

An Assessment of Tax Compliance Level of Small Enterprises in Ghana

Owusu Acheampong^{1*} Ofori Debrah² Isaac Osei Yeboah^{3*}

1.College of Health Science, Kwame Nkrumah University of Science and Technology-Ghana

2.Department of Accounting Studies, University of Education – Ghana

3.Mensin Gold Bibiani Limited (a subsidiary of Resolute Mining Limited , Australia)

Abstract

In the wake of fiscal consolidation and the quest to maximise government revenue for economic development, it is vital to assess the tax compliance level of firms. An understanding of the behaviour and compliance level of businesses provides important policy implications for tax reformations and revenue mobilisation. This paper assesses the tax compliance level of small businesses in the Sunyani Municipality. The study uses a total sample size of 500 small businesses. Using Probit regression models, our findings show that lack of tax education, computational issues and lack of book keeping negatively influence the level of tax compliance amongst small businesses in Ghana. The results also show that age, duration of business operations, liability assessment and business incorporation are important factors that influence tax compliance among small businesses. We conclude that continuous tax education at the local level would improve small businesses tax compliance level in Ghana.

Keywords: Ghana; Sunyani Municipality; Taxation; Tax compliance; Tax education

1. Introduction

Every economy recognises the significance of businesses as the mainstay for growth and development. Aryeetey and Ahene (2004) argue that small businesses form the foundation on which government revenues and indigenous entrepreneurship is generated to facilitate all kinds of investments in the country. It is therefore important that developing economies such as Ghana, enhance the presence of micro-enterprises through wealth creation and growth-driven environment to increase tax revenues. Despite this, several reforms have gained route in Ghana to improve tax compliance *via* tax incentives, tax education and establishment of stop-shops closer to the taxpayers. However, findings from Terkper (2007) and Ayoki (2007) show that tax compliance level is low amongst the informal sector, in spite of numerous voluntary tax advocacies. For instance, in Ghana, successive administrations have adopted several punitive measures including fines and imprisonment to battle the incessant issues of noncompliance amongst the growing population of small business. This approach has proved futile and unsuccessful (see Ohaka, 2015). This has re-oriented taxation towards consumption levies and import tariffs with income tax contributing insignificantly to tax revenue. Notwithstanding, because tax obligations of small businesses are quite negligible compared to large establishments, tax authorities tend to give less credence to small businesses hence, withhold their tax obligations (Atawodi and Ojeka, 2012). Most prior studies on taxation issues have focused on economic factors (Tran-Nam, 2003); psychological and social factors (Cullis and Lewis, 1997); social norms (Wenzel, 2005); and demographic factors (Loo and McKerchar, 2011). Despite the considerable fall in tax compliance level, government continue to spend on new tax reforms. This brings into question of why small businesses decide to evade taxation in developing countries. To fill this gap, this paper assesses the tax compliance level of small enterprises in Ghana.

The rest of the paper is structured as follows: The next section provides a brief survey of related literature followed by a discussion of the model, data and the estimation strategy. The results are then presented and analysed, after which we provide the summary of results and conclusion.

2. Literature Review

2.1 Tax Compliance

Taxation is seen as a “sovereign right or obligatory levy used by the state to transfer economic resources from private to public use in order to achieve the economic, social and political goals of the society” (see Kangave 2005; Abdallah 2006). The concept of tax compliance denotes how the taxpayers accommodate rules and regulations bordering the tax system in a country. Although, the concept of tax compliance connotes different viewpoints, Prior studies postulates that tax compliance involves the willingness of taxable entities to act in line with tax laws and administration without coercion (James and Alley 2004; Palil and Mustapha 2011). This said numerous theoretical reviews have been advanced to assess tax compliance issues based on ideologies motivated by incentives and sanctions (see Feld and Frey, 2007). Richardson and Sawyer (2001) examine two major theories that reinforce taxpayers’ compliance behaviour; the economic and psychological theories. The economic theory emphasises on incentives that motivate the taxpayer to comply whilst the psychology-based theory is based on the attitudinal behaviours of the taxpayer associated with tax compliance. The economic theory

envisages tax payers as an amoral utility maximisers whose economic motives, like profit maximisers, shape their compliance level. From this perspective it is argued that for tax payers to comply or not, they would first of all analyse all the alternatives available to them and from it decide on the best options favouring their profit motives (Boccard, 2010; Islam 2001). However, the psychological theory suggests that issues of tax compliance and/or non-compliance stems from a host of psychological factors. Taxpayers are assumed to comply with the demands associated with tax payment only if there are avenues for tax avoidance. This phenomenon is based on the moral judgements that tax payers are supposed to fulfil in their tax obligation. In comparison to the economic theory, the psychological theory “*keeps a blind eye*” on the use of penalties and sanctions or incentives to enforce compliance. Devos (2008) reveal that aside economic and psychological factors, social factors also pose significant problems on the way taxpayers assimilate tax reforms as well as its compliance in a country. Hence to resolve the concomitant issues associated with tax noncompliance, Kirchler (2007) illustrates that it is imperative to put into consideration major factors that influence individuals’ behaviour towards their decisions to comply with tax laws. For instance, Evans (2003) examine that cases where there are sanctions to tax evasions, taxpayers readily comply without coercion from tax administrators. Evidence from Allingham and Sandmo (1972) suggest that noncompliance on the side of taxpayers’ mostly emanates from their belief that tax auditing of their activities will lead to disclosure of misappropriations which will cause an imposition of severe legal penalties. Although, levies imposed generally are convenient means of meeting governments’ costs, taxpayers’ however, opinions appear contrary to this notion, hence, the increase in non-compliance to tax laws in developing countries (Coskun and Savasan 2009). This has generated huge global worries for officials and decision makers as evasion remains a threat to governments’ revenue mobilisation (Terkper 2007).

2.2 Tax Compliance and Small businesses

Loo and Ho (2005) examine that high compliance can be realised from small business when taxpayer’s liability including compliance cost are correctly accounted for. The authors note that taxpayers must be invariably competent to understand the income tax laws and the administrative procedures. This said, individuals who are less inclined to tax systems may either be under-paying or over-paying taxes. As well, the revenue authority has to provide adequate resources to meet the functional literacy elements of the taxpayers in terms of skills and knowledge required to deal with tax issues. Notwithstanding, taxation in developing economies have generally been severely constrained in terms of resources and skills, hence the likelihood of going after larger firms already in the tax net, where the potential tax revenue payback may be higher, instead of the less lucrative small and medium taxpayers who are largely outside that net (Bird and Wallace 2003). Similarly, Pope and Abdul-Jabbar (2008) also argued that high compliance costs associated with taxes may influence the decisions of small businesses to evade taxes or commit fraud. However, James and Alley (2004), relates tax non-compliance to tax gap. The authors assessed that inaccurate presentation and reportage of firm revenue and expenses and inappropriate procedures of filing returns increases the magnitude of the loss to tax revenue. Several reasons have been identified to account for income tax non-compliance. For instance, Jackson and Milliron, (1986), Richardson and Sawyer (2001), Tan and Sawyer (2003) postulate that factors including complexity of tax system, peer influence, income levels and weak enforcement of tax laws can cause non-compliance. Though sanctions have been and continue to serve as a major solution to tax non-compliance, some researchers strongly think that dialogue and cooperation would result in much improved compliance to tax laws (Tan and Sawyer, 2003; Chau and Leung, 2009).

2.3 Tax Administration in Ghana

Taxation in Ghana has come a long way since its introduction in 1943. The country has relied imperatively on taxation as the major source of developmental revenue. In this regard, successive governments have instituted various tax administrations and reforms to manage and enhance the compliance of firms. The Ghana Revenue Authority (GRA) is a statutory public organisation mandated with the administration and mobilisation of tax revenue for the state including Value Added Tax, Income Tax, Custom and Excise duties, and Communication Service Tax among others. The Authority was established in the year 2009 under the Ghana Revenue Authority Act (Act 791). It is an amalgamation of the three revenue agencies namely Value Added Tax Service, Custom Excise and Preventive Service, and Internal Revenue Service. Prior to its formation, major strategies to restructure the tax collection institutions began in 1986 from which CEPS and IRS were absorbed and made autonomous of the Civil Service. In 1986, the National Revenue Secretariat (NRS) was established to oversee revenue implementation policies and supervise the activities of the tax agencies in the country. The VAT service was formalized to oversee taxes including consumption taxes in the 1998. From series of surveys, the final preparations were made in 2009 to merge the agencies to form one revenue authority in line with the current trends in tax administration. The structure drawn for the tax agency was to ensure the maximum efficiency in revenue mobilisation from the merger process. To facilitate the smooth process of the tax administration, the GRA employs Tax Identification Number (TIN) that enables it to accurately classify payees. Each payee holds a

unique number that mandate the user in his correspondence with the authority. The countries income tax act offers the payee a self-assessment opportunity on all liabilities. Here, the laws confer on all limited liability firms, the selfassessment processes. Outside this process, all other payees are by law required to file their returns with necessary documents to the authorities for further review. After the receipt of the necessary documentations, the officials scrutinise the information to make the necessary informed decision of the chargeable incomes due. At the end of each accounting year, the businesses are obligated to provide their returns within three months. The filed documents should hold the necessary particulars including the TIN number of the business. The tax auditors to determine the efficacy of the submitted documents to ward off any penalty examine the accuracy of the receiving returns. After this process, the assessment number is allocated and issued for payment. Payment of taxes is made on the authorisation of the tax auditors through Bank Payment Advice Form. Disbursements are either made through a bank or at the premises of the tax authorities. The consistency of the information is done through critical examinations of the tax audit. GRA's auditing staffs is made up of the simple field and desk audits to comprehensive audit staff. The authority employs audit principle, which is not predetermined; hence issues for audit depend on the compliance records of the taxpayers, the quality of taxpayers' returns, and the size of the taxpayer. Others including the field and desk audits are performed on yearly basis to facilitate the smooth process of the examination from the private sector especially reaching the small businesses.

2.4 Empirical Review

In spite of assertions stipulating that tax system and its associated compliance requirements hinder growth of small businesses in developing economies (Abrie and Doussy 2006; Retief 2011), research on tax compliance issues have remained inconclusive in the case of developing economies. For instance, most of these studies have focussed on economic factors (see Allingham and Sandmo, 1972; Alm and McKee 1998; Tran-Nam, 2003); psychological and social factors (see Cullis and Lewis, 1997); social norms (see Lederman, 2003; Wenzel, 2005); and demographic factors (see Birch, Peters and Sawyer 2003; Loo and McKerchar, 2011). However, gaps still remain for the apparent leakage in the tax system. Thus, how small business manage to avoid taxation and the deficiency in mapping out strategies in developing countries especially Ghana. Lignier and Evans (2012) using cross-country data through a web-based questionnaire in 2010 revealed that the average cost of compliance during the income tax year was around \$28,000, representing a significant increase in real dollar terms, and in relative terms. However, their findings revealed that respondents seemed to be unaware of the eligibility rules for the various concessions, which could explain the low take-up rates. This apparent indifference was compounded by a perception that most small business tax concessions were too complex and not worth the effort. Using a baseline approach through electronic survey, Smulders *et al*, (2012) evaluated and compared the tax compliance costs affecting small business sector in South Africa. Their findings revealed that tax compliance costs as well as core accounting costs are regressive with respect to business size, with the compliance burden being heavier for smaller businesses. However, the study concluded that small business tax concessions were perceived as being more complex than useful. In assessing the suitability and effectiveness of addressing compensation claims of business taxpayers, Bevacqua (2013) revealed that there are no broadly applicable judicial avenues of relief with any realistic prospects for recovery available to assist Australian business taxpayers. However, the study further show that unlike other taxpayers, Australian business taxpayers often will have no appropriate, broadly applicable avenue for recovering compensation for tax official wrongs hence recommended for clarity and certainty to entitlements to compensation and reliefs for loss caused by the wrongs of tax officials. Simon (2012) examined the riskiness for tax non-compliance. Using theoretical approach revealed that deviations from the standard model including the endowment effect, framing of decisions, limited attention, loss aversion and mental accounting have influenced the operation of tax system in most developing economies. In exploring the factors that influence business tax payers' decision on whether to report income and deductions, Jo'Anne et al, (2012) used the theory of planned behaviour based on Ajzen and Fishbein's model of reasoned action approach. Their findings reveal that intention to comply is not always a strong predictor of compliance behaviour. The majority of taxpayers who wanted to comply failed. As complexity and difficulty in performance increases, additional factors are required to predict compliance, such as awareness of the rules. Complexity also reduces the predictability of behaviour. Behaviour prediction can be enhanced by quantifying environmental complexity, providing performance support, and eliminating potential obstacles. Intention can only be leveraged for compliance strategies when the tax system creates the optimal environment for taxpayers to successfully comply.

3. Research Methodology

The study employs quantitative research design to assess tax compliance amongst small businesses. We use a sample size of 500 small businesses operating within the Sunyani Municipality. The sample was designed to be representative of the small business¹ in the trading communities of Sunyani Municipality. We employ primary

¹ For this study small businesses are classified as enterprises with annual turnover of less than GH10, 000.

data covering major aspects of tax assessment and compliance questions. The reliability index for the questions using Cronbach's Alpha is 0.68. After collecting the relevant data on the businesses, a scoring method is developed to measure quantitatively the level of tax compliance of the respondents. A dichotomous variable is used to measure the compliance level. Thus, a firm registered with the tax authority is assigned a value of one (1), whilst those that are not registered are assigned the value zero (0). This categorical variable is then used as the dependent variable in a Probit regression model. The independent variables were based on the demographic characteristics, level of compliance and motives and perception of the respondents on their tax assessment. The sign of the reported coefficients reveal the direct effect of each subgroup compared with a reference group, which is arbitrarily selected. The representative Probit regression model is as follows:

$$P_i = P(Y = 1|X) = B_0 + B_1 (Males) + B_2 (Age) + B_3 (Education) + B_4 (Turnover) + B_5 (Years\ in\ Business) + B_6 (Incorporated) + B_7 (Liability\ assessment) + B_8 (Tax\ protest) + B_9 (Computational\ problems) + B_{10} (Tax\ education) + B_{11} (Other\ incomes) + B_{12} (Financial\ records) + e$$

P_i	The probability of a compliance level
<i>Males</i>	Dummy variable; 1 if the respondent is male, 0 otherwise.
<i>Age</i>	Dummy variable 1 if the respondent is between 18 - 35 years, 0 otherwise.
<i>Education</i>	Dummy variable; 1 if the respondent has no educational background, 0 otherwise.
<i>Duration of business</i>	Dummy variable; 1 if the participant's business has been in operations for less than five years, 0 otherwise
<i>Incorporated</i>	Dummy variable; 1 if the respondents business is officially registered with Registrar General, 0 otherwise
<i>Liability assessment</i>	Dummy variable; 1 if the respondents are given fair assessment before tax liabilities are fulfilled, 0 otherwise.
<i>Tax Protest</i>	Dummy variable; 1 if the respondents protest against tax assessment, 0 otherwise.
<i>Turnover</i>	Dummy variable; 1 if the business turnover is below GH¢5000, 0 otherwise
<i>Other incomes</i>	Dummy variable; 1 if respondent has other income sources, 0 otherwise
<i>Tax education</i>	Dummy variable; 1 if respondent has attended tax seminars/workshops, 0 otherwise
<i>Financial records</i>	Dummy variable; 1 if respondent keeps financial records, 0 otherwise
<i>Computation problem</i>	Dummy variable; 1 if the respondents encounter problems with the computation of their taxes, 0 otherwise.
e	Is the error term

4. Results and Discussions

4.1 Descriptive Statistics

Table 1 reports the summary of statistics of respondents' answers to the tax assessment and compliances questions. Out of the 500 respondents in the survey, 62% of the participants were females whilst the males represented 38% of the entire population. The large proportion of female respondents reflects the gender gap amongst operators of small business in Ghana. On education, 51% of the respondents have attained some level of formal education while 49% have no formal education.

Table 1: Descriptive Statistics

	Number Of Respondents	Percentage
A. Education		
a) No Education	245	49.0
b) Educated	255	51.0
B. Gender		
a) Female	310	62.0
b) Male	190	38.0
C. Age		
a) 18 – 35	127	25.4
b) 36 and above	373	74.6
D. Incorporated		
a) Yes	80	16.0
b) No	420	84.0
E. Annual Turnover		
a) Less than GH¢5000	379	75.8
b) GH¢5000 and above	121	24.2
F. Business Registered		
a) Yes	156	31.2
b) No	344	68.8
G. Financial Records		
a) Yes	382	76.4
b) No	118	23.6
H. Tax liability		
a) High	380	76.0
b) Moderate	100	20.0
c) Low	20	0.4
I. Tax seminar/workshop		
d) Yes	50	10.0
e) No	450	90.0

Source: Field Survey, 2016

In terms of business registration, the results revealed that 31.2% are registered with the tax offices whilst 68.8% are not registered with any tax office. The evidence is not surprising given the results on the percentage of small businesses officially incorporated (*registered with the Registrar Generals office*). The results reveal that majority of the participants have annual turnover less than GH¢5000.00. On book-keeping, the results show that only 23.6% of the small business kept financial records of their transactions. Similarly, the results show that most of the respondents hardly attended seminars or workshops organised by the tax authorities. This consequently has implications for their understanding and compliance level. On tax liability ratings, the results show that most of the participants representing 76% and 20% rate the tax liability to be high and moderate respectively. Thus, these respondents in most cases are observed to protest against tax officials as a result of their perception of their tax obligations. Among the operators of the small businesses, 74.6% are above 35 years and the remaining 25.4% are between the ages of 18 to 35 years. This suggests that most of the respondents in the survey are matured and hence are expected to depict adequate knowledge on tax issues and compliance.

To examine the determining factors of taxpayers' level of compliance, we estimate three different models (I, II and III). The summary results of the Probit regressions are presented in Table 2. The significant chi-squared values with the estimated pseudo r-squared values reveal that the independent variables in the models can explain about 49.02%, 46.77% and 52.68% of the changes in the compliance level of small businesses.

Table 2: Results of Probit Model

	Model (1)	Model (2)	Model (3)
<i>Males</i>	0.0556 (0.0441)	0.0294 (0.0410)	0.0290 (0.0380)
<i>Age</i>	0.1244* (0.0464)	1.3511*** (0.4361)	0.3756*** (0.0394)
<i>Education</i>	-0.1120*** (0.0230)	-0.0601 (0.0459)	-0.0833* (0.0438)
<i>Turnover</i>	-0.0028 (0.0484)	-0.0072 (0.0482)	-0.0195 (0.0420)
<i>Duration of business</i>	0.0743* (0.0389)	0.1628*** (0.0379)	0.2632*** (0.0356)
<i>Incorporated</i>	0.2697*** (0.0741)	0.1835*** (0.0409)	0.1773*** (0.0360)
<i>Liability assessment</i>	0.2247*** (0.0381)	0.1904*** (0.0634)	0.2560*** (0.0427)
<i>Tax education</i>	-4.1046*** (1.1305)	-1.1862*** (0.1751)	-6.1021** (2.4113)
<i>Financial records</i>	-0.1458*** (0.0310)	-3.213** (1.6002)	-0.2071*** (0.0211)
<i>Tax protest</i>	-0.1301* (0.0758)		
<i>Other incomes</i>		-0.0350 (0.0596)	
<i>Computation problems</i>			-0.1316*** (0.0433)
<i>Intercept</i>	-1.7667*** (0.5910)	-1.5763*** (0.5414)	-1.2271** (0.6120)
<i>Log-likelihood</i>	-40.3536	-42.1386	-37.4539
<i>Chi-squared</i>	77.61***	74.04***	83.41***
<i>Pseudo R-squared</i>	0.4902	0.4677	0.5268
<i>Correct classification</i>	90.50%	91.50%	89.50%
<i>Chance classification</i>	92.94%	93.41%	94.33%

* p<0.1, **p<0.05 and ***p<0.01 significance level

As shown in Table 2, the results reveal the presence of significant differences in the respondents' tax compliance level. The results show that though positive, the compliance level of males and females does not significantly differ from each other. This finding may be attributed to the fact that the general tax system does not segregate between gender and their compliance levels. Thus, confirming evidence from Ohaka (2015), Palil and Mustapha (2011) and Retief (2011). With respect to the respondents age and compliance level, the results show that respondents between the ages of 18-35 years are more likely to comply than respondents with ages above 35 years. Though arguable, research focus is yet to delve into why the youth are more sensitive to tax issues than the older people in Ghana. Similarly, we report negative relationship between duration of business operations and the compliance level at 1% significance level. Though surprising, the outcome could be linked to the fact that small businesses who have been in operations for less than five years are less inclined to tax evasion than the well-established businesses. Thus, firms interested in sustaining their market reputation are more likely to accommodate the tax system as reputational risk is expensive for start-up firms. Consistent with prior studies (see Coskun and Savasan 2009; Terkper 2007), we report negative relationship between education and level of tax compliance. Thus, respondents without any educational background are less likely to comply with tax authorities. This evidence is not surprising for the case of Ghana, as many uneducated individuals have been observed quarrelling with tax authorities over their tax obligations. This finding therefore is suggestive of the psychological theory in the sense that education increases the extent of one's social responsibility hence compliance with social obligations such as tax payments (Ahmed and Braithwaite, 2005; Kirchler 2007). The results further reveal that fair assessment of tax liabilities is an important indicator of small businesses tax compliance level. In cases where small businesses perceive that the tax authorities have treated them fairly in their tax assessment, they are more likely to comply than when given unfair treatment. This outcome mimics relative tax issues in Ghana, as most tax collectors have used the law to extort substantial amounts from small business. Such treatment could be implied to increase the non-compliance level of small business operators

hence loss of revenue to the state (see Aryeetey and Ahene 2004; Ayoki 2007; Atawodi and Ojeka, 2012). The results also show a link between incorporation and level of compliance. Thus, small businesses that are registered with certified registration offices are more likely than unregistered businesses to comply with their tax obligations. The reason for this relation may be linked to the fact that most unregistered small businesses in Ghana are mobile and their operations are inconsistent (especially, the case of hawkers and roadside vendors). Consistent with prior studies, the results suggest negative relationship between tax education and compliance level. This finding may be linked to the fact that most small business operators in Ghana do not attend seminars/workshops organized by tax officials. Intuitively, lack of communication through seminars/workshops on tax issues may influence the perception of small business operators on the relevance of their compliance (Mohd 2010). Also, we find negative and significant link between tax compliance level and financial records, suggesting that small business operators who do not keep track of their financial transaction are less likely to comply. The apparent cause of this outcome may be associated with the predominant use of cash in business transactions which makes the operators less sensitive to record keeping. This therefore influences the effectiveness of small business operators and tax officials to correctly evaluate the tax due them. This evidence is indicative of those who protest against tax authorities as well as experience computational issues with their tax payments (Ali-Nakyea 2006). Thus, businesses who cannot afford to hire competent professionals to handle their tax assessments are less likely to comprehend with tax associated issues.

5. Concluding remarks

In order to achieve a deeper understanding of taxation amongst the informal sector in developing economies, this paper has assessed the tax compliance level of small businesses within the Sunyani Municipality. Employing a fairly basic survey questions, the results obtained reveal that fair assessment of tax payers' liabilities, age of business operators, registration of businesses and duration of business operation have positive implications for tax compliance. However, the results show that tax education, computational issues, tax protest and lack of bookkeeping impedes small businesses tax exposure and compliance level within the informal sector. In conclusion, it is evident that tax compliance is basically a function of the understanding of the fundamental principle of the tax system and the tax payers' obligation to the state. The lack of education has resulted in serious underpayment of taxes among the informal sector of the economy. To correct this issues as well as improve revenue collection through mass compliance in the informal sector, we recommend that the National Commission on Civic Education (NCCE) in partnership with the Ministry of Information and Ghana Revenue Authority (GRA) should embark on seasonal sensitisation exercises in the regions to educate small businesses on the relevance of taxation to economic development of Ghana. Likewise, we encourage the Ghana Revenue Authority to adopt a tax collection plan similar to the "mobile banking" strategy used in the banking industry to increase the level of tax compliance. Though, we cannot generalise the findings of this paper, we encourage future studies to replicate the study in other regions to understand the level of tax compliance amongst small businesses in Ghana for policy decisions.

References

- Abdallah, A. N. (2006). Taxation in Ghana: Black Mask Ltd, Accra.
- Abrie, W., & Doussy, E. (2006). Tax compliance obstacles encountered by small and medium enterprises in South Africa. *Meditari Accountancy Research*, 14(1), 1-13.
- Ahmed, E., and Braithwaite, V. (2005), Understanding SMEs Taxpayers: Issues of Deterrence, Tax Morale, Fairness and work practices. *International Small Business Journal*; 23, 539-568.
- Ali-Nakyea, A. (2006). Taxation in Ghana: Principles, Practice and Planning. Accra, Ghana: Black Mask Publishers.
- Allingham G, Sandmo A (1972). Income Tax Evasion: A Theoretical Analysis. *Journal of Public Economics*, Volume 1, Issues 3-4, 323 - 338.
- Alm, J., & McKee, M. (1998). Extending the lessons of laboratory experiments on tax compliance to managerial and decision economics. *Journal of Managerial and Decision Economics*, 19, 259-275.
- Aryeetey, E., & Ahene, A. (2004). Changing Regulatory Environment for Small-Medium Size Enterprises and their Performance in Ghana. CRC Working Paper No. 30594. Accra, Ghana: Centre on Regulation and Competition.
- Atawodi, O. W., & Ojeka, S. A. (2012). Factors that affect tax compliance among small and medium enterprises (SMEs) in North Central Nigeria. *International Journal of Business and Management*, 7(12), 87.
- Ayoki, M. (2007), Tax Performance in Poor Countries: Country Report Uganda; IPRA Working paper, 21.
- Bevacqua, J. (2013). Suing Canadian tax officials for negligence: An assessment of recent developments. *Canadian Tax Journal/Revue Fiscale Canadienne*, 61(4), 893.
- Birch, A., Peters, T., & Sawyer, A. (2003). New Zealanders' attitudes towards tax evasion: A demographic analysis. *New Zealand Journal of Taxation Law and Policy*, 9(1), 65-109.

- Bird, R. M., & Wallace, S. (2003). Is it really so Hard to tax the Hard-To-Tax? The Context and Role of Presumptive Taxes; prepared for a Conference on the Hard to Tax Sector, International Studies Program, Andrew Young School of Policy Studies, Stone Mountain, Georgia, May 15-16, 2003, Revised.
- Boccard, N. (2010). On royalty licensing. *Available at SSRN 1623762*.
- Chau, G., & Leung, P. (2009). A critical review of Fischer tax compliance model: A research synthesis. *Journal of accounting and taxation*, 1(2), 34.
- Coskun CA, and Savasan F (2009). Tax Morale: Empirical Evidence from Turkey. Annual Meeting of the European Public Choice Society.
- Cullis, J., & Lewis, A. (1997). Why people pay taxes: From a conventional economic model to a model of social convention. *Journal of Economic Psychology*, 18, 305-321.
- Devos, K. (2008). Tax evasion behaviour and demographic factors: An exploratory study in Australia. *Revenue Law Journal*, 18(1), 1.
- Evans, C. (2003) "Studying the studies: An overview of recent research into taxation operating costs", *EJournal of Tax Research*, 1(1): 64-92.
- Feld, L. P., & Frey, B. S. (2007). Tax compliance as the result of a psychological tax contract: The role of incentives and responsive regulation. *Law & Policy*, 29(1), 102-120.
- Islam, A. (2001). Issues in tax reforms. *Asia Pacific Development Journal*, 8(1), 1-12.
- Jackson, B. R., & Milliron, V. C. (1986). Tax compliance research: Findings, problems, and prospects. *Journal of Accounting Literature*, 5(1), 125-165.
- James, S., & Alley, C. (2002). Tax compliance, self-assessment and tax administration. *Journal of Finance and Management in Public Services*, 2(2), 27-42.
- Jo'Anne Langham, N. P., & Härtel, C. E. (2012). Improving tax compliance strategies: Can the theory of planned behaviour predict business compliance?. *eJournal of Tax Research*, 10(2), 364-402.
- Kangave, J. (2005). Improving Tax Administration: A Case study of the Uganda Revenue Authority; *Journal of African Law*, 49(2), 145
- Kirchler, E. (2007). *The economic psychology of tax behaviour*. Cambridge: Cambridge University Press.
- Lederman, L. (2003). The interplay between norms and enforcement in tax compliance. *State Law Journal*, 64 (6), 1453-1514.
- Lignier, P., & Evans, C. (2012). The rise and rise of tax compliance costs for the small business sector in Australia. In *Australian Tax Forum* (Vol. 27, No. 3, pp. 615-672).
- Loo, E. C., & Ho, J. K. (2005). Competency of Malaysian salaried individuals in relation to tax compliance under self assessment. *Journal of Tax Research*, 3(1), 45-62.
- Loo, E., & McKerchar, M. (2011). Tax fairness, risk personality, demographic variables and tax compliance: The case of individual taxpayers in demographic variables and tax compliance: Malaysia. *Australasian Tax Teachers' Association Conference*. Australia: University of Melbourne, January 18-21.
- Mohd, R. (2010). Tax knowledge and tax compliance determinants in self-assessment system. PhD Thesis. England: University of Birmingham.
- Ohaka, J. (2015). Taxation and Sustainable Development in Nigeria: Informal Sector Challenges. *Research Journal of Finance and Accounting*, 6(10), 249-252.
- Palil, M. R., & Mustapha, A. F. (2011). Factors affecting tax compliance behaviour in self-assessment system. *African Journal of Business Management*, 5(33), 12864.
- Pope, J., & Abdul Jabbar, H. (2008). Small and Medium sized Enterprises and Tax Compliance Burden in Malaysia: Issues and Challenges for Tax Administration, *Small Enterprise Research. The Journal of ASEAN*, 47-60.
- Retief, E. (2011). Is it possible to avoid tax legally?: tax professional. "Tax Professional", 34-36.
- Richardson, M., & Sawyer, A. J. (2001). Taxonomy of the tax compliance literature: Further findings, problems and prospects. *Australian tax forum*, 137-320.
- Smulders, S., Stiglingh, M., Franzsen, R., & Fletcher, L. (2012). Tax compliance costs for the small business sector in South Africa—establishing a baseline. *eJournal of Tax Research*, 10(2), 184-226.
- Tan, L. ., & Sawyer, A. J. (2003). A synopsis of taxpayer compliance studies: verview vis- -vis New Zealand. *New Zealand journal of taxation and law policy*, 9(4),431-454.
- Terkper, S. E. (2007). Some Tax Accounting Issues and Options for SMEs. *Tax Notes International*, 45(2), 155.
- Tran-Nam, B. (2003). Tax compliance research: An economic perspective. *Journal of Taxation Law and Policy*, 9 (4), 455-468.
- Wenzel, M. (2005). Motivation or rationalisation? Causal relations between ethics, norms and tax compliance. *Journal of Economic Psychology*, 26 (4), 491-508

Biographical notes:

Owusu Acheampong holds a Master of Philosophy (MPhil) degree in Accounting from the Kwame Nkrumah University of Science and Technology, Kumasi, Ghana. He is a member of the Institute of Chartered Accountants- Ghana (ICAG). Presently, he is an Accountant of College of Health Sciences, Kwame Nkrumah University of Science and Technology.

Ofori Debrah holds a Master of Business Administration (MBA) degree in Accounting from the Kwame Nkrumah University of Science and Technology, Kumasi, Ghana. He is a member of the Institute of Chartered Accountants- Ghana (ICAG). Presently, he is a Full-time Lecturer at Department of Accounting Studies, University of Education, Winneba.

Isaac Osei Yeboah holds a Master of Business Administration (MBA) degree in Accounting from the Kwame Nkrumah University of Science and Technology, Kumasi, Ghana. He is a member of the Institute of Chartered Accountants- Ghana (ICAG). Presently, he is a Senior Accountant at Mensin Gold Bibiani Limited (a subsidiary of Resolute Mining Limited , Australia).

Appendix 1: Questionnaires

Demographic Data

1. Gender: Male Female
2. Age: 18-35 36+
3. Level of Education No Education Educated
4. Is the business officially incorporated? Yes No
5. Annual Turnover? Less than GH¢5000 GH¢ 5000 +

Level of Tax Compliance and Motives

6. Is your business entity registered with any tax authority? Yes No
7. How long have you been in business? Below 5 years 5 years and above
8. Do you keep financial records of your activities? Yes No
9. Do you have other sources of income? Yes No

Tax Education

10. Have you attended any tax seminar by Ghana Revenue Authority?
Yes No
11. What language do tax officials use in seminars you have attended? Akan English Other languages
12. Do you encounter any computation problems with your tax? Yes No

Perception on Tax Assessment

13. Are you given an assessment before tax liabilities are fulfilled? Yes No
14. How do you rate your tax liability? High Moderate Low
15. Have you ever had to protest against your tax assessment? Yes No

Thank You