

## **Public Awareness of Tax Reforms in Ghana: Implication for Tax Evasion in the Wa Municipality**

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### **Abstract**

*The Internal Revenue Act, 2000 (Act, 592) of Ghana provides offences and penalties for non-compliance with tax regulations in order to facilitate revenue mobilization. Public awareness of such regulations is necessary for compliance. Yet the extent to which the Ghanaian public is aware of the tax regulations is uncertain. This paper assesses the extent of public awareness of tax reforms and its implication for tax evasion in the Wa Municipality of Ghana. A survey involving the use of semi-structure questionnaires was conducted to gather primary data from 120 respondents selected through a multi-stage sampling procedure. Descriptive statistics and chi-square test were used to analyse the data. The results reveal the inadequacy of knowledge on the tax regulations as a major but not sufficient factor for non-compliance as there were respondents who were well-informed yet evaded payment citing various reasons. Hence, compliance enforcement should embrace variety in targeting.*

**Keywords:** Taxation, Tax Reforms, Tax Evasion, revenue mobilization, Public awareness

### **1.0 Introduction**

Taxes are a contribution imposed by the government on citizens and corporate institutions to enhance the provisions of public goods and services (Nightingale, 1997). Taxation is a tool that stimulates economic growth and development throughout the world. It is an essential instrument for national development through revenue mobilization and wealth redistribution (Ojeka, 2011; Gurama *et al.*, 2015). In the developing world, tax revenue constitutes a significant proportion of government revenue (Dheressa *et al.*, 2015). These tax revenues are used to fund government projects, correct imperfections within the market and regulate the behaviour of the citizens (Pfeuffer and WeiBert, 2006). Tax revenue and economic growth have therefore been found to have a linear relationship (Adaramola and Ayeni-Agbaje, 2015); suggesting that improved tax revenue mobilization has positive implications for economic growth.

Governments all over the world, therefore, rely on the implementation of effective tax laws to enhance efficient revenue collection. Tax law enforcement has become an important and fundamental part of tax administration because of a perceived ingenuity of taxpayers (Tanko, 2015). These laws are rules and regulations relating to revenue (Abiola and Asiweh, 2012) and therefore, represent an obligatory collection of money from residents and corporate institutions by a civic authority in a state (Soyade and Kajola, 2006). In many countries tax laws are enacted by the legislative arm of government (Abiola and Asiweh, 2012) and implemented by enforcement bodies such as the Internal Revenue Authority. The tax system reflects each country's specific history, legal tradition, political structure and economic basis (Pfeuffer and WeiBert, 2006).

Ghana's tax system originates from the colonial regime. In 1943, the Income Tax Ordinance 1943 (Ordinance No. 27) was passed by the British colonial government upon recognition of the necessity for tax revenue mobilization for the development of the then Gold Coast. The Poll Tax, which was vigorously contested by nationalist elite followed later. In independent Ghana, the economic crises from the late 1970s into the early 1980s unleashed various pressures for revenue mobilization. In 1983 in particular, socio-economic initiatives were met with serious fiscal challenges for the long ailed Ghanaian economy; thus requiring larger share of private sector resources to augment existing government efforts (Kusi, 1998).

Since this period, the Ghanaian tax system has received series of modifications towards achieving efficiency, equity, and maximization of mobilized revenue. The practice has been subsequently sustained through various reforms which now place the tax mobilization function under the Internal Revenue Service, established by an act of parliament, the Internal Revenue Act, 2000 (Act 592).

Further reforms have resulted in an integrated approach where Value Added Tax (VAT) and Customs, Excise and Preventive Service (CEPS) now form the Ghana Revenue Authority in 2009. These reforms include various revenue enhancement options such as the introduction of VAT [a form of indirect tax levied on consumption of goods and services (Dheressa *et al.* 2015)] to replace sales revenue, revaluing property to broaden the tax base and reviewing the definition of income for the purpose of income tax. The Internal Revenue Regulation, 2001 (L.I.1675) was introduced under the Internal Revenue Act, 2000 (Act 592) to specify requirement for all category of activities that can generate tax revenue. These activities, include the National Health Insurance levy, company tax, capital gain tax, sales tax/VAT (PKF International, 2012) and according to Anane (2015) are grouped as national (personal income tax, VAT) and local tax (basic rate, property rate, market tolls, hawkers' license). Osei and Quartey (2005) on the other hand, categorized the taxes in Ghana into four; income and property tax, taxes on domestic goods and services, international trade taxes and VAT. Anane (2015) adds that effective compliance of these tax reforms requires tax education; which should include adequate knowledge of the existing tax laws and regulations. In a response to this proposition, the Internal Revenue Act, 2000 (Act, 592) provides the offences and penalties for non-compliance for the public in Ghana.

The extent of compliance with tax laws has a significant effect on tax revenue for many countries (ElmirZaev and Kurbankulova, 2016). However, one major challenge facing developing countries is tax evasion and tax avoidance (Owen, 2006; Abdulfattah *et al.*, 2010; Boakye, 2011; Adebisi and Gbegi, 2013; Kami, 2015; Tanko 2015). Studies in different parts of the world have acknowledged that public awareness of tax reforms has implications for tax evasion. Many individuals and business units consider tax payment as very offensive and devise all means to avoid tax liabilities (James, 2014). This is due to lack of proper education in creating awareness on tax reforms (Ojeka, 2011; Adebisi and Gbegi, 2013, Anane, 2015, Tanko, 2015). Tax awareness is often a problem to tax collection (Kamil, 2015) and hence influences tax evasion (Gravelle, 2015). Kamil (2015) further emphasized that public knowledge and awareness of tax reforms has a positive and significant relationship with tax payer compliance. In Ghana, public awareness of tax reforms is low (Bruce-Twum, 2014); thus posing issues of tax evasion as fundamental change to revenue mobilization. There is evidence connecting public awareness to compliance with tax laws. However the extent of compliance remains uncertain. The paper takes up the issue as a contribution to the debate of the effect of tax awareness on tax evasion using empirical evidence from the Wa Municipality. The main objective is to assess public awareness of tax reforms in Ghana and its implications for addressing the problem of tax evasion. The analysis covers theoretical and conceptual issues, and contextual issues. The methodology section presents a description of the study area, the research design and methods. The results section covers the socio-demographic characteristics of respondents, public knowledge and awareness of tax reforms, and tax compliance. The final section presents the conclusion and recommendations.

## **2.0 Theoretical Framework**

Various theories and principles have been used to explain individual behaviour in literature on taxation. Recent empirical studies (e.g., Eftekhari, 2009) have adopted some key principles that laid the foundation of their analyses. Those principles of taxation are generally classified into three: ability to pay principle, benefit approach and equal distribution principle. Besides, a most recent study by Kamil (2015) identified social change theories with practical application for taxation. They include attribution theory, the theory of planned behaviour, and social learning theory. The attribution theory is a process of forming an impression on the cause of human behaviour with regards to compliance and non-compliance with tax rules. The theory of planned behaviour seeks to explain individual behaviour that arises from intentions; implying that people may comply or fail to comply with tax regimes because of their intentions with regards to the expected outcome. According to social learning theory, a person can learn through observation and direct experience. This study applied the social learning theory to explain tax payers' behaviour with regards to compliance and non-compliance with tax reforms in the Wa municipality. According to Bandura (1977), social learning processes include: attention, retention, motoric reproduction process and the process of reinforcement. By attention, people undergo changes by paying attention to the behaviour of others. This implies that as individuals fail to comply with tax reforms, others will learn and adopt such behaviour in society. The reverse is true for those who comply with tax reforms.

Retention process considers the action of a model when the model is no longer readily available while motoric reproduction process is the transformation of an observation into action. Finally, the reinforcement aspect of the social learning theory is the process by which individuals are provided a positive or punishment stimulus for behaving according to an existing establishment. Jatmiko (2006) points out clearly that social learning theory is relevant to explain the behavior of taxpayers in meeting their tax obligations. For example, people will be willing to pay or evade their tax obligations based on the conviction that the returns of what they are paying will match their expectation. Where tax revenue is not able to bring the expected development activities, compliance rate will be low. Besides, a tax system associated with enforcement of punishment for tax evaders can have a greater influence on willingness to pay. However, there is need for attention to tax laws and awareness of the implications of compliance and non-compliance in order to make the system efficient.

### 3.0 Contextual Issues

Taxes are the catalyst that triggers development hence developing countries cannot do without taxes if their aim is to continue developing to catchup with the developed world. Abiola and Asiweh (2012) indicate that a carefully planned tax policy when implemented can enhance the generation of revenue necessary for a nation's economic transformation. In transitional economies, governments protect start-up businesses with preferential taxation depending on profitability, low taxes, sector specific taxes and simplified taxation. In the case of Ghana, farmers are exempted from tax for the first years of farming [See Section II of the Internal Revenue Act, 2000 (Act 592)]. Besides, sales of agricultural products and inputs, approved medicines and pharmaceuticals, among others, have some level of tax exemptions with the establishment of agro-processing firms in parts of northern Ghana tax free (PKF International, 2012). The purpose of these reforms is to achieve equity and redistribution of wealth. This implies that tax is not only a tool but a process of development. The features of a good tax, historically, have not received changes despite several tax reforms over the years by different governments. A good tax should be characterized by: equity, efficiency, neutrality, flexibility and simplicity (Adam Smith, 1776, cited in Owens, 2006). Pfeuffer and Weibert (2006) present a similar proposition that tax policies should be equitable and fair if the purpose is to achieve socio-economic development goals. However, Nightingale (2002) and Lamb *et al.* (2005) argue that it is impossible to obtain all these features in a single tax. These studies explain that "there is no good tax" because an efficient tax may not be equitable and an equitable tax may not also be efficient. These arguments imply that if it is challenging for tax policies to share all the characteristics of a good tax, at least one of the qualities must be considered a necessary condition. This also means that tax has a multi-dimensional feature that will make it difficult for people to comply with if not properly monitored. Lack of appropriate institutions will therefore, lead to poor compliances.

Despite efforts to implement efficient and equitable tax laws, one major challenge facing developing countries is tax evasion and tax avoidance (Owen, 2006; Abdulfattah *et al.*, 2010; Boakye, 2011; Adebisi and Gbegi, 2013; Kamil, 2015; Tanko 2015). Studies maintain that tax evasion is the deliberate violation of the law (Adebisi and Gbigi, 2013), an illicit and intentional fraudulence of not reporting true and fair statement income (Gurama *et al.*, 2015) or illegal reduction of tax (Gravelle, 2015) in order to dodge payment which is indisputably implemented by law within the tax dominion. On the other hand, these studies argue that tax avoidance is the active means by which the tax payer seeks to reduce or remove altogether his liability to tax without actually breaking the law. This implies that tax evasion is illegal while tax avoidance is legal but both have an inverse effect on the quantity of tax revenue generated for socio-economic development. James and Igbeng (2014) also admit that tax avoidance is a global pandemic most particularly in developing countries and has negative implications on revenue generation. Fagbemi, Uadiale and Noah (2010) add that tax evasion has the effect of distorting the principle of perfect market resource allocation with ripple effects on infrastructures. Tax evasion, if not controlled, can distort the development objectives of the government or the activities of its sub-structures.

A tax policy needs to be appropriate such that it will neither threaten business growth nor dispirit people from willful compliance (Ojeka, 2011). This proposition is true because factors that motivate people to avoid tax include high rate tax (Abdulfattah *et al.*, 2010). High tax burden discourages the tax payer from working hard since tax alone takes a significant proportion of the output of all efforts. Fagbemi and associates (2010) point out that citizens are expected to discharge their civic responsibility by paying their taxes as it contributes to the development of society. However, if tax payers do not have access to quality services such as electricity, water, education, healthcare among others, they are discouraged from paying more and consequently evade tax. This position has been defended by Amoah, Asumah and Amaning (2014).

They argue that in an unfair tax regime, a large proportion of the money collected gets into the pocket of corrupt politicians (also tax collectors) and therefore, not utilized in ways that provide services to payers, then tax evasion may be justified. While agreeing with the propositions made by other researchers, Abiola and Asiweh (2012) further observe that tax payers want evidence for judicious utilization of their payments. Besides, tax payers often have tendencies of wrongly interpreting government intentions of tax and when not enlightened on the utilization of tax revenue, they resort to evasion.

Another significant observation made by these authors is that politicians' continuous promise on tax reduction during political campaigns often turns out to be the reverse when they come to power and hence people do not see the need to pay tax. Ojeka (2011) shared similar sentiments on what causes tax evasion from his observation in Nigeria. He stresses that multiple taxation, complex regulations and lack of education on tax policies are the causes of tax evasion. Kamil (2015) acknowledges this when he states that awareness is a human element in the understanding of reality and that knowledge has a positive influence on tax compliance. He therefore, identified the determinants of tax compliance as tax payer awareness, knowledge, tax penalties and tax authorities' services. Tanko's (2015) findings correspond with Kamil's position when he indicates that tax law enforcement detects tax evasion, non-compliance and corruption in the tax system and must be discouraged. Similarly, Adebisi and Gbegi (2013) propose education to create awareness of tax reforms as well as efficient utilization of tax resources on public goods to discourage tax evasion. However, while endorsing the effect of low level of awareness on tax evasion, Dheressa, Reddy and Yadeta (2015) emphasize the influence of weak audit and enforcement capacity of tax authority. In support of this proposition, Abiola and Asiweh (2012) are explicit in their view that governments appoint senior tax staff as compensation for their effort during elections and such officials who are supposed to be leaders in the crusade for tax revenue are culprits of tax evasion. Tax payers will therefore, be very difficult to change by awareness creation in the context of mistrust.

According to Tanko (2015), failure of people in the informal sector to pay tax equally encourages tax avoidance and evasion. That is to say the few that are exercising their civic responsibility will be disappointed and discouraged when they get to know that defaulters go unpunished. This brings to the fore Jefferson's (2013) argument that taxpayers should be conversant with their rights and responsibilities. Besides, the Internal Revenue Service/Authority should train and educate its employees on tax payers' rights and consider those rights in their daily jobs. Consistent with this point of view, Adebisi and Gbegi (2013) stress that education and adequate utilization of tax revenue on public goods will discourage tax evasion. Bruce-Twum (2014) asserts that low awareness of gift tax rate and poor compliance attitude in Ghana culminate into low compliance. The researcher therefore maintains that there is no doubt that tax evasion, tax avoidance and tax leakages on the part of management must have affected the economic development of Ghana. Consistent with the proposition made by Bruce-Twum, Anane's (2015) observation of the Obuasi Municipality (Ghana) point out that traders lack knowledge of the purpose of tax and do not enjoy the benefits of paying tax. This according to him influences 70.5% of the survey respondents to evade tax. The analysis in this section has focused on the composition of tax revenue and its impact on economic development. Besides, the review provides aspects of tax laws/reforms and issues of compliance and tax evasion. The discussion implies that tax evasion is a combined influence of lack of public knowledge on tax laws, weak institutional framework leading to corruption in tax administration and lack of the required human resources in tax collection. However, all the studies contributing to the debate of tax awareness and tax evasion are conducted in areas outside the Wa Municipality. This highlights the need for empirical research to bridge the literature gap on whether tax payers in the Wa Municipality are aware of tax regulations and its implications for tax evasion.

## **4.0 Methodology**

### **4.1 Study Area**

The study was conducted in the Wa Municipality of Upper West Region of Ghana. Wa Municipality is one of the eleven District/Municipalities that make up the Upper West Region (UWR) of Ghana. It hosts the regional capital, where business is brisk and agencies for tax regulations are present. The Wa Municipality shares administrative boundaries with Nadowli District to the north, Wa East District to the east and to the west and the south Wa- West District. It lies within latitudes 1°40'N to 2°45'N and longitudes 9°32'W to 10°20'W. Wa Municipality has its capital as Wa, which also serves as the Regional capital of Upper West Region. It has a land area of approximately 579.86 square kilometres, which is about 6.4% of the Region (Ghana Statistical Service, 2014).

The population of Wa Municipal, according to the 2010 Population and Housing Census, is 107,214 representing 15.3% of the region's total population. Males constitute 49.7% and females represent 50.6%. The Municipality has a household population of 102,264 with a total of 9,592 houses. Like other Metropolitan/Municipal/District Assemblies in Ghana, challenges associated with low level of revenue mobilization remains a recent problem in the Wa Municipality. Over the budgeted tax revenue of the Wa Municipal Assembly keeps on falling short of actual revenue. Challenges with respect to non-compliance of tax regulations by both tax officials and tax payers are often the silent causes of this problem.

#### 4.2 Research design and Methods

A survey was conducted to collect cross-sectional data in the Wa Municipality in the Upper West region of Ghana. Survey research provides a quantitative or numeric description of trends, attitudes or opinions of a population by studying a sample of that population (Creswell, 2009). It includes cross-sectional and longitudinal studies using questionnaires or structured interviews for data collection, with the intent of generalising from a sample to a population (Babbie, 1990). A semi-structured questionnaire was used to gather primary data from 120 respondents selected using a multi-stage sampling procedure. The first involved a random selection of 6 communities in the Municipality. In the second stage, 20 household respondents were selected from each community by a simple random procedure. The survey data covered the socio-demographic characteristics of respondents, their awareness of the Ghanaian tax laws, and their behavior towards tax payment. Data were coded into the Statistical Package for Social Scientist (SPSS) spread sheet for all analysis. Descriptive statistics were used to analyse and present respondents socio-demographic variables, awareness of tax laws/reforms, tax compliance and evasion. Besides, chi-square test was used to find the independence of variables (tax awareness) on tax evasion. The following hypotheses were formulated:

1.  $H_0$ : Respondents awareness of tax reforms is independent of tax evasion.

$H_A$ : Respondents awareness of tax reforms influences tax evasion.

The hypotheses were validated using chi-square test. The test value is specified as:

$$\chi^2 = \sum_{i=1}^k \frac{(O_{ij} - E_{ij})^2}{E_{ij}}$$

$\chi^2$  = Chi-square test value

$O_{ij}$  = Observed frequency of the  $i$ th row and the  $j$ th column

$E_{ij}$  = Expected frequency of the  $i$ th row and the  $j$ th column

Expected frequencies ( $E_{ij}$ ) =  $\frac{(\text{row}_i \text{total})(\text{column}_j \text{total})}{\text{GrandTotal}}$

Degree of freedom (df) = (number of rows -1) (number of columns -1) The decision is to reject the null hypotheses ( $H_0$ ) if Chi-Square calculated ( $\chi^2_{cal}$ ) is greater than Chi-Square critical ( $\chi^2_{crit}$ ).

### 5.0 Results and Discussions

#### 5.1 Socio-demographic characteristics of respondents

Out of the 120 respondents, 46.7% were males and 53.3% were females. Their ages range from 20 to 51 years with a mean of 30.3. Many (71.7%) of the respondents were married people with an average household size of 5 people. It was also discovered that only 5% of the sample population did not have any form of formal education. About 8.3% had basic education, 41.7% had secondary education and 45.0% had tertiary education. The relatively literate population implies that many respondents had the capacity to understand tax issues in Ghana. Further analysis of respondents' economic activities provides that only 13.0% of them were found to be unemployed. About 35.0% are self-employed in the informal sector, 14.2% are self-employed in the formal sector and 40.0% are public sector employees. The fact that many respondents are employed has implications for a high income tax payment capacity.

#### 5.2 Public Knowledge and Awareness of Tax Regulations

The outcome of the study provides mixed findings on public knowledge and awareness of tax in Ghana. From Table 1, about 19.2% of the respondents understood tax as a voluntary payment made by citizens to government. Besides, about 75.8% of the respondents indicate that tax is a compulsory payment by individuals and organizations to government.

The results also show that 5.0% of the sample respondents indicate that tax is paid by only government (public sector) workers. These findings suggest that some respondents do not have sufficient knowledge on what constitute tax. They have a wrong conceptualization that tax is a voluntary payment or is only paid by public sector workers. Besides, respondents with this knowledge regarding tax may evade tax because they considered themselves not covered or payment is voluntary. This finding is similar to that of Anane (2015) whose study on traders in the Obuasi Municipality revealed a lack of knowledge on the purpose of tax. He results further revealed that about 55.8% of the sample respondents considered the current system of tax collection effective while 19.2% considered it not effective. However, 25% of the respondents were indifferent on this proposition. This means that respondents lack enough knowledge on the effectiveness of the current tax administration system. It was also discovered that about 18.3% of the respondents were not aware of any sanction put in place to control tax evasion. However, about 13.3% indicated that there were effective sanctions put in place to regulate tax administration in Ghana. Besides, 40.0% of the respondents indicated that tax sanctions were there but were less effective while 28.3% indicated that the sanctions to regulate tax evasion were not effective at all. The distribution of respondents' knowledge on sanctions to regulate tax evasion is shown in Table 2. These findings imply that majority of the respondents were not aware of any sanction put in place to regulate tax evasion or considered existing sanctions to be less effective or not effective at all. These categories of respondents constituted a significant proportion of about 86.7% of the sample population. They were inclined to evade tax because of the perceived weaknesses in the institutional framework for tax administration. The results of the study also showed that tax payers in the Wa Municipality were not sure of the range of activities exempted from taxation.

While about 58.3% indicated that trade in some essential goods such as agro-inputs enjoyed tax incentives, the remaining respondents were found to be indifferent on this fact thus bringing to the fore, the inconsistency of respondent knowledge and awareness of tax reforms. Further analysis was done on respondents' source of information on tax. The results in Table 3 show that about 56.7% of the respondents had their information on tax from television, 26.7% were informed about tax through radio announcements, about 12.5% had information on tax through information van and about 4.2% were contacted directly through word of mouth. The results on source of information on tax yielded a 100.0% response rate, implying that all respondents had at least become aware of the existence of the tax policy as a form of payment to government. Their sources of information were diverse but primarily through television and radio, as well as the information van and face-to-face interactions. This suggests that any attempt to evade tax may result from factors other than a complete lack of information on tax requirements. The availability of diverse source of information, however, does not imply adequate knowledge on tax reforms.

### **5.3 Tax Compliance**

From the data and discussions above, knowledge on taxation did not necessarily result in tax compliance. There was evidence of tax evasion among some respondents. When asked whether people around them are willing to pay tax, about 46.7% of the respondents said yes while the remaining 53.3% indicated no. This was in spite of their knowledge and awareness of the tax regime. Besides, about 92.5% of the respondents indicated that they had at least once paid a direct tax to the government while the remaining 7.5% had never paid any form of direct tax. Besides, when asked on whether they had good rapport with tax collectors, about 53.3%, the majority of the respondents, indicated no while 38.3% indicated yes. It was further discovered that 8.3% of respondents probably did not have any interaction with tax collectors and hence were indifferent about the nature of rapport with tax collectors. The fact that some tax payers did not have good rapport with tax collectors reflects public resistance to tax payment and the associated challenges encountered by tax officials. It was further discovered that about 95 respondents, representing 79.2% of the sample have ever once evaded tax because of high tax rate. Tax evasion among the respondents was said to have occurred through the withholding of information necessary for equitable and efficient taxation.

The remaining 20.8% assumed to have been paying despite all constraints. The hypothesis for the study was that tax payer knowledge in tax administration was independent of tax evasion. Undoubtedly, the survey results, Table 4 below, provide sufficient evidence to reject that claim. The responses show amply that knowledge of tax policy and requirement did not prevent tax evasion. Rather, respondents' knowledge and awareness of tax regulations influenced their tax evasion behavior as shown below. From Table 4, out of the 23 respondents who indicated that tax is a voluntary payment to the government, 22 of them were found to have evaded tax. Besides, out of the 91 respondents who indicated that tax is compulsory, 86 of them still evaded tax.

This category of respondents did not entirely lack knowledge on the need to pay tax yet they involved in tax evasion; thus bringing to the fore the inconsistency of knowledge of tax on tax evasion. Besides, three (3) out of six(6) respondents who were of the view that tax should be paid by only government workers had evaded tax, pointing to a deliberateness to evade some taxes. This implies that this category of people only pay income tax but probably evade other forms of tax obligation. It was also realized that some respondents who were not aware of any sanctions for non-payment of tax had evaded tax. This suggests that lack of knowledge on the existence of tax sanctions also influences tax evasion. Besides, those who are aware of the existing sanctions to punish victims of tax evasion still evade tax. Such respondents are of the view that the sanctions put in place are not effective enough to halt tax evasion.

This finding relates to Tanko's (2015) observation that the few that are exercising their civic responsibility will be disappointed and discouraged when they get to know that defaulters go unpunished. This invariably will lead to more evasion. Jefferson (2013) has also argued that taxpayers should be conversant with their rights and responsibilities to increase the effectiveness of tax administration. In agreement with that proposition, the results of this study indicated that respondents who were not aware of tax payer obligations had all evaded tax.

Besides, it was discovered that many (10) out of the 15 respondents who are not sure of the proposition of whether tax payers have rights were tax evaders. This category of people therefore, lacked the opportunity to enjoy the rights of tax payers' that otherwise could make it easier for compliance. The possible justification for these findings is that while people who lack the knowledge and awareness of tax laws are victims of evasion, those who are aware also evade tax with their arguments. They often cite issues of corruption, inequity and institutional weakness as justification for evading tax. This means that tax evasion is influenced by public knowledge and awareness of tax. Respondents provided many reasons for evading tax. These included: corruption in the tax administration system, tax payment reduces income, money paid end in private pockets, and little or no returns from tax payment. They further maintained that the challenges in the tax system breeds inequity as tax evaders are not punished. Again, politicians' promise of tax reduction as well as the expected development from tax payment is never realized. The findings support the proposition put forward by Fagbemi and associates (2010) that if tax payers do not have access to quality services such as electricity, water, education, healthcare among others, they are discouraged from paying more and consequently evade tax. These factors had weakened the regulatory framework of tax administration and thus served to promote tax evasion in the Wa Municipality.

## 6.0. Conclusion and Recommendations

Tax payers in the Wa Municipality consist of people with different demographic and economic characteristics. They have differences in the level of formal educational attainment and orientation towards tax administration. Many tax payers lack basic knowledge on whether they are required or not to pay tax. Besides, others are well informed on the regulations regarding tax administration but are victims of tax evasion. Corruption and other irregularities associated with tax administration play an important role in preventing people from complying with tax reforms. While inadequate knowledge on tax laws causes tax evasion, people with the required knowledge had evade tax payment often offering some justifications. It is therefore, recommended that stakeholders such as the Ghana Revenue Authority and the Wa Municipal Assembly should undertake rigorous campaigns to educate and create public awareness on tax regulations with emphasis on not just knowledge of the policy but also tax pay rights and responsibilities as well as sanctions and their enforcement. Appropriate media to use in their campaigns should include television and radio announcements since many people rely on these for information on tax administration. Stakeholders should also put in place measures to reduce actual or perceived corruption among collectors, politicians and regulators.

**Table 1: Respondents Knowledge on Tax**

<b>Knowledge on Tax</b>	<b>Frequency</b>	<b>Percent</b>
Voluntary payment to the government	23	19.2
Compulsory payment to the government	91	75.8
Tax is only paid by government workers	6	5.0
<b>Total</b>	<b>120</b>	<b>100.0</b>

Source: Field Survey, May, 2016

**Table 2: Respondents Knowledge on Tax Sanctions**

Knowledge on Tax	Frequency	Percent
Very effective	16	13.3
Less effective	48	40.0
Not effective at all	34	28.3
Not aware of any sanction	22	18.3
<b>Total</b>	<b>120</b>	<b>100.0</b>

Source: Field Survey, May, 2016

**Table 3: Source of Information on Tax**

Knowledge on Tax	Frequency	Percent
Television	68	56.7
Radio	32	26.7
Information Van	15	12.5
Word of mouth	5	4.2
<b>Total</b>	<b>120</b>	<b>100.0</b>

Source: Field Survey, May, 2016

**Table 4: Pearson Chi-square Test on Knowledge on Tax and Tax Evasion**

Knowledge and Awareness of tax	Tax Evasion			Chi-Square Statistics		
	No	Yes	Total	Test vale	d.f	P-Values
<b>Knowledge on tax</b>						
Voluntary payment to the government	1	22	23			
Compulsory payment to the government	5	86	91			
Tax is only paid by government workers	3	3	6			
<b>Total</b>	<b>9</b>	<b>111</b>	<b>120</b>	<b>16.479</b>	<b>2</b>	<b>0.00</b>
<b>Is there any sanction for non-payment of tax?</b>						
No	6	33	39			
Yes	3	78	81			
<b>Total</b>	<b>9</b>	<b>111</b>	<b>120</b>	<b>5.177</b>	<b>1</b>	<b>0.023</b>
<b>Do tax payers have rights</b>						
No	0	2	2			
Yes	4	99	103			
Not sure	5	10	15			
<b>Total</b>	<b>9</b>	<b>111</b>	<b>120</b>	<b>16.533</b>	<b>2</b>	<b>0.00</b>

Source: Field Survey, May, 2016

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