire nick-named “Freeman” remarked “My brother, why I dey register my business with Government, way thing government de do for me. Ebe this thing I de do small way I dey take care of my family. I no go register my business with GRA way they de come worry me say make I pay tax”
In view of these findings, GRA might have to educate the taxpayers the need to register their businesses with GRA and also simplify the registration procedures to encourage taxpayers to register their businesses so as to eliminate or minimize the tax evasion in the Bolgatanga municipality.

*Table 15: Reasons for not registering with GRA*

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cum. Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>No knowledge</td>
<td>102</td>
<td>33.6</td>
<td>55.1</td>
<td>55.1</td>
</tr>
<tr>
<td>Long/difficult procedure</td>
<td>75</td>
<td>24.7</td>
<td>40.5</td>
<td>95.7</td>
</tr>
<tr>
<td>They will worry me</td>
<td>8</td>
<td>2.6</td>
<td>4.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>185</td>
<td>60.9</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Registered businesses

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>119</td>
<td>39.1</td>
</tr>
<tr>
<td>Total</td>
<td>304</td>
<td>100.0</td>
</tr>
</tbody>
</table>


**Forms of payment of tax**

It came to light that 76.47% or 91 of those who registered their business had paid their tax through filling of returns, while 23.53% or 28 of the respondents had paid their tax in the form of buying of tax stamps. In furtherance to the above, out of the 91 who paid their tax through filling of returns 46 respondents had all the evidence of their paid tax returns for all the stipulated period, while 45 could not either show all the evidence or no evidence at all of their paid tax returns. For the 28 respondents who say they buy tax stamps, 15 of them could show all the tax stamps they bought within the stipulated periods, while 13 of them could not produce all or no evidence at
It is clear from the finding that tax returns is the most popular form of paying taxes in the municipality and tax evasion is clearly seen even with those who have registered their businesses with GRA.

**Table 16: Forms of Payment of Tax**

<table>
<thead>
<tr>
<th>Payment of tax</th>
<th>Form of payment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Filing of tax</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Buying of tax stamp</td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>91 (76.47%)</td>
<td>28   (23.53%)</td>
</tr>
<tr>
<td>Total</td>
<td>91</td>
<td>28</td>
</tr>
</tbody>
</table>


**Figure 10: Evidence of Tax Return**


**Figure 11: Evidence of Tax Stamps**

This is further illustrated by table 18.

Table 17: Revenue from Tax Stamps vs. Tax Returns

<table>
<thead>
<tr>
<th>YEAR</th>
<th>TAX STAMPS</th>
<th>TAX RETURNS</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AMOUNT</td>
<td>%</td>
<td>AMOUNT</td>
</tr>
<tr>
<td>2013</td>
<td>26,563.00</td>
<td>7.64%</td>
<td>320,933.86</td>
</tr>
<tr>
<td>2014</td>
<td>29,526.00</td>
<td>12.51%</td>
<td>206,451.72</td>
</tr>
<tr>
<td>2015</td>
<td>15,905.00</td>
<td>7.23%</td>
<td>204,060.14</td>
</tr>
<tr>
<td>TOTAL</td>
<td>71,994.00</td>
<td>8.96%</td>
<td>731,445.72</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2016

From table 17 tax collected by GRA from tax returns in 2013 was 92.36%, while that of tax stamps was 7.64%. In 2014 it reduced to 87.49%, while revenue from tax stamps increased to 12.51%. In 2015 revenue from tax returns was 92.77%, while that of tax stamps reduced to 7.23%. It could be observed that revenue from tax returns has reduced systematically from 2014 a 2015 as compared with that of 2013; also revenue from tax stamps had increased in 2014 and reduced drastically in 2015. Overall, in the three years, revenue from tax returns was 91.04%, while revenue from tax stamps was 8.96%.

From table 17 above it could be concluded that tax evasion is paramount in the municipality because while businesses are increasing in the municipality revenue from the two major source of taxing the informal sector is declining.

Cost of transport to taxpayers

The study seeks to find out whether the 119 registered taxpayers in the municipality incur cost in the payment of taxes. Table 19 below indicates 88
respondents incurs cost between 1 to 10 GHC and 31 respondents pays between 11-20 Ghc as transport cost while 185 respondents who have not registered with GRA says they do not incur cost when paying tax.

It was observe that those who are incurring more cost are the taxpayers who are outside the central municipality. This has a negative effect on the payment of tax in the municipality. As indicated on table 20 below, 58.90% or 179 of the respondents agree that transport cost incur in paying tax encourages taxpayers to evade tax. In view of the research, GRA will have to create Zonal offices in all the Sabbath of the municipality for ease of accessibility and prompt collection and payment of taxes. The GRA has not created any Zonal offices within the municipality and only concentrated in the main office which is very far to most of the business centers. This came to light when the tax officials were asked whether they have created Zonal offices or not. 80% of the respondents said they do not have zonal offices and 20% said otherwise.

Apart from this, time was a factor when taxpayers have to lock their shops and to go and pay tax. Travelling to the tax office to pay tax is waste of time, inconvenience and waste of economic resources of taxpayers; hence taxpayers stay away and evade taxes.

Table 18: Cost Incurred in the Payment of Taxes

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>GHC 1-10</td>
<td>88</td>
<td>28.9</td>
<td>28.9</td>
</tr>
<tr>
<td>GHC11-20</td>
<td>31</td>
<td>10.2</td>
<td>39.1</td>
</tr>
<tr>
<td>No cost</td>
<td>185</td>
<td>60.9</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>304</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2016
Table 19: *Cost of Transport and Tax Evasion*

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>179</td>
<td>58.9</td>
<td>58.9</td>
<td>58.9</td>
</tr>
<tr>
<td>No</td>
<td>125</td>
<td>41.1</td>
<td>41.1</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>304</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2016

**Visits by tax officials**

The researcher wanted to find out whether tax officers visit taxpayers at their shops to remind them and collect taxes or not. It came to light that, 60.90% or 185 respondents was not visited by tax officials, 35.20% were visited 1-2 times in a year while 3.90% or 12 of the respondents were visited 3-4 times in a year.

Table 20: *Visits by Tax Officers*

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>NO visit</td>
<td>185</td>
<td>60.9</td>
<td>60.9</td>
<td>60.9</td>
</tr>
<tr>
<td>1-2 Times a year</td>
<td>107</td>
<td>35.2</td>
<td>35.2</td>
<td>96.1</td>
</tr>
<tr>
<td>3-4 Times a year</td>
<td>12</td>
<td>3.9</td>
<td>3.9</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>304</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2016

**Visits by tax official and tax evasion**

It was revealed that visit by tax officials has a direct relationship with tax evasion. This is eminent as indicated on table 20. From the analysis, 60.90% or 185 of the respondents said the inability of tax officials to visit them regularly causes them to evade tax. Reasons they advanced was that if the tax officials visits them regularly they will be reminded to pay tax.
Also payment of tax is supposed to be convenient and economical to the taxpayers and the tax authority, thus if taxes are paid at the place of business, it will be cheaper and convenient than locking your shop, looking for a means of transport and incurring cost to go and pay tax. In view of this, Tax officials could improve their field visits or create zonal offices and post permanent staff to all the market squares within the Bolgatanga municipality. This will either eliminate or reduce the rate of tax evasion in the municipality.

Table 21: Visits by Tax Officials and Tax Evasion

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>185</td>
<td>60.9</td>
<td>60.9</td>
</tr>
<tr>
<td>No</td>
<td>119</td>
<td>39.1</td>
<td>39.1</td>
</tr>
<tr>
<td>Total</td>
<td>304</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2016

Sanction for non-payment of taxes

The study seeks to find out from taxpayers whether they are sanctioned by tax authorities in the municipality for tax evasion, and also the type of sanctions applied on them. Tables 22 and 23 are the responses from the taxpayers.

Closure of shops

The study revealed that, 19.70% or 60 of the respondents said their shops had been locked by GRA at one time or the other while 80.3% or 244 respondents said their shops had never been locked by GRA before.
Table 22: Closure of Shops

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>60</td>
<td>19.7</td>
<td>19.7</td>
<td>19.7</td>
</tr>
<tr>
<td>No</td>
<td>244</td>
<td>80.3</td>
<td>80.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>304</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2016

**Other sanctions**

Apart from closure of shops, 6 respondents said they were fined by GRA for evading tax, 2 respondents had suffered garnishment, 50 respondents suffered penalties and 2 had been prosecuted for tax evasion. The study has revealed that out of the 304 taxpayers who responded to the questionnaire, only 119 were sanctioned by GRA in one way or the other, representing 39.20% while 185 taxpayers has neither registered non sanctioned, thus representing 60.90% of the respondents.

The inability of the tax authority to apply sanctions fairly and appropriately creates room for SMEs in the Bolgatanga municipality to evade tax. The revelation from the study could be used by GRA to apply the appropriate sanctions to all taxpayers who evades tax to minimize the rate of tax evasion in the municipality and also to serve as a deterrent to those who intend to evade tax.
Table 23: Other Sanctions

<table>
<thead>
<tr>
<th>Other sanctions</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>No sanctions</td>
<td>244</td>
<td>80.3</td>
<td>80.3</td>
<td>80.3</td>
</tr>
<tr>
<td>Fines</td>
<td>6</td>
<td>2.0</td>
<td>2.0</td>
<td>82.3</td>
</tr>
<tr>
<td>Garnishment</td>
<td>2</td>
<td>.7</td>
<td>.7</td>
<td>83.0</td>
</tr>
<tr>
<td>Penalties</td>
<td>50</td>
<td>16.3</td>
<td>16.3</td>
<td>99.3</td>
</tr>
<tr>
<td>Prosecution</td>
<td>2</td>
<td>.7</td>
<td>.7</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>304</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>


**Benefits expectation vs. tax evasion**

The research revealed that 87.50% of taxpayers based on the sample size of 304, says that they will pay tax with the expectation that they will receive direct or indirect benefits from the government. The benefits they expect from government includes Business grants and loans, Good roads, well equipped Hospitals, Good drinking water that flows constantly in their homes and place of business, Free education among others. They argued that lack of these things makes them not wanting to pay tax. 38 or 12.5% of the respondents do not consider direct benefits from the government before paying tax. Their reason was that it is their civic responsibility to pay tax.

Certainly the percentage of those who expect benefits from government for paying tax is more than those who think otherwise, hence, has an effect on the collection and payment of taxes in the municipality. Details is shown in figure 12.
Figure 12: Benefits Expectation by Taxpayers


Level of satisfaction with Government use of tax revenue

The research exhibited that 3.00% are highly satisfied with the judicious use of taxes paid to government; 32.60% of tax payers are averagely satisfied; and 64.50% are not satisfied ‘as illustrated in Figure 13. This revelation from the study could have a consequential effect on the payment of taxes in the municipality. If taxpayers are not satisfied with the use of tax revenue, it will be very easy for them to say that they will not pay taxes to Government.

To avoid this, the government might have to balance their developmental programs to all the regions, Metropolitans, Municipals and the district levels so as to encourage taxpayers to honor their tax obligations. This also calls for effective tax education to disabuse the thoughts of taxpayers

Figure 13: Level of Satisfaction

Assessment of existing tax rates

In the course of the research it came to light that the respondents believed that the existing tax rates are too high by the 85.5% representation of affirmation, while 14.50% indicated that they are fair and none stood for inadequate as shown in Figure 14.

![Figure 14: Existing Tax Rates](image)


Respondents were of the view that by virtue of the Ghanaian Legal system on taxation which advocates the principle of equity (i.e. benefit principle and ability-to-pay principle), certainty principle (taxes should be clear and certain to the taxpayer and the tax collector), convenience principle (the method, manner, and time of payment should be convenient to the taxpayer) and economy principle (cost of collection in relation to the tax yield should be minimal); the study had not amplified its fairness and further maintained that the rates should be changed.

The need for change of existing tax rates

The research further revealed that tax payers’ assessment of the existing tax rates as too high (i.e. 85.5%) while the remaining 14.5% had the view that it is fair. It was therefore not surprising that 85.5% of respondents rooted for a change (i.e. reduction) of the existing rate. Among the reasons provided for the tax rate reduction were to reduce tax burden so as to encourage
voluntary compliance’, high rates of taxes reduce expected net income‘ and indigenous Ghanaian businesses are already suffering from dumping from China and other stiff competitions from expatriates, and to couple it with high tax rate is simply too much.

Table 24: *The Need for Change of Existing Tax Rates*

<table>
<thead>
<tr>
<th>Change rates</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>260</td>
<td>85.5</td>
<td>85.5</td>
<td>85.5</td>
</tr>
<tr>
<td>No</td>
<td>44</td>
<td>14.5</td>
<td>14.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>304</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2016

**Conception of taxpayers on payment of tax**

This was designed to test the minds of respondents with regards to payment of taxes. It came to light that 64.50% or 196 of the respondents’ thought of not willing to pay tax at one time or the other. The reason was that they have not seen much of the infrastructural development of the municipality in terms of the construction of roads, Hospitals and schools. Some were of the view that government does not give much attention to the development of the municipality and the region as a whole. They argue that many taxes have been place on taxpayers but nothing substantial has been done by successive governments, thus forcing taxpayers to sometimes think of not wanting to pay tax to the state. However, 35.50%, or 108 of the respondents said they have never thought of not wanting to evade tax. The reason been that tax is a compulsory levy imposed by the state on its citizens, hence it is a responsibility which every qualified taxpayer must fulfill.
The study may serve as a wakeup call for GRA to target those with the negative thought about the use of tax revenue and conduct effective tax education to change those negative thoughts by taxpayers.

Table 25: *Thoughts of Taxpayers on Payment of Tax*

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cum. Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>196</td>
<td>64.5</td>
<td>64.5</td>
<td>64.5</td>
</tr>
<tr>
<td>No</td>
<td>108</td>
<td>35.5</td>
<td>35.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>304</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>


**What makes you think of not paying tax**

Having gotten the minds of the respondents, the study seeks to find out what causes taxpayers not wanting to pay tax or evade the payment of this national resource (Tax), thus determinants of tax evasion. Respondents were asked to rank the following determinants of tax evasion in order of importance; Inadequate tax education, Inequitable distribution of amenities by government, Misuse or mismanagement of tax revenue, Poverty among taxpayers, High tax rates, Inadequate tax personnel, Loose or weak tax laws and ignorance of taxpayers.

**Inadequate tax education**

It came to light that inadequate tax education emerged the most important determinant of tax evasion in the municipality. This is evident by the high marks score of 1161 representing 18.52% or 32 (in absolute terms) of the respondents.
The taxpayers have not been given adequate tax education which will make them more informed about the importance and uses of tax revenue. In most of the suburb of the municipality people are not told of their responsibility to pay tax.

In one of the communities where the research questionnaire was administered, most of the people complained that Government did not provide them with stores to do their business, hence has no right to demand taxes from them. They added that they even have to chase the municipal assembly revenue officers away from their market on the grounds that the assembly has not done anything for them. This has clearly demonstrated that the community has not received adequate tax education by the tax authorities.

In view of this, the GRA in the municipality should be given adequate logistics such as human resource and other equipment to enhance their tax education policies in other to reduce or eliminate the canker of tax evasion in the municipality and the country as a whole.

**Higher tax rate**

High tax rates had score marks of 1089 representing 17.37% or 30 respondents. The reasons that respondents advanced was that Government has imposed high taxes on most consumer commodities to the extent that the few who have registered their business with GRA are overburden with these taxes. One of the respondents said sometimes one may have to go into your capital in order to be able to pay the said taxes to avoid the locking up of your shop. Respondents complained that most of the assessments are done by the tax officers based on their own judgment but not on the profitability of the business, and this they said often makes them pay more tax than they would have been paying should the
assessments be done on their profits. These high taxes coupled with low turnover makes taxpayers to evade the payment of taxes to the state.

In view of this study the revenue authority might consider the reduction of the tax rates and rather expand the tax net to motivate taxpayers to honor their tax liability. One of the respondent remarked “The tax authority thinks that the few that they got to register should pay all the taxes leaving so many to go away without paying tax. They should rather reduce the tax rates or amount and get everybody who is doing business to pay. This will help the government to get more money”

**Misuse or mismanagement of tax revenue**

This ranked 3rd with a score of 873 marks representing 13.93% of the respondents or 25 in absolute figure. The explanations that was given by respondents was that both past and current governments have not undertaking any meaningful development in the municipality and the upper east region as a whole, citing the roads networks in the region as an example and other social amenities.

They argue that politicians live in luxurious life styles to the detriment of the poor in society who rather pay tax and cannot afford three meals a day. They use the taxpayer’s money to enrich themselves and their families and relationships instead of developing the country and creating jobs for the youth who have obtain various degrees and are jobless.

One of the respondents asked me “My brother you are taking about people evading tax, how many defunct factories are in the region? We have the Tomatoes factory, the Meat factory and the Rice mill, including the Vea irrigation Project. If they are not misusing the tax revenue, why are all these factories which would
have employed hundreds of people not revived/ rehabilitated?, So looking at all these things makes one not interested in paying tax”.

In view of this study, Government should consider a reduction of expenditure on ministers and other government officials and rather concentrate on developmental projects that will put money into the pockets of the citizens. This will motivate people to pay taxes rather than trying to avoid or evade taxes.

**Poverty**

Poverty had a score of 866 marks, representing 13.81% or 24 of the respondents. It is a known fact that Upper East Region is among the three regions of the north where poverty is pervasive. The respondents explained that the poverty level is very high and because of that patronage of goods and services in the municipality is very low. This affects the rate of turnover and profitability of businesses. Sometimes you may not be able to sell anything and have to feed yourself and the family. Because of lack of sales and profitability it, affects taxpayers to honor their tax liability. They bemoan that to pay tax regularly will affect your capital since in a month you may not make any profit from which tax will be paid.

In view of this study, government could embarked on poverty alleviations programmes that will reduce the poverty level in these regions and also provide credit facilities to those who are into business so that it will enhance the expansion of their businesses as well as profitability.

**Inequitable distribution of amenities**

 Ranked 5th with a score of 800 marks representing 12.76% or 22 in absolute terms of the respondents. The respondents explained that past and present governments concentrated so much in developing the bigger cities/
regions in the country and less is done in most of the smaller cities/regions. This they said do not ensure balanced development in the country, hence it demotivates the taxpayers in the affected regions to honor their tax liability. One of the respondents who were interviewed by the researcher said, “My brother some of us in the municipality do not fail in our responsibility to pay tax, but comparing the development in the Bolgatanga municipality with other municipalities in the country it is always an “insult” to the taxpayers in the municipality to continue to pay tax. It demotivates you to be doing your best to pay tax and not seeing the results of the tax you pay, hence, the cause for people evading the payment of tax”.

The revelation from the study could be used by the government and other stakeholders in the country to ensure that developments in the country are balanced. This will encourage taxpayers in all the regions, Metropolitans, Municipals and the districts level to have the anxiety to pay tax.

**Ignorance of taxpayers, inadequate tax personnel, Loose or weak tax laws**

These ranked 6th, 7th and 8th respectively. Ignorance especially in the suburbs of the municipality is very high; hence GRA might have to focus more education in these areas to minimized tax evasion.

Inadequate tax personnel couple with the large size of the informal sector in the municipality contributes to tax evasion. The study revealed from taxpayers view that tax officers are not able to make field visits for tax collection and education regularly. This assertion was confirmed by tax officials who ranked capacity constrain 3rd as part of the challenges facing tax collection in the municipality.
The study might be used by Government to employ more tax personnel for the municipality or GRA might relied on the study to find an alternative way of reaching all taxpayers in the municipality and to enhance their capacity in this regard.

With regards to loose or weak tax laws, respondents were of the view that there are very good tax laws in the country but tax officials are reluctant to apply them to people who evades taxes.

Table 26: *Determinants of Tax Evasion*

<table>
<thead>
<tr>
<th>Determinants</th>
<th>Respondents</th>
<th>Marks</th>
<th>%</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inadequate tax education</td>
<td>32</td>
<td>1161</td>
<td>18.52%</td>
<td>1st</td>
</tr>
<tr>
<td>Inequitable distribution of amenities</td>
<td>22</td>
<td>800</td>
<td>12.76%</td>
<td>5th</td>
</tr>
<tr>
<td>Mismanagement of tax revenue</td>
<td>25</td>
<td>873</td>
<td>13.93%</td>
<td>3rd</td>
</tr>
<tr>
<td>Poverty</td>
<td>24</td>
<td>866</td>
<td>13.81%</td>
<td>4th</td>
</tr>
<tr>
<td>High tax rates</td>
<td>30</td>
<td>1089</td>
<td>17.37%</td>
<td>2nd</td>
</tr>
<tr>
<td>Inadequate tax personnel</td>
<td>14</td>
<td>508</td>
<td>8.10%</td>
<td>7th</td>
</tr>
<tr>
<td>Loose or weak tax laws</td>
<td>8</td>
<td>290</td>
<td>4.63%</td>
<td>8th</td>
</tr>
<tr>
<td>Ignorance of taxpayers</td>
<td>19</td>
<td>682</td>
<td>10.88%</td>
<td>6th</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>174</strong></td>
<td><strong>6269</strong></td>
<td><strong>100%</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2016

The scores were generated in an excel sheet and summarized in a word as per table 27.
**Mode of payment for goods and services**

The study showed 88.8% of goods and services are paid by cash while 11.20% are paid by both cash and cheque. With such cash dominated economy it clearly shows that GRA cannot depend on the bank statements of tax payers to cross check information presented in their financial statements.

There could be” Collaborative Tax Evasion” by the seller and the buyer, The seller can offer discounts to the buyer just to prevent the buyer from asking for official receipts as evidence of payment. This gives the taxpayers the chance to hide valuable information with the intention of reducing their taxable incomes hence tax evasion.

In his first work on collaborative tax evasion. (Gordon, 1990), suggests that under-the counter cash sales at a discount price, on which the seller evades taxes, can be used as a price discrimination tool. A second work is (Broadway, Marceau and Mongrain, 2002), who model evasion as collusion between a buyer and a seller. The third is Chang and Lai, 2004), who also mode collaborative tax evasion as a bargaining game between a seller and a buyer

![Mode of Payment for Goods and Service](image)

*Figure 15: Mode of Payment for Goods and Service*

Proper books of accounts by taxpayers

It was detected that 70.10% (i.e. 213 in absolute terms) of respondents do not keep proper books of accounts; 29.90% (i.e. 91 in absolute terms) have proper books for accounting purposes. Reasons provided for not keeping proper books of accounts are Lack of knowledge in bookkeeping ‘and Inability to engage an accounts officer due to low income earned by business operator and illiteracy.

Besides, respondents’ levels of knowledge in accounting are either 70.10% low/poor or 22.00% average/medium. 7.90% of the respondents admitted high level of knowledge in accounting. It was further noticed that in spite of the poor knowledge in proper accounting, 70.10% of respondents are not engaging the services of accountants with the reason that they simply could not afford the high service fees charged by these professionals.

Lack of proper books of accounts by the taxpayers makes it difficult for tax officer to place proper assessment of their tax liability. Apart from that there could be under reporting of profits by businesses which will result in underpayment of taxes to the state. In view of the large number of taxpayers who do not keep proper books of accounts, tax evasion is eminent in the municipality.

The revenue authorities could use this research to embark on a vigorous education of the informal sector business entrepreneurs about the need to maintain proper books of accounts in their operations.
Figure 16: Records Keeping


**Reasons for not keeping proper books of accounts**

The study revealed that 29.30% or 89 of the respondents have no knowledge in accounting or had no formal education thus their inability to keep proper books of accounts. 24.70% said the income they earned from their business is so low that it does not encourage them to keep proper books of accounts or engage an accountant to write their books for them, 49 said they cannot read and write, thus their inability to maintain proper accounting records for their business, while 16.10% or 49 of the respondents had maintained proper books of accounts by themselves or engaged the services of accountants.

One of the respondents while completing one of the questionnaires exclaimed “I do not actually see the need to keep records of my business after all I know how much I bought my goods and how much I will sell them’. This clearly demonstrates the ignorance of taxpayers about proper accounting records keeping. Hence there should be a massive education on the importance and usefulness of keeping proper books of accounts.
Lack of records or improper accounting records makes SMES businesses to evade tax since GRA cannot reliably assess their tax liabilities, it also allows SMEs businesses to under declare profits resulting in tax avoidance or evasion.

Table 27: Reasons for Non-Records Keeping

<table>
<thead>
<tr>
<th>Reason</th>
<th>Frequency</th>
<th>%</th>
<th>Valid Percent</th>
<th>Cum. Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>No knowledge in accounting</td>
<td>89</td>
<td>29.3</td>
<td>41.8</td>
<td>41.8</td>
</tr>
<tr>
<td>Low income earned</td>
<td>75</td>
<td>24.7</td>
<td>35.2</td>
<td>77.0</td>
</tr>
<tr>
<td>Cannot write</td>
<td>49</td>
<td>16.1</td>
<td>23.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>213</td>
<td>70.1</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Proper books of accounts</td>
<td>91</td>
<td>29.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>304</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2016

Level of knowledge in accounting

The study seeks to find out from the informal business operative’s knowledge in accounting. Out of the 304 respondents, 213 had low/poor knowledge in accounting, 67 had average knowledge, while 24 had high/very good knowledge in accounting.

It is clear that those with low knowledge in accounting are very high within the informal sector, thus will not appreciate the value of book keeping. This could affect their tax assessment and registration.

Financial literacy presents a very broad concept which is usually defined as basic financial knowledge and financial skills needed to make informed financial choices. Financial literacy reflects individuals’ ability to
understand financial concepts, financial products and services and enables them
to control their personal financial resources (Bahovec, Gebott, and Lee. 2014),
(Worthington, 2006) argues that although policy makers and researchers have
attempted to define financial literacy, it can mean different things to different
people. It might be a broad concept involving an understanding of economics,
or alternatively a narrower concept focused mainly on basic money
management.

International Adult Literacy Survey (IALS) defines literacy as “the
ability to understand and employ printed information in daily activities, at
home, at work and in the community - to achieve one’s goals, and to develop
one’s knowledge and potential.” Similarly, UNESCO (2012) considers that
“literacy is the ability to identify, understand, interpret, create, communicate
and compute, using printed and written materials associated with varying
contexts.”

Basic literacy in accounting without any doubt presents a first
prerequisite for acquisition of tax literacy. In other words, the capacity to read
and to write financial information is crucial for taxpayer to understand the
procedures and calculations of tax figures in order to avoid been cheated or
evading tax.

The study could be used by tax authorities to organize accounting training
workshop on book-keeping for the informal sector businesses to enhance their
skills and interest in financial issues and records. This will go a long way to
facility easy assessment of taxes and reduce tax evasion in the municipality.
Challenges faced by GRA officials in the line of duty.

It was detected that an overwhelming 100% respondents agreed that there exist challenges starring at GRA in the face. The five major challenges identified, ranked and provided with a value for each coordinate as in First – 5, Second – 4, Third – 3, Fourth – 2 and Fifth – 1. Each of the five tax official respondents ‘responses were summed and finally ranked to arrive at as in Figure18.
As shown in Figure 18, tax officials considered large size of the informal sector as the foremost challenge in the collection of taxes in the Bolgatanga Municipality; followed by large size of tax district, capacity constraints, notions of equity, political interference in that order as per the ranking.

In view of the fact that the study indicated that large size of the informal sector was most ranked, with 30.67% of respondents, followed by large size of the tax district with a score of 29.33%, GRA could adopt a strategy of segmentation of the district into zones for efficient tax administration.

Further prying revealed that GRA has already initiated what they term Associational taxation meant to address some of this problem by using informal sector associations as agents for income tax collection. The associations had intimate knowledge of the activities of their members and could collect taxes without much additional effort. The taxes were collected daily at first, and later weekly to reduce the high costs of printing and monitoring daily receipts, making the payments small and affordable to most members. It is only prudent for GRA to intensify this strategy by encouraging and providing incentives to the associations.

The third most ranked is capacity constraints with a score of 20%. GRA need to take steps to rectify it within the shortest possible time. GRA at the moment is in dire need for effective and efficient tax administration for monitoring and enforcement; but it lacks the requisite capacity to deliver on government set targets.
The Human Resource Department and the Training Division of the GRA should develop comprehensive training programmes that would sharpen the technical and managerial competencies of the employees and adopt strategic customer care systems and programmes by ensuring that the right personnel and approaches are used in all its endeavors within the Bolgatanga Municipality involving all stakeholders.

The study portrayed that 13.33% notion of equity’, followed closely by the 6.34% political interference. In the area of political interferences, government officials and opposition members alike need to be circumspect with their interferences into the activities of GRA. By virtue of their positions; their interferences may lead to a shortfall in the collection of taxes in the Bolgatanga Municipality. The large sizes of the tax district have been the most difficult tasks to overcome in the collection of taxes in the municipality.

One difficult point that needed consideration was the constant mobility of business operators, thus making it virtually impossible to track them. Issues, such as, cash transactions, uncertainty, indifference to formal accounts and political interferences, all played one role or the other in making it difficult to collect taxes.

The informal sector is noted for not keeping proper books of accounts, thereby causing a lot of difficulty in the assessment of their tax liabilities. Accordingly, in appreciation of the difficulties faced by the informal sector operators in complying with the record keeping requirements of the standards of GRA, easier to operate and more simplified in its record keeping requirements, the agency is currently working feverishly to get the various associations to be trained in the said area.
The study exhibited a strong support to (Aryee, 2007) by reiterating the interference of politicians by stressing that public officials and politicians are willing to turn a blind eye to informal activities in order to retain their support base. The process of bargaining with the informal sector over the payment of tax is itself a gesture of concession and accommodative, which is fraught with political overtures and undertones.

Again, looking at cash transactions as a difficulty in tax collection official of GRA interviewed explained that most business transactions in Ghana and for that matter Bolgatanga are done in cash and even certain reputable organizations are skeptical to accept cheques as mode of payments. The officials further explained that transaction of all businesses in cash is one of the means by which a businessman can conceal taxable income; hence, he is able not only to manipulate his records and turnover figures for tax reduction purposes but he is also able to eliminate all third party information leading to his purchases and sales.

Conclusion

To conclude the chapter, the researcher brings out the key findings that came out from the data analysis and discussion. It was found out that the nature of business in the municipality includes hairdressers and beauticians, Dressmakers and fashion designers, Artisans-mainly motors and vehicle mechanics, weavers, craftsmanship, carpenters, masons etc., contractors, food venders, and general traders most of whom operates in Kiosk/ containers, Table tops, shops and market stall and hawking.

About 98% of these businesses are carried out by sole traders who are into the business for a period between 1-15 years. The main source of capital
to these business owners was personal savings and about 98% are unregulated by business advisory centers.

It was also found out that tax education was the most important determinant of tax evasion in the municipality. This was more eminent in the suburb of the municipality where businesses are flourishing. High tax rates were identified as a very important determinant followed by Misuse or mismanagement of tax revenue as well as Poverty rate in the municipality. Other determinants that were identified are inequitable distribution of amenities, ignorance of taxpayers, inadequate tax personnel and loose or weak tax laws.

It was also found out that lack of regular field visits/monitoring by tax officials creates a chance for taxpayers to evade tax, this was affirmed by 60.90% of the respondents.

Again the research also reveals that business registration by GRA in the municipality is very low and this has made majority of the businesses to evade tax.

As indicated in table 9, out of the 304 respondents, 185 had not registered their business with GRA, hence getting the chance to evade tax.

Equally, the benefit expectation appeared strongly as a factor that affects the payment of taxes within the informal sector. It is expected that Government should use the tax revenue for development that will create jobs for the jobless.
CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

Summary of Results

This chapter presents the summary of the research findings, conclusion drawn from the study and recommendations. The main objective of the study was to examine the determinants of tax evasion among Small and Medium Scale Enterprises of the Informal sector in the Bolgatanga Municipality.

The research questions that guided the study are stated below:

- What is the nature of SME activities in the Bolgatanga Municipality?
- Why Tax evasion among SMEs in Bolgatanga Municipal?
- What measures can be put in place to reduce Tax evasion among SMEs?

The researcher employed the survey method in obtaining information and data from the primary source. A questionnaire was designed for both the tax officials and the taxpayers. Samples were selected based on targeted units using the non-probability sampling method of random sampling, specifically the purposive sampling technique. The data obtained was entered and analyzed using the SPSS module. These were further represented by Tables of figure and graphs. The results from the study are summarized as follows:

Nature of SMEs activities in the Bolgatanga Municipality

The results from the study indicated that informal sector of the Bolgatanga municipality is dominated by females with a percentage of 53.62% as against the males of 46.38%. The study further reveals that these people are engaged among others, general trading activities with a percentage of 45.40%,
followed by artisans with a percentage of 14.50%, Dressmakers and hairdressers with a percentage of 11.50% and 11.20% respectively.

These businesses are located mostly in stores and Kiosk/ containers with a percent of 39.80% and 37.50%. They are mostly sole proprietorship businesses with a percentage of 98.40% out of the 304 respondents and their source of capital was mainly personal savings with a percentage of 67.80%, followed by family and other relationships of 16.80%.

**Determinants of tax evasion**

The study revealed that there are four major determinants of tax evasion in the Bolgatanga municipality. These include; inadequate tax education with a percentage of 18.50%, High tax rates of 17.37%, Misuse/mismanagement of tax revenue of 13.93% and poverty with a percentage of 13.81%. Besides, a respondent provided additional reason for tax evasion as, the tax net fails to catch all taxable insects’, while the few complying ones are being pressurized and intimidated’

**Filling of tax returns with GRA**

The research revealed that not all taxpayers file their respective returns with the GRA annually. In the same vain tax officials encountered several difficulties with tax payers in filing returns. These included, improper completion or filling of returns, late submission of returns, non-submission of returns and ignorance of the benefits of filing returns, tax payers not declaring the right income and inadequate information from tax payers.

**Improper book-keeping**

It was noticed that 70.10% (i.e. 213 in absolute terms) of respondents do not keep proper books of accounts; 29.90% (i.e. 91 in absolute terms) have
proper books for accounting purposes. It was further noticed that in spite of the poor knowledge in proper accounting the respondents were not engaging the services of accountants with the reason that they simply could not afford the high service fees charged by these professionals and some did not even see the need to engage the services of accountants.

**Other causes of tax evasion**

The research revealed an overwhelming affirmation that tax officials encountered on daily basis several challenges in tax collection. Notable among them were tax payers complains of financial constraints due to poor performance of business and high tax rates, tax payers ignorance of income tax, high rate of illiteracy and poverty among majority of tax payers in the informal sector and late payment of taxes.

The study showed that, the large size of the informal sector as well as the large size of the tax district has been the most difficult tasks to overcome in the collection of taxes in the municipality. One other difficult point that needed consideration was the constant mobility of business operators, thus making it virtually impossible to track them.

Issues such as cash transactions, uncertainty and political interference, all played one role or the other in making it difficult to collect taxes.

**Conclusion**

The research revealed that, there is a massive tax evasion in the Bolgatanga municipality. This led to a loss of revenue amounted to about fourteen million and six hundred thousand Ghana cedis (GHC14, 600,000.00) to the government of Ghana between 2013-2015. This was as a result of lack of
tax education in the municipality, taxpayers not satisfied with the use of tax revenue by the government and other state Agencies.

Also, the GRA though were applying the approved sanctions for failure to pay taxes it was done in a relax manner due to the complex procedures that are involved, couple with the inability to increase the tax net. The location of the GRA office in the municipality was also identified as a demotivation for taxpayer to honor their tax liability.

Taxing the informal sector depends on a combination of approaches and mechanisms. Tax collection is an important governance challenge that depends on a compliance culture, the values and norms of a society, its history and above all the capacity of the government to deliver.

The potential for taxing the informal sector depends upon a) the degree of pressure on governments to increase revenues and b) the existence of collective actors in the informal sector having institutionalized channels for negotiation with the state (Stella, 1993 cited by ( Aryee, 2007)).

Above all, there must be a different way of thinking politically about taxation of the informal sector that could lead to a substantial new research agenda. In other words, to make inroads into the difficult problem of taxing the informal sector, we need to think differently about the issue. Maximizing voluntary compliance is therefore a must which must be taken seriously by any reform or new research agenda.
Recommendations

In view of the findings of the research the following were recommended:

Intensive and Regular Monitoring

Officials of GRA should undertake regular and intensive field operations by ensuring regular monitoring of the operatives within the informal tax net. Secret personnel or spies should be engaged to download verifiable information about all tax evaders for rewards. Furthermore, tax payers should be encouraged to make use of the cheque system. This will enable GRA to cross check information provided in the financial statements of taxpayers using their bank statements.

Capacity Building

More tax officials should be employed to augment the staff strength of Bolgatanga GRA. Also, training, re-training and equipment of tax officials in modern trends of tax assessment is key. Again, as an interim measure to solve the shortage of staff problem the GRA should use the leaders of identifiable groups such as Hairdressers and Beauticians Association, Butchers Association, Dressmakers and Tailors Association and so on to collect taxes from their members.

Logistical Support

Tax officials should be provided with the requisite logistics for efficient and effective discharge of their duties. The tax system should be computerized to bring efficiency in the tax administration and a reduction in the cost of tax collection in the district in terms of time and personnel.
Regular Tax Education and Advertisement

There should be regular tax education for the general public using both the electronic and print media. Billboards should be mounted at vantage points in the district to educate the public about the importance of taxation. The GRA should organize seminars to teach tax payers basic bookkeeping principles. This will enable them submit accounts for fair assessments.

Creation of Zonal Offices

One of the findings in the study was that the large tax district do not allow for regular supervision and monitoring. In view of that, it is recommended that GRA should create zonal offices in the business centers of the municipality, for example: Bolgatanga central, Kumbosico area, sumbrungu market, Zuarangu market and Sherigu market. Some individuals could be identified from these communities by the community leaders in consultation with GRA. GRA will then recruit and train them as agents for collection of taxes for GRA.

Effective Customer Relations

Maintenance of very good customer relations is key; thus, tax collectors should apply marketing, human resource strategies and a high sense of diplomacy to convince and encourage tax payers to make good their respective tax liabilities. Again, tax net should be widened further so as to capture much lower income earners.

Prudent utilization of Tax Revenue

Governments should be seen to be using revenue accrued from taxation prudently without misappropriation and misapplication; and governments
should be accountable and transparent. By so doing the people will have confidence and trust in the government when paying taxes.

**Regular Review of Tax Administration**

Research should be conducted on personal developments such as - buildings of complex nature by individuals, types of cars people use and general life-style. A database should be built on tax payers and potential ones.

**Motivation of Tax Officials**

The tax officers should be effectively motivated at various levels like – high salary, high end of service benefit, end of year bonus, housing and car loans payable in at least 10 years period.

**Reward System**

A reward system should be initiated to serve as tax compliance incentives, whereby the best small tax payers at the district levels would be awarded annually as in the case of farmers, teachers, and health workers among others

**Collaborations**

The GRA should collaborate with other institutions, for example, the assemblies to get information on potential tax payers since no person can operate business without license from the assemblies. GRA should also collaborate with the National Service secretariat for annual posting of service personnel to the tax office. These services would be assigned to the created tax zones of the municipality for collections of taxes.
REFERENCES


112


3. Level of education
   a. Basic (   )
   b. SHS/ Commercial (   )
   c. Diploma (   )
   d. 1st and/or 2nd Degree (   )
   e. Professional (   )
   f. Others Specify -----------------------------------------------

4. How long have you been with GRA?
   Less than 5 years (   )
   Between 6 and 9 years (   )
   10 years and more (   )

5. Rank:
   a. Junior staff (   )
   b. Senior level (   )
   c. Management Staff (   )

Section B: To examine the nature of SMEs activities in Bolgatanga Municipality

6. Do you have a way of identifying SMEs for registration?
   a. Yes (   )  b. No (   )

   If yes, indicate how you identify them -----------------------------------------------
   ----------------------------------------------------------- ---------------------------------

7. What are the nature of their business
   a. Sole traders (   )
   b. Partnership (   )
   c. Joint venture (   )
8 In scale of 1-4 (4 = most predominant, 1 = least predominant) which of the following trading activities is/ are the most predominant

a. Hawking ( )
b. Selling on a table ( )
c. Selling in a container ( )
d. Stores/shops ( )

8. Do you have any difficulty with regards to assessment of taxes of SMEs businesses?

a. Yes ( )  b. No ( )

Please give reasons for either of the choices made above ---------------------------------------

Section C: Determinants of Tax evasion.

9. How often do you carry out the identification and registration of SMEs businesses?

a. Weekly ( )  b. Monthly ( )  b. Quarterly ( )  c. Semi-annually ( )
d. Annually ( )

10. How do you get these SMEs registered?

a. GRA office ( )  b. Field of business ( )

12. Do you encounter problems during the identification and registration processes?

a. Yes ( )  b. No ( )

If yes, what are the problems that you encounter?

--------------------------------------------------------------------------------------------------
10. Do you regularly organize tax education programs to educate taxpayers on the need to pay taxes and file returns on time?
   a. Yes (  ) b. No (  )
   If yes, how often
   e. Annually (  )
   If no give reasons. ---------------------------------------------------------------

11. Have you zone your tax district for ease of tax collection and identification of tax payers
   a. Yes (  ) b. No (  )
   If yes, how many zones do you have in the municipality? -------------------------
   If no Give reason ---------------------------------------------------------------

12. How do you collect taxes from the SMEs?
   a. Field of business (  ) b. GRA office (  )

13. If A, how often do you visit the fields for collection of taxes?
   a. Weekly (  ) b. Monthly (  ) c. Quarterly (  ) d. Semi-annually (  )
   e. Annually (  )

14. In what form do SMEs in the municipality pay their taxes?
   a. Filing of tax returns and paying appropriate taxes.
   b. Buying of tax stamps
   c. Which of the Two as in question 17 above, in your opinion is the most reliable way of taxing SMEs in the informal sector and why?-------------------
d. In the Table below kindly provide the amount of taxes collected from tax stamps and that of filing of tax returns for 2013, 2014 and 2015 respectively?

<table>
<thead>
<tr>
<th>YEAR</th>
<th>TAX STAMPS</th>
<th>TAX RETURNS</th>
<th>TOTALS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>GHC</td>
<td>GHC</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTALS</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

e. Do you face any challenges in collecting taxes from the SMEs?

a. Yes ( )  b. No ( )

f. In a scale of 1-5 please rank the following challenges in order of importance. (5= most important, 1 = least important)

a. Capacity constraints ( )
b. Notions of equity ( )
c. Political interference ( )
d. Large size of the tax district ( )
e. Large size of the informal sector ( )
f. Please specify if any other

-----------------------------------------------

-----------------------------------------------
15. From your view, what are some of the ways to overcome the above challenges?

-----------------------------------------------------------------------------------------------

16. Do you experience cases of tax Evasion among SMEs in the municipality?
   a. Yes (     )   b. (     )

   If yes, in a scale of 1-8, rank the following determinants of tax evasion in order of importance (8= most important, 1 = least important)
   a. Inadequate tax education (     )
   b. Inequitable distribution of amenities (     )
   c. Misuse or Mismanagement of tax revenue (     )
   d. Poverty (     )
   e. High Tax rates (     )
   f. Inadequate tax personnel (     )
   g. Loose or weak tax laws (     )
   h. Ignorance of tax payers (     )

17. Do you apply any sanctions to SMEs tax evaders?
   a. Yes (     )  b. No (     )

   If yes, List the sanction that you do apply

   -----------------------------------------------------------------------------------------------

   If no what are the reasons for not applying the sanctions for tax evaders

   -----------------------------------------------------------------------------------------------
18. How do you assess the existing tax rates to individual taxpayers?
   a. Fair (      ) b. Too High (      ) c. Inadequate (      )

19. Is there the need to change the existing tax rates?
   a. Yes (      ) b. No (      ) Explicate your choice of answer.-------------
   -----------------------------------------------------------------------------
   -----------------------------------------------------------------------------
   -----------------------------------------------------------------------------

20. To what extent are you satisfied with the compliance level of the self-employed businesses in your tax district?
   a. Highly satisfied (      ) b. Averagely Satisfied (      ) c. Not satisfied (      )

21. What measures will you suggest as ways of minimizing tax evasion in the Municipality?
   -----------------------------------------------------------------------------------------------
   -----------------------------------------------------------------------------------------------
   -----------------------------------------------------------------------------------------------
3. Marital Status:
   a. Married (   )
   b. Singl (   )
   c. Divorced (   )
   d. Separated (   )
   e. Widow/ Widower (   )

4. Level of education
   a. Primary (   )
   b. JSS/JHS/Middle school (   )
   c. SSS/SHS (   )
   d. Vocational/Technical (   )
   e. Tertiary (   )
   f. No formal education (   )
   g. others Specify ---------------

5. What is your religious affiliation?
   a. Christianity
   b. Islamic
   c. Traditional
   d. Others (specify) ---------------

Section B: To examine the nature of SMEs activities in Bolgatanga Municipality

6. What is your main occupation? ---------------------------------------------

---------------------------------------------

7. What is your other source of income? ---------------------------------------------

---------------------------------------------
8. Which of the following SMEs businesses are you engaged in?
   a. Hairdresser and Beautician ( )
   b. Dressmaker and Fashion Designer ( )
   c. Artisans ( )
   d. Contractor ( )
   e. Food Vendor ( )
   f. General Trader ( )

9. What is the nature of your business?
   a. Sole trader ( )
   b. Partnership ( )
   c. Joint venture ( )

10. Where do you operate your business from?
   a. Store ( )
   b. Market stall ( )
   c. Table Top ( )
   d. Hawking ( )
   e. Kiosk/Container ( )
   f. others, specify…………………………..

11. How long have you been in your current business?
   a. 1 – 5 years ( )
   b. 6 – 10 years ( )
   c. 11 – 15 years ( )
   d. Above 15 years ( )

12. How did you get the Capital to start your business?
   a. Personal savings ( )
   b. From family and other relations ( )
   c. Friends ( )
   d. Donor support ( )
e. Bank loan

f. Credit Union

g. Microfinance

h. Masloc

13. Have you registered your business with any business advisory center such as?

a. National Board for Small Scale enterprises
b. Business advisory board
c. Non-Governmental Organisatioin
d. Any other business advisory agency

e. None of the above

Section C: To identify the determinants of Tax evasion.

14. Have you heard about income tax?

a. Yes  
   b. No 

15. Where did you hear about income tax?

a. Media (Radio  TV  Newspaper
b. Friend/Colleague

c. Brochures

d. Tax education program by GRA

16. Does GRA organize tax education for you?

a. Yes  
   b. 

17. If yes, how often?

a. Weekly
b. Monthly
18. Have you registered your business with GRA?
   a. Yes ( )     b. No ( )

   If yes, how did your business get registered?
   a. I went to the tax office to register ( )
   b. The tax officer came to my shop and registered my business ( )

   If no, why have you not registered with the GRA? ----------------------------
   -----------------------------------------------------------------------------

19. Did you get a tax registration certificate?
   a. Yes ( )     b. No ( )

   If no why? ---------------------------------------------------------------------
   -----------------------------------------------------------------------------
   -----------------------------------------------------------------------------

20. Is payment of tax necessary at all?   a. Yes ( ) b. No ( )

    Give reason for either of the choice ----------------------------------------
    -----------------------------------------------------------------------------

21. Have you paid tax to tax authority/collectors before?  a. Yes ( ) b. No ( )

22. In what form did you make the payment?
   a. Filling of tax returns and paying the appropriate tax
   b. Buying of a tax stamp

23. If a was your answer to question 22, how often do you file your tax return
a. Weekly (    ) b. Monthly (    ) c. Quarterly (    ) d. Semi-annually (    ) e. Annually (    )

24. Please can you show me evidence of your tax returns for the past 12 months?

25. If b was your answer to question 22, kindly show me the tax stamps you have bought over the past twelve months

26. How much is the cost of transport from your place of business to GRA office?  

27. Does the cost of transport influence your decision not to pay tax?  
   a. Yes (    ) No (    )

28. How many times have taxes officials visited and inspected your place of business over the past 12 months?   ---------times

29. Does the inability of the tax official’s to visit you influence your decision not to pay tax?  
   a. Yes (    ) b. No (    )

   If yes, provide a reason for that  

   If no, provide a reason for that

30. Have your shop been locked by tax officials before?  
   a. Yes (    ) No (    )

31. Apart from locking your shop, are there any other sanctions on you for failing to pay your tax?  
   a. Yes (    ) b. No (    )
If yes what were the sanctions? ------------------------------------------------------------------------
                                                                                                    
32. Have those actions and sanctions by the tax authorities influence your decision not
to evade tax?
a. Yes ( ) b. No ( )
If yes, give reason------------------------------------------------------------------------
                                                                                                    
                                                                                                    
                                                                                                    
                                                                                                    
If no, give reason ------------------------------------------------------------------------
                                                                                                    
                                                                                                    
                                                                                                    
33. Do you pay taxes in anticipation of benefits (or service) from the
government?
a. Yes ( ) b. No ( )
34. What is your level of satisfaction with the services provided by the
government by the use of tax revenue?
a. Highly satisfied ( )
b. Averagely satisfied ( )
c. Not satisfied ( )
35. How do you assess the existing tax rates to individual taxpayers?
a. Fair ( )
b. Too High ( )
c. Inadequate ( )
36. Is there the need to change the existing tax rates? a. Yes ( ) b. No ( )
37. Have you ever thought of not paying taxes?
   a. Yes (      )  b. No (      )

38. If yes, what makes you to think of not wanting to pay tax?
   In a scale of 1-8, rank the following in order of importance (8 = most important, 1 = Least important.)
   a. Inadequate tax education (      )
   b. Inequitable distribution of amenities (      )
   c. Misuse or Mismanagement of tax revenue (      )
   d. Poverty (      )
   e. High Tax rates (      )
   f. Inadequate tax personnel (      )
   g. Loose or weak tax laws (      )
   h. Ignorance of tax payers (      )

39. Do you think severe punitive measures can help to reduce tax evasion?
   a. Yes (      )  b. No (      )

40. Do you think social sanctions can deter people from evading the payment of taxes?
   a. Yes (      )  b. No (      )

41. What is the mode of payment for your goods or services?
   a. Cash (      )  b. Cheque (      )  c. Both (      )

42. Do you keep proper records or books for accounting purposes?
   a. Yes (      )  b. No (      )

   If No, explain
43. What is your level of knowledge in accounting?
   a. Low/Poor (   )
   b. Average/Medium (   )
   c. High/Very good (   )

44. If low, do you engage the services of an accountant?
   a. Yes (   ) b. No (   )
   If no, what is the reason?
   a. High service fees (   )
   b. Lack of accountants (   )
   c. No need (   )

45. What suggestions can you offer to improve upon tax collection system in the Municipality?