

Why Businesses Evade Tax In Ghana

Massang Naa Norley¹, Wang Jianfeng², Adu Sarfo Philip³, Massang Thomas⁴

^{1,2}School of Business, Zhengzhou University, Zhengzhou, China

³School of Management, Zhengzhou University, Zhengzhou, China

⁴College of Arts and Social Sciences, Kwame Nkrumah University of Science and Technology, Ghana

corresponding author: adusarfophilip@yahoo.com

Received: 18 Sep 2023,

Receive in revised form: 28 Oct 2023,

Accepted: 06 Nov 2023,

Available online: 15 Nov 2023

©2023 The Author(s). Published by AI
Publication. This is an open-access article
under the CC BY license

(<https://creativecommons.org/licenses/by/4.0/>).

Keywords— Tax evasion, Tax compliance,
Ghana Revenue Authority.

Abstract— The paper aims to assess why businesses evade tax in Ghana. This study uses a sample size of 100 respondents, consisting of 90 taxpayers, 3 tax officials and, 7 personal interviews. Using descriptive statistics, the study's findings showed that the following are causes of tax evasion; a lack of tax education, high tax rates, a lack of enforcement of penalties, the perception that the government is misusing taxes, and unprofitable businesses. These are the main drivers of tax evasion in the country. The difficulties tax officials face in collecting taxes include their inability to contact all taxpayers and the lack of a taxpayer database. It was not surprising that less than 50% of the respondents responded to the fact that tax evasion may improve living conditions, given that the majority of the respondents did not obtain formal education. Furthermore, 32% of total respondents believe that tax evasion will end or reduce the social benefits enjoyed by citizens because the government will not have enough money to provide such amenities. This means that all respondents were aware of the negative effects of tax evasion on national development. Indeed, the administration must take every step plausible to incentivize tax payment. According to the research results, tax education was insufficient, as were improper sanctions implementation and tax collectors' inability to locate several liable taxpayers. The study concludes by proposing additional research focusing on raising tax adherence through tax education.

I. INTRODUCTION

Each nation needs funds to start its socio-economic development. Policymakers are able to raise funds through taxation as a tool or vehicle. The revenue generated through taxes comes from the contributions that the state's citizens make as part of their share of the cost of advancing the nation's economy. When William Pitt was the Prime Minister in 1799, he enacted an income tax to help pay for the war against Napoleon Bonaparte of France (Middleton, 2015). In the Gold Coast, custom duty became the first form of taxation in 1850. It was administered by a principal collector stationed at Cape Coast Castle and levied a 2% Ad valorem tax on imported goods. In Cape Coast, a poll tax was instituted in 1852 after the system encountered some

odd difficulties that made it ineffective. Due to the collective system's inherent weakness and the fact that the initial proceeds were primarily used to pay the salaries of British officials rather than for the provision of social amenities as intended, earlier attempts to introduce direct taxation were unsuccessful (Crook, 2017).

The PNDC government made a decision regarding the structural modifications to Ghana's organizational legislation and tax system in July 1968. This led to the passage of the Internal Revenue Service Law, 1968 (PNDC L143). Through this law, the previously existing central revenue department became a public service organization. The Revenue Agency Board Act of 1998 (Act 558), which established a central governing body in place of the current

government boards of the IRS, CEPS, and VAT, was passed as a result of additional restructuring. The majority of the population is quite cynical about paying taxes, so they refuse to pay them, or they evade them, despite the fact that the numbers of the year's taxation have remained, despite the numerous contributions of taxes in the generation of revenue for the nation.

Taxation is a significant revenue source for developing countries all over the world. A tax may be defined as a "property to assist the government, a disbursement exacted by legislative authority". A tax "is not a voluntary payment or funding, but an imposed contribution exacted by legislative authority" (Nsor-Ambala, 2008). In Ghana, taxation is extremely important to the country's development. Ghana's government receives 75% of its cash flow from taxes to fund its numerous expenditures (Nsor-Ambala, 2008). The Customs Excise and Preventive Service Organization is in charge of collecting taxes on imports, exports, and locally manufactured goods. The Value Added Tax Service is in charge of collecting levies on goods and services. The Domestic Tax Revenue Division is in charge of collecting direct tax in Ghana, which is levied directly on the earnings of individuals and businesses.

Because of the matter of tax evasion, the various tax agents that oversee the tax system have been unable to meet their targets over the years. Tax evasion reduces the country's revenue, which in turn reduces infrastructure development and other social amenities (Afuberoh & Okoye, 2014; Al-Rahamneh et al., 2023). This explains why revenue collection agencies and divisions have been established in every city, town, and district in the country. In fact, each division has been assigned goals to achieve in a year. These agencies are primarily responsible for collecting revenue to fund government development machinery in order to improve people's living standards. Aside from this primary responsibility, they are also tasked with providing special allowance packages such as capital allowance to businesses and tax relief to individuals. These exemptions are intended to reduce the tax burden and encourage institutions and individuals to contribute to national development.

The illegal avoidance of taxes by people, businesses, and trusts is known as tax evasion (Alstadsæter et al., 2019). Tax evasion typically entails dishonest tax reporting, such as declaring less income, profit, or gain than what is typically earned, as well as the taxpayer willfully misrepresenting the true state of their financial affairs to the tax authorities to lower the tax liability. The informal economy is frequently linked to tax evasion. Tax evasion is a premeditated attempt to avoid paying taxes through deception. Tax avoidance is the legal use of the tax regime to one's own advantage in order to reduce the amount of tax payable through legal

means. Tax evasion, on the other hand, refers to any attempt to avoid paying taxes through illegal means. People avoid paying taxes by under-invoicing and misrepresenting the quality and description of their products. Smuggling or exporting foreign products through unapproved routes is used to completely avoid paying levied customs duties, and importing contraband items is also a form of evasion.

Tax avoidance refers to the legal application of tax law to lower one's tax obligation (Huseynov & Klamm, 2012; Whait et al., 2018). However, since both tax evasion and tax avoidance aim to undermine the state tax system, they are both types of tax noncompliance. Without tax revenue, it is impossible for the government of a country to run efficiently. Prominently in Ghana, it has been discovered that the government, having allegedly admitted that now the income from taxes is very low in comparison to the anticipation of growth and development, has decided to introduce another type of tax, or shift focus to an already existing one by increasing such taxes. Despite this, collecting all of the taxes owed by the informal sector has been extremely difficult (SMEs).

Given this, the study aims to investigate tax evasion in Ghana and determine what can be done to stop the trend.

1.2. Problem of the study

The resource envelope made available to the government for development includes tax revenue as a significant component. Particularly in considering the recent decline in the Ghanaian economy, tax revenue as a percentage of GDP is a critical component of the nation's consumption basket.

The most important and trustworthy method of generating the necessary funds to support the numerous development projects undertaken by the Ghanaian government is through taxes. The Ghana Revenue Authority (GRA) has spent a lot of money on taxpayer education over the years to encourage people to fulfill their tax obligations. Tax evasion is still widespread in the Ghanaian economy, despite the crucial role that taxes play in the development of nations and the numerous campaigns that have been launched to educate the public about taxes. Therefore, the goal of this study is to gain a deeper understanding of the elements that contribute to tax evasion in among businesses in Ghana.

II. LITERATURE REVIEW

2.1. A brief history of taxation in Ghana

In Ghana, taxation was first enacted in 1943 (Randolph 2011). Despite this, the government had already attempted to introduce it prior to its introduction in 1943. For instance, the government introduced the poll tax ordinance in April 1852 as a means of raising money to pay for the rising costs of British administration (Kawor & Kportorgbi, 2014;

Tackie et al., 2022). The poll tax ordinance required men, women, and children living in a district under British protection to pay one shilling per head per year (Kawor & Kportorgbi, 2014). These efforts to introduce direct taxes failed due to flaws in the tax collection system and the fact that the initial revenue collected was not used for the intended purpose.

In Ghana, taxation was introduced in this manner, and since then, significant changes have been made to the tax laws over the years. According to Ali-Nakyea (2019), the first income tax law was an ordinance that was introduced in 1943. The ordinance was based on that Act because the United Kingdom did not already have an income tax law. The ordinance only taxed income that originated in Ghana, so income from outside Ghana was not subject to taxation absent remittance there. Act 68, which amended the consolidated edition after it, was amended in 1961. Acts 178, 197, and 312 came before them in 1963, 1965, and 1961, respectively. The second consolidated edition, Tax Decree 1966 (No. 78), was unveiled in September 1966. In order to manage the administration of Ghana's income tax, capital tax, and gift tax administration and improve Ghanaian administration overall, the then-current government passed new tax laws in the year 2000 (Opoku et al., 2014).

Internal Revenue Service (IRS), VAT Service, and Customs Excise and Preventive Service (CEPS recent)'s merger into one organization known as the Ghana Revenue Authority (GRA) was a significant reform intended to modernize tax revenue collection. and administration as well as enhance customer service (GRA Act 2009 Act 791). This significant reform also aims to align revenue mobilization efforts, minimize compliance costs, cut down on waste, and get rid of redundant tax laws. As a result, on December 31, 2009, the GRA Act 2009, Act 791, was approved by the president and signed into law. The Domestic Tax Division, Support Service Division, and any additional Divisions determined by parliament are to be established under the Act.

2.2. The Tax Evasion Concept

A blatant attempt to avoid paying taxes through deception. Tax avoidance is the legal use of the tax regime to one's own advantage in order to reduce the amount of tax payable through legal means. Tax evasion, on the other hand, refers to any attempt to avoid paying taxes through illegal means. The payment of taxes demonstrates every citizen's desire to see the country develop. Taxation is a civic responsibility that governments impose on their citizens in order to help the administration establish the country by providing infrastructure and utilities to the people. Revenue from tax payments accounts for a larger portion of government revenue. Despite this, many countries,

including Ghana, are plagued by tax evasion. Tax evasion is the deliberate failure of taxpayers to meet their tax obligations. Tax evasion reduces national revenue, which has a negative impact on the public sector and economic development.

Tax evasion investigations can be traced back to the work of Cesare Beccaria, a pioneer of "law and economics" (1797) Cesare, (1797), Tax evasion has long been separated to stand alone in order to attract the attention of tax authorities and ensure that much effort is put into finding a solution. According to Rynoids (1963), because tax is a larger portion of government revenue, when taxpayers evade or otherwise avoid it, the tax system is not equitable. Tax evasion hinders the government's ability to collect the revenue owed to it, resulting in a disparity between the actual amount of taxes obtained and what should have been accumulated. Tax evasion differs from tax avoidance in that it is illegal and, as such, punishable if discovered. Avoidance is a legal right, whereas evasion is a crime. Tax evasion is the modification or arrangement of one's financial affairs in order to reduce tax liability in a legal manner. According to Aumeerun et al. (2016), despite government protests against tax evasion and avoidance, taxpayers use tax avoidance strategies or, at times, willfully use false strategies with assistance from tax officials to evade tax. Tax evasion is an outright dishonest action in which the taxpayer attempts to reduce his tax liability by using illegal means.

Tax evasion is accomplished through deliberate omission or commission, both of which are illegal under the laws that govern taxation. For example, a tax payer may choose not to declare his income to tax authorities, either intentionally or unintentionally, and even if the income is declared, certain items may be excluded in order to avoid revealing the true financial situation of such businesses. Furthermore, a taxpayer can choose to include a specific group of people in his family data in order to receive tax relief. In terms of taxation, all of these are criminal offenses. Thus, tax evasion is simply defined as a situation in which a taxpayer pays less levy than he is legally required to pay through illegal means. Abdallah and Ashraf (2018) describes tax evasion as the use of illegal strategies to reduce tax. Thus, tax evasion is a term that refers to attempts by some individuals, businesses, and other entities to avoid paying taxes through illegal means. It primarily applies to taxpayers who intentionally misrepresent or choose not to disclose the actual reality of their matters to tax office in order to reduce their own tax liabilities. Inflating expenses or stating less revenue and profits are two examples. Abdixhiku (2013) believed that tax evasion did deserve to be studied theoretically.

Slemrod (2019) discussed income tax evasion. The goal of that paper was to examine the factors that influence a taxpayer's decision to evade or not evade taxes, and then to figure out the degree to which taxation are evaded. Tax evasion has a negative impact on a country's revenue, and when it is discovered, criminal charges should be brought against the offending taxpayer. It should be noted that tax evasion is not a new phenomenon; it has existed for some time. Because of the nature of the issue, various authorities continue to find it difficult to address.

2.3. Direct taxation and indirect taxation are the two basic types of taxes.

Direct taxes are those that are gathered from of the person or organization on whom they appear to be imposed. Income taxes, for example, are levied on the individual who generates the income, or on the person who receives the gift tax. Direct tax is however described as a tax that is charged on businesses and organizations and is paid by them. Direct tax, according to the ICAG Income tax Study (Barannyk et al., 2021), includes capital gains tax, corporate tax, gift tax, and income tax. The Residential Tax Revenue Division in Ghana is in charge of administering this taxation. Direct taxation is critical because it is a type of progressive tax that takes more from the wealthy. This reduces the rich's utilization of luxury goods and facilitates the redirection of resources from luxury products production to capital construction. According to Havi and Enu (2015), direct tax helps ensure a degree of freedom in the tax system, enhancing the likelihood of tax revenues increasing as income increases. The direct tax's progressive ability is ideal for developing nations like Ghana. In developing countries, this promotes distributive justice. According to Sodokin et al. (2023) inequalities are common in low-income countries, and as economies develop, these disparities tend to widen. It is understandable that the growth of a country is dependent on its citizens and their own willingness to pay taxes. In direct tax, the prevalence rate and yield are easier to calculate than in indirect tax. Despite these benefits, Havi and Enu (2015) claims that there is a significant administrative cost.

2.3.1. Taxation by Indirect Means

Indirect taxes are the inverse of direct taxes. Indirect taxes collected from an individual other than the individual who is liable for the tax payments and are gathered by an intermediating body, such as a retail outlet, which collects state sales tax from the proceeds of the purchase.

After that, the intermediary body documents a tax form and transmits the tax proceeds to the government. Simply put, an indirect tax is a tax levied on spending. Essentially, this is a tax levied on one individual with the presumption that it will be transmitted to another. The effect

and incidence in this case are on different people (Sodokin et al., 2023). Examples include excise duty, customs duty, and value added tax (VAT). According to Havi and Enu (2015) the authorities in charge of this levy are indeed the CEPS and VATS. The tax office does not deal directly with the consumer, as in tax collection, but rather with importers, manufacturers, or other intermediaries, resulting in it being called indirect tax. The transfer of this tax liability according to Barannyk et al. (2021), Taxation and Fiscal Policy, 2015, is accomplished by charging the tax component just on sale value of the commodity markets to the following individual in the advertising sequence until it is finally borne by the consumer.

According to Sodokin et al. (2023), the value of the product determines the amount of duty with indirect tax, which implies that attributes of the good or service determine the tax rate, that is also premised on a fixed amount. A bag of rice, for example, could be taxed at GH30.00 per kg, and drinks could be taxed predicated on their volume. The following are some of the benefits of indirect taxes. To begin with, enhanced tax revenue means allowing for labor market subsidies because the government can reduce the total tax imposed on earnings and capital. This is particularly so given that Ghana's income and corporate taxes have been reduced over the years. According to Barannyk et al. (2021), often these individuals chose indirect tax to direct tax because indirect tax allows employees to keep more of their earnings. This explains why when tax rates on income are reduced, the goes back on working hours extra rise. Nevertheless, in the case of the tax, people can earn a specific target post-tax income with fewer working hours than they did previously well before tax cut (Barannyk et al., 2021). If leisure is considered a normal good, employees will choose not to work in order to have more leisure time while earning the same income.

The next benefit of indirect taxes is that they only gathered from businesses, making them less expensive to administer than direct taxes. With indirect taxation, the government gains so much control over its fiscal policy. Furthermore, some indirect taxes can be changed among both budgets even without parliamentary approval. VAT and excise taxes are two examples, whereas direct taxes may only be shifted in the yearly budget. Despite these advantages, one could argue that an indirect tax is regressive. The reason for this is that with indirect taxation, each taxpayer pays the same rate of tax regardless of income level, which means that those with lower incomes pay more than those with higher incomes. In terms of direct taxation, those with higher incomes pay more tax than those with lower incomes. As previously stated, tax revenue are progressive.

2.3.2. *Taxation's Role in the Country's Economy*

According to Altus Directory (2006 - 2010), the following are the motives for taxation from the perspective of the authorities:

2.3.4. *Revenue and Redistribution*

Taxpayers' money is used by the government to fund social amenities such as hospitals and clinics, as well as infrastructure such as roads and education systems. This is a contentious but arguably significant purpose of taxation. Its goal is to properly distribute wealth between all sections of society, both wealthy and impoverished. It is a normal practice in any democratic country, but the manner and proportion vary from country to country.

2.3.5. *Ghanaian Tax Evasion Prevention Measures*

In light of the foregoing, the following basic suggestions are made on the surface: The government should use various forms of advertising to start educating the public about the importance of paying taxes (Essilfie-Afful, 2018). In the case of Ghana, because the government owns a television station, it should seize the opportunity to use that platform to educate the public, particularly on certain misconceptions about the use of taxpayers' money. Authorized people should be hired and trained on a regular basis so that they are up to date on changing dynamics. There should also be enough incentive to keep officials from conspiring with some taxpayers to evade or avoid paying their taxes. In order to encourage tax compliance, the evaluation and collection processes should be properly reviewed and evaluated. Tax officials typically send printed portions of tax laws to taxpayers, and the majority of these laws are authored in legal language, making them challenging for the taxpayer to comprehend. Improving the design of printouts can be a significant step toward bettering levies and collection processes. It is therefore the sole duty of the government to monitor the trend of inflation in order to ensure equality in paying taxes. Furthermore, the government should do everything possible to ensure that certain basic utilities and amenities are available to all people and citizens in the country.

Again, employment opportunities must be made available to all so that people understand the value they receive in exchange for paying taxes. The taxable citizenry should be ascertained on a regular basis, and relevant documents should be kept up to date in order to support all taxpayers and make tax data reliable. Tax evasion would be greatly reduced once most, if not all, taxpayers, including businesses, were captured in the data. The Ghana Revenue Authority must ensure that systems are in place to determine the needs of each employee and the efforts required to avoid regression. According to Alhempfi et al. (2020), tax officials must follow these suggestions to increase tax efficiency.

Simplification: Tax administration shouldn't be as difficult to evaluate and collect as necessary, resulting in lower costs to tax executives and taxpayers. Audits that are shorter: A tax audit should, as soon as possible after a return is filed, begin. This enables the taxpayer to respond quickly to information requests.

2.3.6. *Reasons for Tax Evasion in Ghana*

When an individual intends to comply with these laws, it means that he will properly expose his tax base as well as calculate his tax liability, file returns on time, and then pay the tax due. Many tax evasion decisions stem from all these simple points. Those who evade tax may first determine not to accurately reveal their tax base, and thus will not provide an accurate determination of their tax liability. Most tax evaders choose not to file their correct returns and thus avoid paying taxes. To properly address the issue of tax evasion, it is necessary to identify some of the factors that influence people's decision not to pay taxes. To develop methods and tools to combat tax evasion, it is critical to first establish a broad knowledge of the various reasons why individuals evade taxes. Some causes of tax evasion are generally specific to certain countries; however, the possible factors of tax evasion are universal and can be applied to nearly all countries. (Feld & Schaltegger, 2010) conducted research to identify the determinants of tax evasion. In their study, those who used the appearance of grudge in absolute terms. Findings indicate that as sentiments of perceived injustice risen in real numbers, the level of fiscal evasion also increased and the level of tax moral belief decreased".

At the conclusion of his inquiry, it was discovered that just because people can easily move through one district to another and continue with their company, there was a possibility of rescuing that legal money. He also discovered that some operators do not keep adequate or proper records of their transactions and, as a result, do not report their interim income to tax authorities for tax purposes. It was once again disclosed that people who earn wages or salaries freely dislocate at specific times in order to keep tax authorities from locating them and collecting tax revenue. The following are some of the most common reasons why people avoid paying taxes. The Lack of a "Quid Pro Quo" Essentially, people dislike the idea of paying taxes.

This is primarily because people believe they receive nothing of value in exchange for the taxes they pay. Most people argue that they should not pay taxes because those taxes are not used to provide them with the necessities of life. They would rather use that money to provide themselves with those amenities.

2.3.7. *Inequitable Amenity Distribution*

It is common in most countries, including Ghana, for people to blame the government for being unfair in the distribution of social amenities. Most tax evaders believe that because one part of the country has more amenities, those who work there should be taxed. This is reasonable in the context that one pays taxes while still lacking the amenities that others enjoy in their part of the country.

2.3.8. *Poor management of Tax Income by the Government*

On radio and television, there has always been bribery and misuse of public funds. There are examples of people in government positions wasting public funds, mostly for their personal gain. The issue of personal judgement debt is common in Ghana. Several government-funded projects have reportedly failed, and these issues are frequently discussed in the media. Because of this perception, people either choose not to pay the tax at all or pay only a small portion of the true amount, believing that the mismanagement of state money will continue.

2.3.9. *Taxpayers' estrangement from the government and Absence of Civic Responsibility Spirit*

Most people believe that taxes are paid to provide for the well-being of government officials, who are paid more than tax payers. People in government, in most cases, become enemies of the average Ghanaian, due to their way of life, which is diametrically opposed to that of the average tax payer. Most tax payers are aware of the various tax breaks available to these wealthy individuals. The taxpayer lives far away from the government and thus sees no reason to pay taxes to government officials who live in big cities. A little education will most likely help taxpayers understand this issue very well.

As previously stated, a higher proportion of the adult population in Ghana is illiterate. As a result, most people are unaware that they are subject to obligations such as tax payment. Regardless, whenever the government attempts to educate the public on such poor attitudes, the same public suggests that the government instead print enough currency to alleviate the country's challenges. Higher tax evasion in Ghana is attributed to a lack of this type of patriotism. Other authors from other countries have also proposed several other causes of tax evasion. According to Orewa and Izekor (2012) in Nigeria, partial evasion may occur due to traders' improper bookkeeping and accounting records, as well as some illiterate taxpayers' belief that only workers who earn wages or salaries should be taxed. This perception, however, is incorrect. Abille et al. (2020) believes that many entrepreneurs and business owners do not understand the importance of paying taxes, even if they make a lot of money. This clearly demonstrates citizens' unpatriotic. Some people simply choose to keep

their earnings to themselves for that reason. Alhempri et al. (2020) conducted a study to investigate both the attitudinal and behavioral aspects of tax ethics. According to their findings, while most people believe that tax laws should be followed, they do not consider violations to be serious crimes deserving of harsh punishment. According to Chandra and Sandilands (2021), there is a strong link between tax evasion and the awareness of inequality in tax payment. That is, the greater people's view of tax disparity, the more likely they are to engage in tax evasion.

Dularif and Rustiarini (2022) also stated in one of his dissertations titled "The Behavioral Modem of Income Evasion" that there is positive association between individuals who evade tax as well as the rate of tax evasion among such evaders' friends. Braithwaite (2017) conducted a survey on taxpayer attitudes. The majority of respondents (93%), believed that "income tax is (much/little) too high," while a sizable proportion (62%), believed that government agencies do not spend taxpayers' money wisely. With regard to the latter point, most people believe that government wastes taxpayers' money. The survey also revealed that many participants feel they have been paying far too much income tax in comparison to others, even when comparing those with similar incomes. Excerpts of the study also has shown that "two thirds of the respondents did think that all or most taxpayers would exploit an opportunity for small scale evasion if they thought they could get away with it. Similarly, nearly a quarter of respondents believed that if they thought it would go undetected, all or most taxpayers would attempt large-scale evasion. According to Beattie et al. (2023), people evade taxes in order to increase their earnings. This is because every businessman wants to maximize his net income after deducting all expenses, including taxes.

His ultimate goal is to reduce costs while increasing sales and thus increasing the cash position of the company or organization at the end of the fiscal year. Ordinarily, it is understandable that people evade taxes because governments do not offer sufficient tax incentives to taxpayers. As Kumi-Dumor (2022) puts it, "the state subsidies offered by government have neither hind to the expectation or stimulating investments into the country nor influencing the location of company or organization". Thus, if the government provides enough tax incentives, individuals will be more likely to pay taxes rather than evade them. Again, individuals who are relatively poor do their best to avoid paying taxes. This is due to their constant desire to amass sufficient funds to maintain their standard of living. The little money they make at the end of their sales is not so large that they would be willing to use some of it to pay taxes. Another reason people evade taxes is due to flaws in the implementation of tax laws. People are more

likely to take advantage where law enforcement is weak. Inadequate tax personnel can sometimes lead to tax officials omitting the names of 30 tax payers from the tax list. Some people, inexplicably, evade taxes without even realizing it.

2.4. Ghana's level of tax evasion

Only by estimating the extent of actual evasion can the value of developing a conceptual comprehension of tax evasion be determined (Egbunike et al., 2018)"Information attempting to reach Contemporary Ghana Headlines from either the corridors of authority implies that now the Special Subsidiary on Tax Evasion at the governorship has unearthed approximately two hundred eighty (280) private and public enterprises that had circumvented tax in the country," according to a February 18, 2015 article on the website of Today Ghana News. This does indeed highlight Ghana's troubling tax evasion problem.

The Ghana Revenue Authority has expressed concern about the issue of tax evasion and its negative impact on the nation on numerous occasions. GRA discussed evasion in a news. GRA reportedly urged the media to work with the tax authority to inform the public about the importance of paying taxes that are due to them in order to support nation building (Amoah et al., 2014). GRA disclosed that 80% of Ghanaians who work in the informal sector of the country's economy do not pay taxes, and claims that this is because there is no historical database to track them. GRA also gave advice on the need to create a computerized database to capture the informal sector as a developing country (Amoah et al., 2014).

2.4.1. Methods of tax evasion

In developing countries, customs duties are a significant source of revenue. The importers claim to be evading customs duty by a. under-invoicing and b. mis-declaring quality and product description. Smuggling or exporting imported imports through unauthorized routes is used to avoid paying livable customs duties, and importing contraband items is also a form of evasion.

2.4.2. Reasons for tax evasion in Ghana

There are some fundamental explanations for tax evasion. When someone makes the decision to abide by the tax laws, it means they will accurately disclose their tax base, calculate their tax liability, file their returns by the deadline, and then pay the tax that is owed. These basic ideas serve as the foundation for many tax evasion decisions. Those who firstly evade taxes may choose not to accurately disclose their tax base and as a result, will not provide an accurate assessment of their tax liability. The majority of tax evaders also choose not to submit their accurate returns, which results in tax evasion. It is crucial to identify some reasons why people choose not to pay taxes in order to combat tax

evasion effectively. The various causes of tax evasion are general and can be applied to almost all countries, although some causes are generally specific to some countries.

Kumi-Dumor et al. (2022) carried out research to identify the causes of tax evasion. In their research, they used the absolute presence of grievance. The findings showed that as the degree of tax evasion increased and the degree of tax moral belief decreased, respectively, in direct proportion to the degree of grievance. At the conclusion of his investigation, it was discovered that there was a possibility of saving that legal money because people can move from one district to another without difficulty and carry on with their business. They also discovered that some business owners do not maintain adequate and accurate records of their transactions, and as a result, do not report their interim income to the appropriate tax authority for tax purposes. Once more, it was discovered that those who earn wages and salaries freely relocate at particular times in order to avoid being discovered and subsequently taxed.

III. METHODOLOGY

The researcher used three different techniques for sampling. These include stratified sampling, random sampling, and judgment sampling. Purposive sampling was used because of the unusual nature of the paper. In some cases, a non-probability sampling method like judgment sampling was used to identify the root causes of tax evasion. In these situations, inclusion and exclusion of people were the main concerns.

The researcher carefully considered the research problem before employing various techniques to gather pertinent data. As usual, primary and secondary sources made up the bulk of the data collections. In addition to these, questionnaires through goggle forms were the main tools used to gather the survey's data. It allowed the researcher to get honest or accurate answers to delicate and significant questions because the respondents felt comfortable answering them. Additionally, interviews were used to gather the required data from key informants.

For one hundred respondents, one hundred sets of questionnaires were created. There was a total of 18 questions. Five questions made up section "A," which provided background data on respondents. The remaining questions were covered in section "B," which contained the details about the study's goal that the researcher needs to address the problem statement. Data analysis methods included both qualitative and quantitative approaches. For the qualitative data, the researcher used both narrative and descriptive analysis, and Microsoft was used for the quantitative data, which included tables and chats.

3.1. Ethics consideration

Concerning ethical considerations, respondents were guaranteed that any information they provided would be treated with the utmost confidentiality. In light of this, the researcher made sure that everything was done ethically by keeping their pledge to the respondents. Before collecting data and conducting interviews, a letter was submitted to the Accra main office of Ghana Revenue authority seeking approval.

IV. RESULTS

95 questionnaires were distributed to tax payers, five to GRA staff and 10 personal interviews conducted in conformity with the study topic and objectives. Ninety questionnaires, or 94% of the total, were retrieved from the table 4.1 illustration for taxpayers, three questionnaires for Ghana Revenue Authority (officials) were retrieved, accounting for 60% of the GRA sample size.

Table 1. Response rate

Respondents	Number Distributed	Number Retrieved
Taxpayers	95	90
GRA staff	5	3
Personal interviews	10	7
Total	110	100

Field survey, (2022)

4.1. Demographics

The results of the researcher's investigation into the respondents' age distribution are as follows. According to the study's data, seven respondents (8%) were between the ages of 18 and 20; 13 respondents (14%), between the ages of 21 and 30; and 32 respondents (36%), between the ages of 31 and 40. Additionally, 22 (24%) of the respondents were in the category of 41-50, while 16 (representing 18%) of the respondents fell within the 51+ age range. The table above shows how this is depicted.

Table 2. Demographics

Respondents	Frequencies	Percentages %
Age		
18-20	7	8
21-30	13	14
31-40	32	36
41-50	22	24

50+	16	18
Educational data		
Basic	41	46
SHS	24	26
Tertiary	25	28
Others	0	0

Field survey, (2022)

All studies, including this one, have educational implications. Since education is widely regarded as a necessary element of human development and the primary agent of empowerment, it actually has a greater impact on studies of tax evasion. The table above shows how the majority of individuals in in Ghana are distributed in terms of educational attainment. In comparison to the secondary and tertiary classes, which make up 26% and 28% of the 90 respondents overall, the basic category has the highest number of respondents (46%). Other than these three qualifications, none of the respondents provided a response. With the exception of what they may have heard in the news or from friends and coworkers, 46% of the respondents are therefore likely to have little to no knowledge of taxation and tax evasion. This has a stronger impact on the problem of tax evasion.

According to Table 3, the total questionnaires of 66% representing 59 respondents work in the informal sector, and 31% representing 34 respondents work in the formal sector. It accurately reflects the educational statistics stated, which indicated that the majority of respondents only had basic education certificates.

Table 3. Types of Businesses

Types of business	Frequencies	Percentages %
Formal	31	34
Informal	59	66

Field survey, (2022)

4.2. Degree of Tax evasion

The degree of tax evasion in Ghana was a question that the respondents were asked about. This is shown in table illustrated below.

Based on the study, 26 respondents representing 29% believed that tax evasion was ubiquitous in the municipality. 20 % of respondents thought that tax evasion in the municipality was extremely rare. If more than half of the respondents concurred that there is a high level of evasion in the Ghana, there is cause for concern. 13% of the

respondents, likely in line with the earlier response, indicated that they were unsure of whether their coworkers paid taxes or not and were unable to definitively determine whether they were tax evaders themselves.

Table 4. Degree of tax evasion

Degree of tax evasion	Frequencies	Percentages %
Very high	26	29
High	34	38
Low	18	20
Uncertain	12	13

Field survey, (2022)

4.5. Views of respondents regarding the causes of tax evasion

After obtaining the respondents' opinions regarding the scope of tax evasion, the researcher set out to identify any potential causes of tax evasion in Ghana.

Table 5. shows that 31 respondents, representing 34%, believe they unintentionally evade taxes because they are ignorant of their obligation to do so. This accurately reflects some of the respondents' earlier claims that they were unaware of their obligation to pay taxes. Additionally, 17 respondents representing 19% of the populace purposefully fail to pay their taxes. Once more, 12 respondents, representing 13% of all respondents, stated that they evade taxes because of the high tax rate in the nation. Additionally, 9% respondents of the sample population admitted to evading taxes, which could be a result of their businesses being unprofitable and them not seeing the need to pay taxes with their meager income. Even though the majority of respondents had earlier acknowledged that tax officials do not frequently visit neighborhoods to collect taxes, none of the respondents clung to this issue as a reason why they or other people might evade taxes. Finally, 22 respondents, representing 24% respondents, agreed that tax evasion occurs because the government spends tax payers' money inefficiently. They believed that tax money was used more for the personal gain of government officials and administrators than for the advancement of the economy of the nation. They also said that the widespread corruption of the government and its representatives did not encourage them to pay taxes.

Table 5. Causes of Tax evasion among taxpayers

Perspectives	Frequencies	Percentages %
Intentionally	31	34
Unawareness	17	19
Tax liability too huge	12	13
Unprofitable business	8	9
Unnecessary use of Tax revenue by government	22	24
Proximity to GRA office	-	-

Field survey, (2022)

According to table 6 respondent, representing 10% indicates that, if they fail to not pay their taxes, nothing will happen. Since the majority of respondents did not receive a formal education, it was not astounding that only 21% responded to the possibility that tax evasion could improve living conditions. Additionally, 32% of all respondents believe that tax evasion might very well end or lessen the social benefits that citizens currently receive because the government will not have the funds to pay for them. This indicates that every respondent was aware of the detrimental effects that tax evasion has on the growth of the country.

Table 6. Implications of tax evasion to the general public.

Perspectives	Frequencies	Percentages %
Reduction in Government revenue	33	37
Inability to provide social benefits	29	32
Increase in standard of living	19	21
No effect	9	10

Field survey, (2022)

4.6. Ghana Revenue Authority Responses on Tax compliance level

All three participants discussed the nation's mean compliance rate. Subsequently, the researcher inquired whether there were any tax evaders in their vicinity, and each of them confirmed the presence of tax evaders. Following their affirmative responses, the researcher proceeded to examine the scope of tax evasion in the

country. According to the respondents, they inferred that the country experiences a substantial degree of tax evasion from the available statistics. Hence, the taxpayers' feedback is adequately represented.

The researcher then asked respondents for their opinions on what they believe causes tax evasion and why they believe people do it. According to the information gathered from the respondents, some people purposefully evade taxes, while others do so due to a heavy responsibility load. Again, some of the survey participants said that others evade taxes because tax officials cannot get in touch with them because there are not many of them, which makes it difficult for them to contact everyone. Other responses mentioned how tax payers invariably claim they are caregivers rather than the owners of various businesses in order to shield themselves from being held accountable for tax evasion. Nevertheless, the respondents also admitted that they have seen instances where some merchants and operators lock their shops and vanish when tax officials are hinted at. Additionally, some offered the defense that their businesses were no longer profitable as a result of the current economic crisis and poor governance, making it almost impossible to allow them to keep paying taxes. The researcher wanted to know if self-employed people pay taxes easily, and all three of the officials who answered the question said "No." This demonstrates the fact that perhaps the organized sector pays more in taxes than the unofficial sector does.

Once asked what could be done, the officials unanimously stated that taxpayer education should be a priority in order to prevent tax evasion. As previously mentioned, they claimed that the majority of residents do not understand the significance of paying taxes and that education will help them to realize the advantages of doing so and their responsibility as citizens. According to one official, they are working to create a repository that will give them access to data on all businessmen and businesswomen and make their jobs easier. The difficulties that officials face in performing their duties were queried. They replied that the absence of a database makes it challenging for them to identify all taxpayers. On top of that, some places are inaccessible. Occasionally, some taxpayers argue against them as if they were obtaining the funds for their own use.

V. DISCUSSION

According to the study, tax evasion in the country is widespread. According to our field survey, which included responses from taxpayers and officials, tax evasion is prevalent, as indicated by 38% of taxpayers. The majority of taxpayers said they are knowledgeable of their obligation to pay tax but still evade because of the aforementioned

reasons. However, 19% of them let the researcher know that they were unaware of this obligation. With the current tax rate for corporations of 25%, 20% is given to businesses, and individual traders receive pay as you earn taxation based on their monthly earnings. In order to reduce the amount of tax evasion, taxpayers believe it to be too significant and hope for a reduction.

The fact that the tax authorities do not have an accurate database of every taxpayer was one of the problems they revealed. Only the sellers and business owners that the tax collectors meet and observe in market areas are subject to tax collection. Because individuals are only motivated to pay when confronted by tax authorities, this significantly contributes to the tendency toward tax evasion. The absence of a database, according to the tax authorities, allows many people to evade paying taxes.

VI. CONCLUSION

It makes sense that taxes make up a larger portion of government revenue since they enable the government to provide services to the populace. The study found numerous issues with how individuals handle taxes, along with the fact that they have low levels of awareness. Most of them are recent graduates of elementary and secondary schools who lack adequate knowledge of taxes and their obligations. In addition, tax payers' complaints that tax money is spent on government employees rather than on projects that will benefit both them and the entire country.

In actuality, the government must take every possible step to promote tax payment. According to the findings, there are still unresolved issues with tax education, improper sanctions implementation, and tax collectors' inability to find some liable taxpayers. The researcher recommends additional research that focuses on boosting tax compliance via tax knowledge as they come to a close.

REFERENCES

- [1] Abdallah, W., & Ashraf, Z. (2018). Does public service delivery influence tax evasion? Evidence from municipality tax in Bangladesh.
- [2] Abdixhiku, L. (2013). *Determinants of business tax evasion in transition economies* [Staffordshire University].
- [3] Abille, A. B., Mpuure, D. M.-N., Wuni, I. Y., & Dadzie, P. (2020). Modelling the synergy between fiscal incentives and foreign direct investment in Ghana. *Journal of Economics and Development*, 22(2), 325-334.
- [4] Afuberoh, D., & Okoye, E. (2014). The impact of taxation on revenue generation in Nigeria: A study of federal capital territory and selected states. *International journal of public administration and management research*, 2(2), 22-47.

- [5] Al-Rahamneh, N. M., Al Zobi, M. t. K., & Bidin, Z. (2023). The influence of tax transparency on sales tax evasion among Jordanian SMEs: The moderating role of moral obligation. *Cogent Business & Management*, 10(2), 2220478.
- [6] Alhempri, R. R., Ardiansyah, I., Kusumastuti, S., & Endri, E. (2020). Tax compliance in income tax payments. *International Journal of Innovation, Creativity and Change*, 13(1), 356-374.
- [7] Ali-Nakyea, A. (2019). *An examination of oil and gas taxation and revenue management in Ghana* University of Pretoria].
- [8] Alstadsæter, A., Johannesen, N., & Zucman, G. (2019). Tax evasion and inequality. *American Economic Review*, 109(6), 2073-2103.
- [9] Amoah, R., Samuel, Y. A., Amaning, N., & Adu-Nti, M. (2014). An investigation into tax evasion in Ghana. *International Journal of Empirical Finance*, 115-122.
- [10] Aumeerun, B., Jugurnath, B., & Soondrum, H. (2016). Tax evasion: Empirical evidence from sub-Saharan Africa. *Journal of Accounting and Taxation*, 8(7), 70-80.
- [11] Barannyk, L., Dobrovolska, O., Taranenko, V., Koriahina, T., & Rybalchenko, L. (2021). Personal income tax as a tool for implementing state social policy.
- [12] Beattie, B., Hammond, W., & Dordevich, B. (2023). Analysis of Reconstruction of Land Rights Acquisition Duty Verification Arrangements by the Regional Finance Agency to Realize Pancasila Justice. *Journal of Positive School Psychology*, 7(1), 1-6.
- [13] Braithwaite, V. (2017). *Taxing democracy: Understanding tax avoidance and evasion*. Routledge.
- [14] Chandra, R., & Sandilands, R. J. (2021). Nicholas Kaldor, increasing returns and Verdoorn's law. *Journal of Post Keynesian Economics*, 44(2), 315-339.
- [15] Crook, R. C. (2017). Democratic decentralisation, clientelism and local taxation in Ghana.
- [16] Dularif, M., & Rustiarini, N. W. (2022). Tax compliance and non-deterrence approach: a systematic review. *International Journal of Sociology and Social Policy*, 42(11/12), 1080-1108.
- [17] Egbunike, F. C., Emudainohwo, O. B., & Gunardi, A. (2018). Tax revenue and economic growth: A study of Nigeria and Ghana. *Signifikan: Jurnal Ilmu Ekonomi*, 7(2), 213-220.
- [18] Essilfie-Afful, M. (2018). *Tax evasion and the Ghanaian economy: evidence from Ghana revenue authority*, Cape Coast Metropolitan University of Cape Coast].
- [19] Feld, L. P., & Schaltegger, C. A. (2010). Political stability and fiscal policy: time series evidence for the Swiss federal level since 1849. *Public Choice*, 144, 505-534.
- [20] Havi, E. D. K., & Enu, P. (2015). The effect of fiscal policy and monetary policy on Ghana's economic growth: which policy is more potent? *International Journal of Empirical Finance*, 61-75.
- [21] Huseynov, F., & Klamm, B. K. (2012). Tax avoidance, tax management and corporate social responsibility. *Journal of Corporate Finance*, 18(4), 804-827.
- [22] Kawor, S., & Kportorgbi, H. K. (2014). Effect of tax planning on firms market performance: evidence from listed firms in Ghana. *International Journal of Economics and Finance*, 6(3), 162-168.
- [23] Kumi-Dumor, E., Fernandes, P. O., & Lopes, J. (2022). Causes and effects of tax evasion in Ghana. 78th International Scientific Conference on Economic and Social Development,
- [24] Kumi-Dumor, E. E. (2022). *Tax Evasion in Sekondi Takoradi Metropolitan Assembly (Ghana): Causes, Effects and Solutions* Instituto Politecnico de Braganca (Portugal)].
- [25] Middleton, N. (2015). *An Atlas of Countries That Don't Exist: A Compendium of 50 Unrecognized and Largely Unnoticed States*. Pan Macmillan.
- [26] Nsor-Ambala, R. (2008). *A reference book for taxation in Ghana*. Publications Unit, Graphic Packaging Limited.
- [27] Opoku, E., Kyeremeh, C., & Odoom, D. (2014). Local revenue mobilization mechanisms: evidence from the Abura-Asebu-Kwamankese District in Ghana.
- [28] Orewa, S., & Izekor, O. (2012). Technical efficiency analysis of yam production in Edo state: A stochastic frontier approach. *International Journal of Development and Sustainability*, 1(2), 516-526.
- [29] Slemrod, J. (2019). Tax compliance and enforcement. *Journal of Economic Literature*, 57(4), 904-954.
- [30] Sodokin, K., Djafon, J. K., Dandonougbo, Y., Akakpo, A., Couchoro, M. K., & Agbodji, A. E. (2023). Technological change, completeness of financing microstructures, and impact on well-being and income inequality. *Telecommunications Policy*, 47(6), 102571.
- [31] Tackie, G., Agyei, S. K., Bawuah, I., Adela, V., & Bossman, A. (2022). Tax planning and financial performance of insurance companies in Ghana: the moderating role of corporate governance. *Cogent Business & Management*, 9(1), 2144097.
- [32] Whit, R. B., Christ, K. L., Ortas, E., & Burritt, R. L. (2018). What do we know about tax aggressiveness and corporate social responsibility? An integrative review. *Journal of Cleaner Production*, 204, 542-552.