ANNUAL ASSESSMENT OF THE TAX POLICIES AND STRATEGIES OF GHANA:

ANALYSIS FROM 2015 TO 2020: AN INDEPENDENT ASSESSMENT BY CSO, ACADEMIA AND PRIVATE SECTOR

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List of Abbreviations and Acronyms

CG	Capital Gain Tax
CI	Corporate Income Tax
CSO's	Civil Society Organizations
CS	Communication Service Tax
ECOWA	Economic Community of West African States
EC	Electronic Communication Services
FD	Foreign Direct Investment
GCNet	Ghana Community Network System
GD	Gross Domestic Product
GIP	Ghana Investment Promotion Centre
GH	Ghana cedis
GI	Deutsche Gesellschaft für Internationale Zusammenarbeit
G.N.P.	Ghana National Petroleum Corporation
GR	Ghana Revenue Authority
H	Harmonized System
NDP	National Development Planning Commission
OEC	Organisation for Economic Co-operation and Development
OL	Ordinary Least Square
PAY	Pay As You Earn
VA	Value Added Tax
SEC	Swiss State Secretariat for Economic Affairs
GH¢'m'	Million Ghana cedis
GH¢'b'	Billion Ghana cedis

EXECUTIVE SUMMARY

INTRODUCTION

The essence of the government tax policy is to have a clear direction on what the government wants to achieve regarding taxation. Tax policy is the choice by a government as to what taxes to levy, in what amounts, and on whom (OECD, 2013). According to tax experts, tax strategy has to do with procedures, methods, guidelines, or administrative measures to achieve the tax policy. Thus, tax policy and strategy are interlinked. Tax policy is an objective, and the strategy is the means to achieve the objective. The purpose of tax strategy is to maximise efficiency in the mobilization of tax revenue and its uses.

GIZ has supported the Academia/ CSOs/ Private Sector with consultancy to organise a workshop of stakeholders to identify the tax policies and strategies of the government; discuss it by determining the efficiency and effectiveness of the tax strategies and make recommendations to improve the effectiveness of government tax strategies towards publishing an annual assessment of the tax policy and strategy of the government.

The report has captured results from a combination of qualitative and quantitative evaluation of Government of Ghana Tax Policies and Strategies.

Tax policies

The major tax policies that Ghana has adopted since independence includes (a) Taxation of income (b) Consumption tax (c) Capital gain tax and (d) Excise Tax. These policies have been evaluated together with the tax types namely, Corporate Income Tax, Value Added Tax (consumption tax), Excise duty, PAYE, CST, Duties (import duties), and their incentives and reliefs.

In evaluating the tax policies, the key evaluation tools employed are efficiency of policy, fairness, ease of administration and robustness of the policy to avoidance. Efficient tax policies while raising the optimum tax revenue, is required to be neutral to economic decision making of the taxpayers. The introduction of different rate regimes such as location incentives, decoupling of VAT rate from levies, flat rate system and recently, caping of requirement to charge flat VAT rate etc has resulted in taxpayers weighing the various balances on business and consumption decisions. Companies are setting up at specific locations not for strategic reasons but for tax advantage.

In the instance of VAT revenue, between the year 2011 to 2020, although VAT revenue increased by 17% average, the year on year was at a decreasing rate. The rate was sharper between the year 2018 to 2020 when the standard VAT rate was decoupled from the levies.

The fairness of the policies was also evaluated; That is, the ability of taxpayers to pay or how equitable the tax is or how beneficial the taxpayer sees the taxes being paid. There is history of high level of resistance to tax introduction in Ghana. The most current one being the E-Levy which is being highly resisted by taxpayer(s).

It was noted that these and the effect of others affect the compliance levels, hence robustness of the tax strategy.

Tax Strategy

It has been noted that Ghana does not have a coordinated and a well-documented tax strategy to direct its policies. It is strongly recommended that government have a clear-cut strategy which considers the system, seeks neutrality, and achieve progressivity and efficiency as much as possible. Despite the absence of a coordinated and well documented tax strategy, government has implemented the self-assessment system to collect income tax prior to year-end. This encourages voluntary compliance by taxpayers, and less effort by tax authority to collect the tax.

Tax revenue has increased with the introduction of a self-assessment system of tax collection. Policies such as withholding VAT by suppliers have been described by experts as a game changer in the revenue collection efforts by government.

Qualitative Analysis

In the evaluation, we explored qualitative data through the use of questionnaires administered on taxpayers to solicit their views concerning the tax system. The purpose of this research is to employ data science approaches to understand the responses to questionnaire on Ghana's Tax Policy and Strategy. With a sample size of 100, 59 responses were received and evaluated based on their responses to the questions. The responses indicated a higher level of educational background of respondents as well as experiences including business owners, heads of finance departments, managers, and other key stakeholders.

The questionnaires were drafted around the tools used in evaluating the policies. It showed 67% of respondents do not have difficulties in payment of taxes whereas 89% in favour of accessible mode of payment which is a plus to tax administration. However, a high percentage of the respondents are not in favour of fairness which was indicated through 50% confirming lack of benefit from tax payment, and 61% do not find taxes beneficial to the general public and 94.8% being of the view that government waste tax revenue (revenues are used for profligate expenditures). These are not good indicators for fairness of the tax policies.

Furthermore, 84% of respondents believe that taxpayers connive with tax officials to under declare tax liabilities, whilst 56% were of the view that GRA do not account for taxes being collected. With this mindset, taxpayers either resist tax policies or find means to avoid tax payment, rendering the policies ineffective.

Quantitative Analysis

The quantitative analysis compared performance of tax policy with Tax Revenue to GDP in particular tax buoyancy over the years, vis-à-vis changes in tax policies and its effects on tax revenues. GDP measures the general economic performance and marking Tax to GDP is a more reliable assessment of performance of tax policies. The numerical analysis indicates a continuous fall in performance of tax revenue to GDP over the years, from 2012 to 2020. In 2019, Ghana's performance (13.54%) remains as one of the lowest in the African sub-region compared to average rate of 16.61%. Furthermore, the data analysed gives an indication of Ghana's tax buoyancy being below unit with the exception of 1.1 for the year 2017. However, after the tax rates were altered with the decoupling of VAT rates in 2018, the buoyancy returned to below unity. The results from the quantitative analysis revealed that, tax policy positively affects the total tax revenue generated in the country, which is statistically significant. It confirmed that, introduction of good tax policies leads to rise in tax revenues, and also makes taxpayers more compliant.

The results also indicated that GDP affects total tax revenue positively, which is also statistically significant. In this case, a continuous growth in GDP will lead to an increase in tax revenue generated in the country.

The results from the quantitative analysis show that in recent years, Ghana's tax to GDP ratio is below Africa's average and below some of its peers. This gives an indication that the country does not generate much revenue compared to its GDP. Also, the tax buoyancy of the country in recent years is below unity. This means that, the country is not fully utilizing its available revenue generating capacity.

Conclusion

The evaluation concluded with recommendations to help policy makers when drafting future tax policies. The study revealed that majority of taxpayers do not receive education on their tax obligation. A more transparent approach on implementing tax strategies and taxpayers' education would be critical in improving performance of the tax policies.

CHAPTER ONE

INTRODUCTION

1.1 Background to Assignment

There is a need for prudent management of the national resources of every country hence, governments should have in place a clear tax policy with a tax strategy to serve as measures, blueprint, ways, and procedures to achieve tax revenue objectives.

Rightly so, the government of Ghana has in place some tax policies and strategies even though they are not coordinated and well documented. The essence of the government tax policy is to have a clear direction on what the government wants to achieve regarding taxation. Tax policy is the choice by a government as to what taxes to levy, in what amounts, and on whom (OECD, 2013). According to tax experts, tax strategy has to do with procedures, methods, guidelines, or administrative measures to achieve the tax policy. Thus, tax policy and strategy are interlinked. Tax policy is an objective, and the strategy is the means to achieve the objective. The purpose of tax strategy is to maximise efficiency in the mobilization of tax revenue and its uses.

Having just a tax strategy is not enough. There must be a periodic evaluation by independent bodies and organizations that play an oversight role on Government's activities to determine, in particular, if the tax strategy of Government is effective or otherwise, so remedial actions could be taken to resolve the bottlenecks.

Government's tax policies are often driven by the manifestos of the political parties. In Ghana, ruling governments have a four-year term. Consequently, the tenure for setting a government tax policy is sometimes done to coincide with the government term in office.

For a good assessment of the government tax strategy to be done, there is the need to first identify what the tax policies are at the inception of the government (as contained in the manifesto policies) and compare it with tax strategies and programmes that have been implemented as at date. Also, the assessment should include a review on whether the intended macro-economic changes such as economic growth or the distributive effect of economic policies in particular growth in income have been achieved.

An assessment of government tax policy and strategy has become critical to inspire commitment on the part of government to implement the tax policy and strategy that are contained in the Ministry of Finance policy documents and the medium-term National Development Plan. Without a proper assessment by independent institutions, it is likely the tax strategy would remain at best, a flowery political statement.

Although, it can be said that the government has both tax policy and strategy, the public opinion is that a significant number of the citizenry are not aware of these tax policies and strategies. To promote transparency and accountability in governance, the Ghanaian citizens need to be informed about the tax policies and strategies of the government. As the saying goes, one can demand for what he/she knows.

Given this, the GIZ in collaboration with SECO is supporting the Academia/ CSOs/ Private Sector with consultancy to organise a workshop of stakeholders to identify the tax policies and strategies of the government; discuss it by determining the efficiency and effectiveness of the tax strategies and make recommendations to improve the effectiveness of government tax strategies towards publishing an annual assessment of the tax policy and strategy of the government.

1.2 Specific Objectives of the Assignment

The goal of this assignment is to publish an annual assessment of the tax strategy and policy of the government. The specific objectives of the assignment are as follows:

- To examine the level of transparency and accountability in the tax system of Ghana
- To ascertain whether the government of Ghana has a comprehensive tax policy and strategy in place.
- To determine the effectiveness and correlation between government's tax policies, strategies, revenues and GDP
- To assess taxpayers' perception of tax administration in Ghana and their appreciation of the tax laws
- To assess whether the intended macro-economic change such as economic growth or growth in income have been achieved
- To make recommendations to improve the effectiveness of government tax policies and strategies.

CHAPTER TWO
METHODOLOGY

2.1 Scope of Assignment

The scope of the assignment is to assess government's tax policies and strategies. This will include carrying out a thorough analysis of government's underlying objectives for introducing such policies and as to whether they have been met.

2.2 Method of Implementation

Organise a conference of stakeholders (CSOs, academia, business community, etc.) to discuss the current state of government tax strategy and policy. Based on those discussions, representatives of the stakeholders should link up to produce an assessment report. In the first year (that is, 2021), the consultant was to coordinate and push this process, prepare the conference, and make sure that the assessment is being prepared, validated, and disseminated.

2.3 Assessment Meeting

There was a stakeholders' engagement meeting on 16 December 2021. Stakeholders in the meeting collectively agreed on the methodology to be used for the assessment. The meeting basically provided ***Appendix 1***, and further studies were conducted based on ***Appendix 2 and 3.***

2.4 Limitations of this study and Challenges faced

1. Difficulty of getting taxpayers to respond to the tax questionnaires
2. Limited access to information
3. Unavailability of data to help evaluate the social effects of some tax policies and strategies.

CHAPTER THREE

REVIEW OF GHANA'S TAX POLICIES

3.1 Tax Policies

Formulation of good tax policy requires an open, transparent, and well-informed public debate based on credible data. Poor public understanding is a constraint on good tax policy. It allows poor-quality analysis of policy reforms to gain prominence. Good tax policy also requires effective processes within the government. There seems to be a more limited level of discussion and debate about tax policy within government, and as part of the legislative process, than in other areas of policy.

Tax policy is made in a deeply political environment. Tax policy has for a long time been driven more by shortterm expedience (1-3 years) than by any long-term strategy (7-10 years).[1]

It considers the economy's growth from a macroeconomic standpoint. Revenue creation for government expenditure capable of improving the growth rate, resource allocation, re-distribution of income, and minimizing inequities originating from the distribution of wealth among consumers are the main goals of taxes.

Governments in emerging nations are faced with an increasing desire for government services as well as public budget shortfalls. Large and persistent fiscal deficits are usually the result of a rising gap between government income and expenditures. Ghana is one of the developing countries with a budget deficit.

Tax policies in Ghana are not in a single document. Budget Statement of the Government for each fiscal year contains proposed tax measures and economic policies as well. Although the National Development Planning Commission (NDPC)'s development plan has outlined some revenue measures it is not always in tandem with the tax policy of the existing government. The best is for the country to have an overarching tax policy. Due to the absence of a medium-term tax policy, the country is not able to develop a clear tax strategy to achieve the tax policies. There is always a knee-jerk approach to close the revenue gap. A structural approach to drive revenue mobilization will be the benefit of having a tax policy and strategy. At present, Ghana technically does not have a tax policy. The current approach hinges on residual revenue management to close the gap.

The Ministry of Finance (Tax Policy Unit) and the GRA in anticipation of each fiscal year's Budget statements recommend tax and administrative implementation measures including forecasting of expected revenues to the Ministry of Finance. The Ministry of Finance reviews the tax and administrative measures and subsequently submit the proposal to the Cabinet. If Cabinet approves of the proposed tax measures, it is captured in the Budget Statement and presented in Parliament. The

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J. Mirrlees, S. Adam, T. Besley, R. Blundell, S. Bond, R. Chote, M. Gammie, P. Johnson, G. Myles and J. M. Poterba, Tax by Design (Oxford University Press, 2011)

Budget gets debated and approved by Parliament. The Attorney-General and its legislative drafters prepare tax amending bills and go through the legislative procedures to have them pass into law. As a measure to stimulate public participation, pre-budget and postbudget consultations are carried out with key stakeholders in the society by Ministry of Finance. There is also avenue for anyone to submit proposal for consideration before the Budget is read in Parliament.

Since the passage of the Internal Revenue Act (Act 592) in the year 2000, the income tax system has undergone major adjustments. However, with an emphasis on the direct and indirect tax rates, as well as the establishment of incentives, exemptions, and reliefs, there have been some modifications. These developments have sparked several debates throughout the years. The following are some major tax policies that Ghana has adopted since independence.

1. Taxation of income
2. Consumption tax
3. Capital gain tax
4. Excise Tax

3.1.1 A Peek into Global Standards and Practices for Tax Policies and Strategies

The tax system needs to reflect wider economic, social and policy changes in order to ensure it remains effective. Best practice requires that a country must have a clear medium to long term tax policy and tax strategy. Nigeria has developed a single tax policy to drive its revenue mobilization.[2] In Canada, the Department of Finance Canada develops federal tax policies and evaluates them from time to time.

Similarly, in the United States of America, they have the Office of Tax Policy that is responsible for developing and implementing tax policies.

Countries with clearly developed tax policies are able to carve tax strategies to address revenue gaps. They are able to implement the tax policies over a period of time, and there are systems in place to evaluate their effectiveness.

A strong policy needs strong institutions, as well as openness, public discussion, and competent tax administration. Tax policy acknowledges administrative competence, but it is also suited to the country's circumstances, indicating that we must occasionally sacrifice some treasured principles. Strong institutions and training, on the other hand, are required to preserve a country's tax policy-building competence.

3.2 Evaluation of Tax Policies in Ghana

3.2.1 Corporate Income Tax

The corporate income tax is a tax imposed on corporations' net profits, calculated as the difference between their receipts and their authorized costs.[3] The taxable profits of a company serve as the tax base for corporate income tax (CIT). Capital allowances, tax losses carried forward (for three or five years, depending on the industry), and losses suffered on the sale of investment assets are all allowable tax deductions.[4]

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2. https://admin.theiguides.org/Media/Documents/NATIONAL%20TAX%20POLICY.pdf
3 R.B. Goode, C.E. MuLure, E.G. Keith, M.L. Paval, Income Taxhttps://www.britannica.com/topic/income-tax (Accessed on 17 Dec. 2021)
4 Sections 9, 14, 17 of the Income Tax Act 2015, Act 896 as amended

The standard CIT rate in Ghana is 25%, although there are also sector-specific rates, as shown in Table 2.1.

Reduced CIT rates apply to companies situated in specified localities, young entrepreneurs, and enterprises registered on the Ghana Stock Exchange, in addition to varying sectoral rates.

Table 2.1: Corporate tax rates in Ghana[5]

Eligibility	Rate
Standard rate (SR)	25%
Mining or upstream petroleum companies	35% (varies in some cases depending on the agreement)
Manufacturing companies located:	
In regional capitals of Ghana (excluding Accra)	75% of SR
Elsewhere in Ghana	50% of SR
Free Zone enterprises during the tax holiday	0%
Agricultural enterprises (5 years after their concessionary period) located:	
In Accra and Tema	20%
In other regional capitals outside the Northern Savannah Ecological Zone	15%
Outside other regional capitals	10%
In the Northern Savannah Ecological Zone	5%
Hotels	22%
Exports of non-traditional goods	8%
Income from loans to a farming enterprise	20%
Income from loans granted to a leasing company	20%
Export income for companies in Free Zones	15%
Young entrepreneurs after a 5-year tax holiday located:	
In Accra and Tema	15%
In other regional capitals outside the three northern regions	12.5%
Outside other regional capitals	10%
In the three northern regions	5%

3.2.1.1 Revenue

The main goal for introducing corporate income tax is to help Ghana raise domestic revenue so that it can fund its developmental needs and alleviate poverty. This will be accomplished by instituting

5 Schedule 1 of the Income Tax Act 2015, Act 896 as amended

national tax policies and administration reforms, as well as boosting revenue management in all sectors of the economy and creating capacity for subnational revenue mobilization.[6]

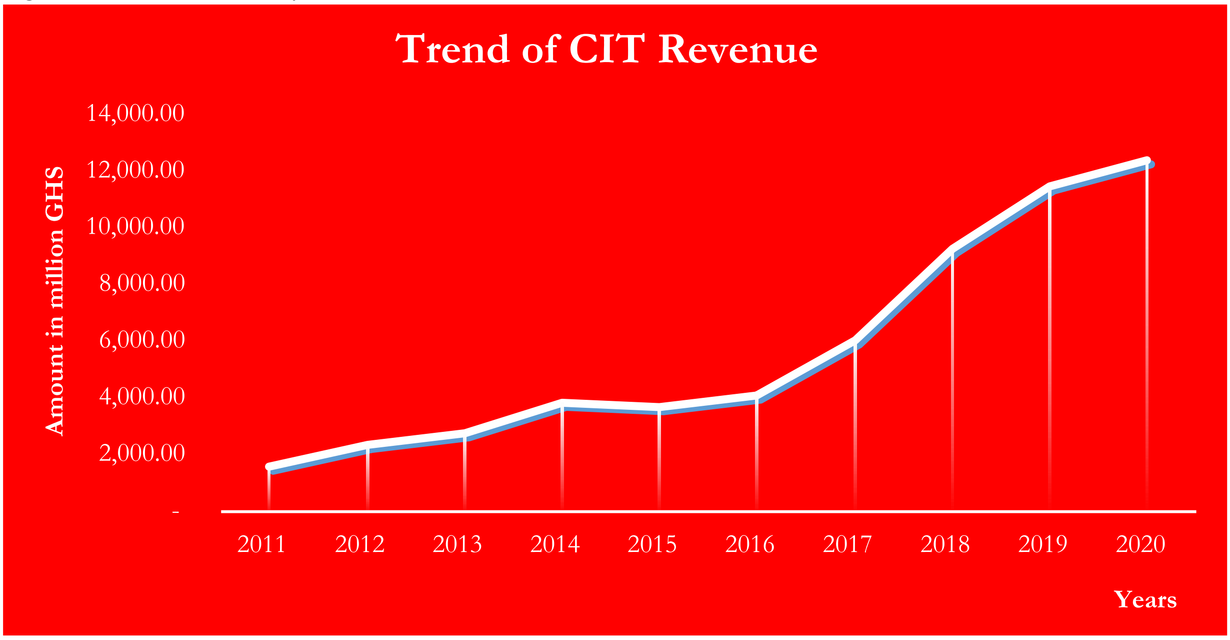
For corporate income tax introduction to be considered as a good tax policy, it should be able to rake in some significant revenue. The table and graph below show the year-on-year revenue generated through corporate income tax from 2011 to 2020.

Table 2.2: Corporate Income Tax Revenue from 2011 to 2020[7] (amount in million GH¢)

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Amount(GH¢)	1,567.96	2,361.52	2,734.42	3,830.29	3,664.71	4,094.26	6,017.56	9,263.67	11,493.05	12,376.71

Source: Data obtained from the Ghana Revenue Authority

Figure 2.1: Trend of Corporate Income Tax from 2011 to 2020[8]



Source: Author's projection based on data obtained from the Ghana Revenue Authority

Table 2.3: Corporate Income Tax as Percentage of Tax Revenue[9]

YEAR	Tax Revenue (GH¢ 'm')	CIT (GH¢ 'm')	CIT (% TAX REVENUE)
2011	9,776.09	1,567.96	16.04%
2012	12,388.88	2,361.52	19.06%
2013	14,307.65	2,734.42	19.11%
2014	19,229.76	3,830.29	19.92%

[6] Institute for Fiscal Studies and Ministry of Finance, Ghana "A survey of Ghana tax system (May 2021)

[7] Ministry of Finance fiscal data, Ghana

[8] See Fn. 7

[9] Fn.7

2015	24,140.92	3,664.71	15.18%
2016	25,728.66	4,094.26	15.91%
2017	32,227.58	6,017.56	18.67%
2018	37,784.19	9,263.67	24.52%
2019	42,774.60	11,493.05	26.87%
2020	44,447.77	12,376.71	27.85%

Source: Ministry of Finance Fiscal Data and GRA, Ghana (the percentage changes derived from the data)

From table 2.2 and figure 2.1, corporate income tax has increased over the last five years because of new tax policies introduced in some sectors of the economy. From the graph, revenue from corporate income tax increased steadily from 2011 to 2014 and fell in the year 2015. After 2015, revenues from corporate income tax increased sharply over the years which may probably be as a result of changes in tax design and strategies introduced.

Also, from table 2.3, corporate income tax has contributed significantly to the total tax revenue in the last 10 years from 2011 to 2020. Corporate income tax as a percentage of total tax revenue has 27.85% as the highest revenue mobilization and 15.18% as the lowest revenue generated over the years. It is evident from table 2.3 that corporate income tax contributes significantly to the revenue mobilization agenda of government.

The continuous increase in revenue generated from CIT may be attributed to increase in the number of companies in Ghana. However, after the adoption of self-assessment for CIT, the revenue keeps increasing which also presupposes that corporations are being compliant because they have been given the mandate to assess themselves.

Also, the rate of growth in the revenue generation may be at a decreasing rate since many corporations may take advantage of available reliefs and incentives.

3.2.1.2 Efficiency

In this part, we look at how well a corporate income tax performs on efficiency measure. Thus, the economic idea of efficiency, which stems from the fear that taxes will skew people's behavior, resulting in 'deadweight loss.'

Economic Efficiency

A good tax system does not block effective resource allocation or consumer choices, and it does not encourage businesses and/or individuals to make economic decisions only because of their tax consequences.[10] The majority of taxes distort behavior by disincentivizing people from doing whatever it is that is taxed. While this is ideal for a small number of taxes (carbon taxes, 'sin' taxes on alcohol and cigarettes, and fuel taxes), these 'behavioral reactions' in general make people worse off while reducing money raised. Corporate income tax, for example, disincentivizes profit-making activities, whereas VAT disincentivizes consumption.[11] Taxpayers' receptivity to these disincentives is sometimes ambiguous and contentious, but there is no denying that some distortion is unavoidable.

Table 2.1 shows that there are different corporate income tax rates in Ghana, which in a way may distort investors decision. The table also shows that, there are some locational and sectorial incentives in the Ghanaian corporate income tax system which distort the decisions of some investors. This will

[10] J.I. Stallmann, *Evaluating Tax Systems*, Report 17-2004 (University of Missouri - Columbia Institute of Public Policy, 2004)
[11] See Fn. 3

make investors shift their investment from some locations and sectors within the economy. For example, the corporate income tax rate for companies in the extractive industry is 35%, this may affect the decision of some investors not to invest in these sectors since the corporate income tax to be paid in the industry may affect the profitmaking activity of the company.

Also, corporate income tax should not affect the consumption decision of corporations in the country. From the assessment of corporate income tax in Ghana, companies are allowed deduction of some expenses before the taxes are charged. However, some expenses that may be capital in nature or that may exceed some limits may not be allowed for deduction. These provisions in our tax laws mostly affects the consumption decisions of most companies in Ghana.

Finally, corporate income tax should also not affect an entity's ability to accumulate capital for re-investment. Most entities will always want to undergo organic growth, but the payment of higher corporate tax always affect their ability to accumulate more capital to expand their businesses. Generally, Ghana has a corporate income tax rate of 25% which is higher than the rate in some countries. Investors would always want to invest in jurisdictions that have lower effective tax exposures. This will enable them to be able to accumulate enough capital for the growth of their entity than jurisdictions that will expose them to higher taxes.

3.2.1.3 Fairness

Tax equity and fairness are sometimes measured by how taxes are distributed in relation to a taxpayer's ability to pay. If those with lower earnings pay a higher percentage of their income in taxes than those with higher incomes, the tax is regressive. If those with greater incomes pay a higher percentage of their income in taxes, the tax is progressive. If people of all income levels pay the same percentage of their earnings in taxes, the tax is proportional.[12] This equity criterion does not specify how significant a variation in income is considered a distinct ability to pay, or how varied the percentages between income levels should be.[13]

Table 2.1 provides the various corporate income tax rates in Ghana. The rates are based on locations and industries and do not consider entities' ability to pay or not. Some companies in the service industry may have the ability to pay more taxes more than companies in the extractive industry. However, our tax laws seem to have higher tax rates for entities in the extractive industries than those in the service industry.

One cannot tell whether the corporate income tax is a regressive, progressive, or proportional tax since there is no clear indication for what goes into the determination of the tax rate for some industries or location. However, tax for corporations in the same industry may be seen as progressive since the tax liability increases with an increase in income.

3.2.1.4 Ease of Administration

A simple tax system is one that is easy to understand by the taxpayer, easy to comply with, and simple and costeffective to operate for the government.[14] This tax should be considered in terms of both direct and indirect costs. The direct cost is the cost carried by the GRA, while the indirect cost is borne

[12] See Fn. 10
[13] J.E. Stiglitz, Economics of the Public Sector, 3rd Edn. (Norton & Co, 2000)
[14] Fn. 10

by taxpayers. Indirect costs include time spent paying and submitting taxes, as well as the expense of maintaining records.[15]

Ghana now operates the self-assessment system which mandates entities to estimate their tax liabilities and pay same. The self-assessment system seems to have reduced the administrative cost of the GRA, since they do not have to incur more cost in assessing companies. On the other hand, the introduction of electronic filing and the cashless system for payment of taxes has also reduced the cost incurred by companies under the corporate income tax system.

3.2.1.5 Robustness to Avoidance

The resilience of a tax policy against avoidance is determined by the size of its base. A broad-based tax is more efficient than one with a narrow base, in part because avoiding the tax is more difficult.[16]

The corporate income tax policy in Ghana has a broad base. One may think it is difficult for entities to avoid taxes since the tax policy has a broad base however, according to Opoku and Tanaka (2020), "the total corporate income tax gap of Ghana was estimated to be 85.6% of potential tax revenue and was equivalent to 12.7% of GDP. That is, excluding the manufacturing companies located in the Tema free zone enclave, the estimated tax gap is 81.6% of potential corporate tax revenues and 9.4% of GDP."

This suggests that, even though the corporate income tax policy has a broad base, many entities in Ghana either avoid paying the right taxes or evade the taxes. That is to say, the robustness of the corporate income tax policy to avoidance is questionable. Also, since the current system does not allow the GRA data to sync with the data of the Registrar General Department, many companies may operate in Ghana and not be compliant.

3.2.2 Value Added Tax

Tax revenue from VAT represents significant sources of revenue for the Government. Value Added Tax is an *in-rem tax*, the supply being subject to tax.[17] The Value Added Tax (referred in other countries as goodsand-services tax) is viewed as a major tax on consumption of goods and services. It is a form of indirect tax charged on consumption of goods and services. In Ghana, the notion of VAT connotes the standard VAT and Levies imbedded in the computation of the VAT. The rationale for charging VAT is inseparable from the main reasons why governments charge taxes. Summed up in the words of the famous American judge Oliver Wendell Holmes, '[t]axes are what we pay for civilized society.[18]

It is designed to pass it on to the consumer through prices. Thus, it is charged at multi stages until it reaches the final consumer. The VAT form of consumption tax is generally seen as efficient in reaching the intended target or tax unit. *'The best taxes are such as are levied on consumptions …'* (David Hume, Of Texas (1752).

3.2.2.1 VAT revenue performance

Table 2.4: VAT as Percentage of Tax Revenue

[15] See Fn. 13
[16] Fn. 13
[17] P. Harris, International Commercial Tax, 2nd ed. (Cambridge University Press, 2020)
[18] Companta de Tabacos v. Collector of Internal Revenue (1927) 275 US 87 (SC) at 100.

Year	Tax Revenue (GH¢ 'm)	VAT Revenue revenue (GH¢ 'm') Tax Revenue	Percentage of VAT to Total	Percentage of increase (Tax Revenue)	Percentage of increase (VAT Revenue)
2011	9,776.09	2,376.06	24%		
2012	12,388.88	2,777.27	22%	17%	-8%
2013	14,307.65	3,317.06	23%	19%	3%
2014	19,229.76	4,671.65	24%	41%	5%
2015	24,140.92	6,254.38	26%	34%	7%
2016	25,728.66	7,129.73	28%	14%	7%
2017	32,227.58	8,549.45	27%	20%	-4%
2018	37,784.19	8,892.69	24%	4%	-11%
2019	42,774.60	9,330.10	22%	5%	-7%
2020	44,447.77	9,207.49	21%	-1%	-5%
Average	**26,280.61**	**6,250.59**	**24%**	**17%**	**-2%**

Source: Ministry of Finance Fiscal Data and GRA, Ghana (the percentage changes derived from the data)

From the data, total tax revenue increases annually from the year 2011 to 2020. It is unclear as to the factors accounting for the increase to be only as a result of tax policies implemented by the government. It is indicated that VAT revenue increased alongside the increase in total tax revenue. It is key to note that although VAT revenue increases, it increased at a decreasing rate from 2016. The rate of decrease was sharper in the year 2018 when the decoupling of VAT and flat VAT rate for goods was introduced. This may result from companies reducing the issue of VAT invoices in other not to increase the cost of their goods and services. One may have thought that the cascading effect of the decoupling of the VAT would lead to tax revenue increasing at increasing rate, but this is not the case. However, the cascading effect has led to a general increase in revenue generated from VAT.

On the other hand, with abolishment of the VAT imposed on financial services and domestic airline ticketing, one would have thought the general tax revenue from VAT would have reduced but that is not the case.

On average, while total tax revenue is increasing by 17% over the period 2011 to 2020, the rate of increase in VAT revenue is rather negative 2% which brings into question the buoyancy of the tax policy with respect to VAT. In singling out buoyancy with respect to VAT policy, it is fair to state that, through the VAT exemption system, a significant amount of VAT exemptions are granted to companies especially multinationals who are engaged on government projects. This results in the negative impact on VAT revenue. This is another reason why it is important for government to take an effective approach in addressing the issue of VAT exemption system to achieve an effective tax system.

3.2.2.2 Efficiency

VAT is a consumption tax and an introduction of a new policy or reform within an existing system should not affect the consumption and investment decisions of the citizenry. Thus, the citizenry should be neutral to the tax policies. It is not assured that consumers will be totally neutral to tax policies, however, there should be effort to achieve a higher degree of efficiency.

The introduction of Flat VAT rate certainly affected decisions regarding where to invest; whether in manufacturing or retail and wholesale where the VAT rate is low. Given that this is the general norm, then the introduction of Value Added Tax (amendment) Act 2021, Act 1072 which seeks to exclude wholesaler and retailers with annual revenue of over GH¢500,000.00 from the flat VAT rate, may leave consumers and investors in limbo as to the next line of decision to take.

Also, the cascading nature of the decoupled VAT has impacted on many businesses. The prices of goods and services have increased as a result of the decoupling. This in a way has influenced the spending decision of many citizens. The decoupling also led to increase in cost of doing business in the country.

3.2.2.3 Fairness

In the context of taxes, the term fairness can be equated to equity. Thus, a good tax system must be fair and equitable. It measures the ability of the taxpayers to pay and where the citizenry perceives the tax to be fair, the rate of compliance is high. VAT introduction in Ghana and subsequent amendments have been associated with a notorious history of public resistance some of which culminated into the popular 'kumepreko' demonstration led by the current president of Ghana. Recent public displeasure includes the proposed E-Levy, decoupling of VAT standard rate from the levies to increase the tax base, and taxes on fuel prices.

Also, in the fairness sits the benefit principle. Thus, where the citizenry believes to see the benefit of the taxes being paid as the original intention, it will be seen to be a fair tax, hence compliance. The public displeasure on the fairness of VAT could be accounting for the decreasing changes in the tax revenue over the period. Attempts by the Government of Ghana in recent times to explain to taxpayers that the proposed E-Levy will be accounted for, further explains how unfair the citizenry perceives taxes levied on them.

3.2.2.4 Ease of Administration

VAT administration by taxpayers became cumbersome when the VAT was split into Levies and VAT, with the resulting changes in returns to be filed. It is going to be more complex administratively with the introduction of Act 1072 which gives a cap for retailers to qualify for charging Vat at flat rate. Retailers who are not excluded from onset, need to find a balance on when they exceed the threshold. The question when they exceed the threshold in the last month of the year, what becomes of the previous invoices which have already been issued? Where the law also gives a window to retailers to start charging VAT at the standard rate at the point where they meet the threshold, GRA will also have administrative burden to monitor when each retailer crosses the line to achieve full revenue target. Extra cost would have to be incurred in consultancy in order to achieve the objective.

Current efforts by Government towards self-service portals would improve the ease of tax administration in Ghana.

3.2.2.5 Robustness to Avoidance

For the VAT system to be effective, it should be broad enough to cover most people in the consumption chain. The threshold for registration for charging VAT for instance provides an avenue for avoidance practices. In an economy where the informal sector is this significant, suppliers of taxable supply in the SME may hide under the cloak of the threshold, most of whom will charge the

VAT but refuse to account to government. It is therefore critical that the threshold mechanism is widened to cover most people in the net.

3.2.3 Excise Duty

Excise duties are taxes levied on certain items and activities such as gambling, as well as on alcohol, tobacco, fuel, and luxury goods.[19] They are commonly employed to generate revenue from socially costly consumption behaviors such as drinking alcohol or smoking tobacco, as well as pollution-related activities. Excise Duties according to the OECD are also defined as taxes that are levied on particular products, or on a limited range of products imposed at any stage of production or distribution and are usually assessed by reference to the weight or strength or quantity of the product, but sometimes by reference to the value.[20]

3.2.3.1 Revenue Analysis

Table 2.5: Excise Duty as Percentage of Tax Revenue

Year	Tax Revenue (GH¢ 'm')	Excise Duty Revenue (GH¢ 'm')	Excise Duty% (Tax%)
2011	9,776.09	167.74	1.72%
2012	12,388.88	185.80	1.50%
2013	14,307.65	694.25	4.85%
2014	19,229.76	764.32	3.97%
2015	24,140.92	2,401.94	9.95%
2016	25,728.66	3,643.33	14.16%
2017	32,227.58	3,090.33	9.59%
2018	37,784.19	3,661.21	9.69%
2019	42,774.60	3,919.20	9.16%
2020	44,447.77	4,403.84	9.91%

Source: Authors' calculation based on data from Ministry of Finance and GRA

From the table above, it can be seen that for the years 2011 and 2012, the excise duty revenue generated in respect to tax revenue was relatively small at 1.72% and 1.50% respectively which can be attributed to implementation difficulties. The excise duty revenue generated increased subsequently in the years 2013 and 2014, at 4.85% and 3.97% and further increased to 9.95% in 2015 and peaked in 2016 at 14.16%, which is the highest excise duty revenue to tax revenue ratio recorded in the 10-year period. This indicates significant tax reform implementation activities in the recent years to generate more excise duty revenue. Revenue generated from excise duties subsequently fell and remained in a steady range between 9%-10% for the remaining years from 2017 to 2020 indicating a steady excise tax system in place.

In 2017, the abolishment of excise duty on petroleum products led to a decrease in tax revenue that year. However, the increase in revenue from 2018 presupposes that the consumption of excisable goods has increased. Also, the introduction of the tax stamps for excisable goods may have contributed to the rise in revenue.

[19] ActionAid (2018), Progressive taxation policy brief: Excise taxes.
[20] OECD (2004), Classification of taxes and interpretative guide, paragraph 61.

3.2.3.2 Efficiency

Excise duties will be considered inefficient if their imposition has a significant impact on the economy's structure. Because excises apply to either one product or a limited range of commodities or services, the economic effects of excise taxes are frequently studied using a partial equilibrium approach. In a competitive industry, an analysis of the incidence of an excise tax is usually determined by its short and long-term effects. An excise tax raises the price of a product in the short run, and the price burden is shared by both producers and consumers. As supply elasticity rises and demand elasticity declines, the price increase resulting from the tax will be larger. As both the elasticity of demand and the elasticity of supply grow, the influence on quantity will be higher. In terms of price burden sharing, the more inelastic the demand, the bigger the tax burden incurred by consumers, and the more inelastic the supply, the larger the tax burden borne by producers. Due to the removal of enterprises from the industry due to losses induced by the tax, the price will rise more in the long run than it does in the short run.[21] However, the imposition of this tax will have little impact on the country's effective resource allocation and distribution. As a result, it can be considered that since effective resource allocation is the ultimate tool for policymakers to attain their optimal policies.

3.2.3.3 Fairness

Another criterion to evaluate the tax is on fairness consideration. Fairness is not a question of redistribution but fairness of procedure, fairness with respect to legitimate expectations and fairness in treating similar people the same. The impact of a tax on taxpayers, or its fairness, is determined by how taxes are distributed in relation to the taxpayer's ability to pay. Although it is often assumed that excise duties are regressive because they are usually flat rated, they can also be progressive in some cases. For example, when excise duties are imposed on luxury goods that are only available to the wealthy, the taxes can be described as progressive.[22] Excise duties are primarily levied on certain items as a restrictive measure that benefits a specific class of individuals, ensuring that specific taxpayers with greater ability to pay and benefit from these goods, pay higher taxes. Excise tax is not equitable.

3.2.3.4 Ease of Administration

The quality of an effective tax policy is determined by how simple it is to administer and enforce it. The government must consider the expenses of administration and compliance when enacting any tax policy. Administrative costs are those expended by the government in developing, implementing, assessing, collecting, and auditing taxes, whereas compliance costs are those suffered by taxpayers in adhering to tax regulations.[23] When compared to other types of taxes such as income tax, the administrative and compliance costs of implementing excise duties are very low, as excise taxes are mostly applied only to products produced in sectors of the economy with well-developed markets.[24]

3.2.3.5 Robustness to Avoidance

Excise taxes, as opposed to broad-based taxes like a general sales tax or an expenditure tax, are usually narrow-based consumption taxes.[25] An excise tax on only a class of a particular commodity, on the other hand, can be avoided by changing one's consumption pattern, whereas a tax on all such commodities cannot. In conclusion, the excise duty tax base must be expanded to prevent any type of avoidance through changes in consumption patterns.

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[21] J.F. Giertz, Excise Taxes, Urban Institute 1999

[22] ActionAid (2018) 'Progressive Taxation Policy Brief: Excise Taxes' Johannesburg: ActionAid

[23] C.M.S Shekidele, "Measuring the Compliance Costs of Taxation Excise Duties" African Journal of Finance and Management Vol. 7 No. 2 (1999)

[24] See Fn. 21

[25] Maria S. Coc et al (2020). Taxation, Encyclopedia Britannica.

3.2.4 Communication Service Tax

The Communication Service Tax (CST) is applied to communication service fees, as well as the service charge paid by consumers on electronic communication services (ECS), ECS provider recharges, and internet connection services.[26] The provision of a service through a communications system for the transmission or routing of signals, or a combination of these functions, is referred to as a communication service.[27] The current communication service tax rate in Ghana is 5%.

3.2.4.1 Revenue

The primary purpose of enacting a communication service tax is to assist Ghana in raising domestic revenue to fund development and reduce poverty. This will be accomplished by having national tax policy and administration improvements, as well as improving revenue management across the economy and building subnational revenue mobilization capabilities.[28]

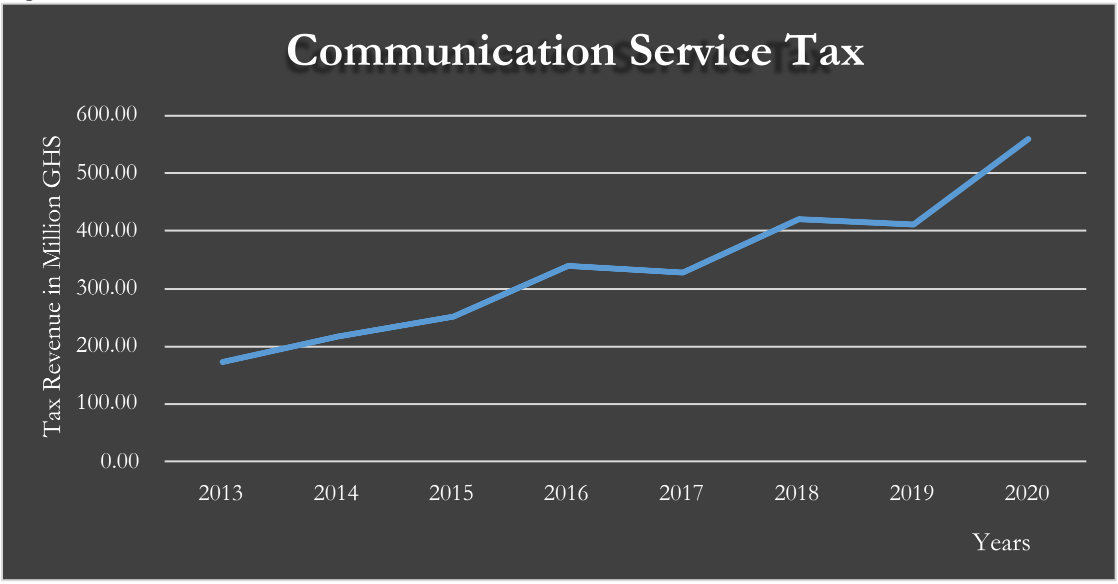
To be regarded a good tax policy, the establishment of CST must be able to generate sufficient revenue. From 2013 to 2020, the table and graph below illustrate the revenue earned by communication service tax on a year-by-year basis.

Table 2.6: Communication Service Tax Revenue from 2013 to 2020

Year	2013	2014	2015	2016	2017	2018	2019	2020
Tax Revenue (GH¢ 'm')	173.98	216.60	251.85	338.79	328.86	420.01	412.34	559.44

Source: GRA Research Department

Figure 2.2: Trend of Communication Service Tax from 2013 to 2020



Source: Authors' projection based on data from GRA Research Department

Table 2.7: Communication Service Tax as Percentage of Tax Revenue

YEAR	Tax Revenue (GH¢ 'm')	CST (GH¢ 'm')	CST (% TAX REVENUE)
2013	14,307.65	173.98	1.22%

[26] Institute for Fiscal studies and Ministry of Finance, Ghana "A survey of Ghana tax system (May 2021)
[27] Communication Service Tax Act, 2008, Act 754 (as amended)
[28] See Fn. 26

2014	19,229.76	216.60	1.13%
2015	24,140.92	251.85	1.04%
2016	25,728.66	338.79	1.32%
2017	32,227.58	328.86	1.02%
2018	37,784.19	420.01	1.11%
2019	42,774.60	412.34	0.96%
2020	44,447.77	559.44	1.26%

Source: Authors' calculation based on data from Ministry of Finance and GRA Research Department

From table 2.6 and figure 2.2, CST increased steadily from 2013 to 2016. Revenue generated from communication service tax fell in 2017. From the graph, communication service tax experienced a rise and fall in the years 2018 and 2019 respectively. The fall in revenue from communication service tax in 2019 may result from the increase in CST rate from 6% to 9%. This may have impacted on the consumption pattern of the citizenry. In 2020, there was a sharp increase in revenue from communication service tax. This may result from the impact of Covid-19 which led to many people working or schooling from home. The consumption of data increased, and this may have triggered the increase in revenue. Also in 2020, the government reduced the communication service tax rate from 9% to 5%. This might have influenced the consumption decision of the citizenry.

From table 2.7, communication service tax has not been able to contribute significantly to the total tax revenue in the last 8 years from 2013 to 2020. Communication service tax as a percentage of total tax revenue has 1.32% as the highest revenue mobilization and 0.96% as the lowest revenue generated over the years. It is evident from table 1.7 that communication service tax does not contribute significantly to the total tax revenue. This may result from the tax not having broad base or perhaps the base may be broad, but the rate is small.

3.2.4.2 Efficiency

The importance of tax income from the mobile sector to the Ghanaian government is well understood. However, Ghana's present mobile taxation structure risks producing inefficiencies, with short-term government revenue coming at the expense of long-term economic progress.[29] The CST fails to account for the positive externalities provided by the mobile industry, which raises affordability hurdles. This denies many Ghanaians' accesses to mobile and broadband services, lowering productivity and slowing economic growth. This also has the potential to harm the government's long-term tax income[30]. In Ghana, there is a high level of taxation on the mobile sector, which poses barriers to customers using mobile services. Based on Ghana's present tax structure, each component of owning and using a mobile phone is taxed, resulting in higher prices.[31]

Taxes harm consumers and producers alike by raising prices and reducing the quantity of goods purchased and sold. The aggregate of these costs almost always surpasses the money raised by taxes, and the extent to which they do so is referred to as the tax's deadweight loss or social cost.[32] In 2019, when the communication service tax was increased from 6% to 9%, one expected an increase in tax revenue. However, from figure 2.2, the tax revenue generated from CST decreased as compared to the tax revenue generated from CST in 2018. This might be because of consumers responding by reducing the use of some communication service products due to the increment in cost of the products

[29] GMSA (2015), Digital Inclusion and Mobile Sector Taxation in Ghana
[30] Fn. 29
[31] Fn. 29
[32] See Fn. 1 above

as a result of the increase in the tax rate. From figure 2.2, the tax revenue from CST in 2020 increased after the reduction of the rate from 9% to 5%. It is evident that the tax deadweight loss for the increase of CST rate from 6% to 9% contributed to the decrease in tax revenue.

Taxation influences incentives for production and consumption, therefore when the cost of taxation is distributed equally across the economy, economic distortions are reduced. Due to the higher tax burden on usage, Ghana's communication service tax is expected to contribute to under-usage of mobile services. This under-usage limits the financial resources available to communication service producers for investment and their expected return, resulting in sector underinvestment.[33] Comparing Ghana to other West African countries which do have CST in place, many investors in the communication industry may opt for other economies. The under-usage of communication service in Ghana by customers as a result of communication service tax may affect investors' decision. Since the under-usage will affect investors financial resources, they may opt to invest in an economy that will offer them the maximum financial resources.

3.2.4.3 Fairness

It's not just a question of redistribution that determines whether a tax system is considered "fair". Fairness in procedure, fairness in dealing with realistic expectations, and fairness in treating similar people in the same way are all important.

If the process for determining tax levels and structures is perceived as fair, a tax system is more likely to command respect and hence be generally supported. This is what we mean by procedural fairness. The tax policy process and institutional environment are important not just because they are likely to decide the outcome, but also because they influence how that outcome is perceived and even how successfully it is implemented.[34] Generally, the communication service tax comes with a specific rate for all consumers. This tax level makes consumers perceive the tax system as being fair.

Fairness with respect to legitimate expectations is another type of fairness that is related to this concept. Changes in the tax code that result in unanticipated losses compared to earlier expectations may be viewed as unfair.[35] With the current design of the communication service tax, consumers legitimate expectations do not change. This is because, where the tax rate is changed, it does not take effect immediately, which allows consumers to prepare towards it. In 2019, when the rate was changed, consumers where given notice before its implementation.

The notion that the tax system should treat similar persons in similar ways is more directly tied to the concept of distributional fairness. The tax is regressive if those with lower wages pay a higher percentage of their income in taxes than those with higher earnings. The tax is progressive if individuals with higher incomes pay a higher percentage of their income in taxes. The tax is proportionate if persons of all income levels pay the same percentage of their earnings in taxes.[36] The current design of the CST does not take into consideration the income level of consumers. The tax allows persons of all income levels to pay the tax using the same rate. Since the tax is a consumption tax, persons with higher level of consumption pay more tax than those with lower level of consumption. This to some extent ensures some level of fairness. Thus, all things being equal, the higher your income level, the higher your rate of consumption.

[33] Fn. 29
[34] Fn. 1
[35] Fn. 1
[36] Fn. 10

3.2.4.4 Ease of Administration

The communication service tax system does not allow the actual taxpayers to incur any other cost. The collection and payment of the tax is done by the providers of the communication service. This also save the revenue authority some cost that they would have incurred. This makes the communication service tax administratively efficient.

3.2.4.5 Robustness to avoidance

The communication service tax system has been designed in a way that; it is somehow robust to avoidance. Even though the economic incidence of the tax is with consumers of communication service, the legal incidence is with the providers of communication services. Thus, the providers of communication services are responsible for the payment of the communication service tax to the government. This makes it difficult for the tax to be avoided. The taxpayers pay the tax through their consumption of communication services and the providers on the other hand will collect the tax and advance same to the revenue authorities. This means that, once a person consumes communication service, that person will pay the tax.

3.2.5 Capital Gain 'Tax'

In different tax regimes, the term "capital gain" means something different. A capital gain, according to Ault (2010), is a one-time gain that is not part of a firm or investment's typical stream of income.[37] Capital Gains Tax (CGT) is a tax on an asset's increase in value when it is sold. Land, buildings, stocks and shares, as well as some valuable goods are all considered assets. While CGT plays a little role in total revenue collection in affluent nations, it is vital and has enormous potential in many developing countries, particularly those with big (or potentially huge) extractive industries.[38] In Mozambique, for example, a single capital gains tax payment of US$170 million in 2012 accounted for 43 percent of state revenue from the extractive sector.[39] Mozambique is expected to have received roughly US$1.3 billion in capital gains taxes from five extractive companies alone between 2012 and 2014.[40] In Ghana, the case is different. The highest amount of revenue generated through CGT is GH¢ 75.92M which represents 0.17% of the total tax revenue. This may be as a result of some exemptions provided in the tax laws. While South Africa has capped the exemption on capital gains from family homes to (roughly) USD 220,000.[41] Capital gains tax, as we knew it under the Internal Revenue Act of 2000 (Act 592) is abolished under the Income Tax Act, and gains from the sale of assets are subsumed under sections 5 and 6 of the Act on income from business and income from investment, respectively, and are computed and taxed at 25%. The tax rate for resident individuals who generate gains from the sale of assets is tiered from 0% to 30% based on the resident individual's chargeable income, and 25% for non-resident individuals. Individuals who are subject to a higher tax rate might opt to pay a flat rate of 15% under the Income Tax Act. Ghana has a complete exemption on gains from realization by transfer to the spouse, child, or parent.[42] This may have contributed to low level of revenue generated through CGT.

3.2.5.1 Revenue

CGT regimes may broaden the tax base, but they are rarely implemented merely to boost revenue. Instead, they prevent revenue leakage that would occur if capital gains were not taxed. Nonetheless,

[37] H.J. Ault, B.J., Arnold, Comparative Income Taxation: A Structural Analysis 3rd Ed. (Wolters Kluwe,2010)
[38] https://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN00860
[39] https://eiti.org/news/mozambiques-revenue-boosted-by-capital-gains-tax
[40] http://www.miningweekly.com/article/mozambique-expects-capital-gains-tax-on-mining-transactions-2014-04-04
[41] C. Evans and R. Krever, "Taxing Capital Gains: A Comparative Analysis and Lessons for New Zealand" 23 N.Z. J. Tax' n L.
[42] Income Tax Act 2015, Act 896, Section 45(1)(e)

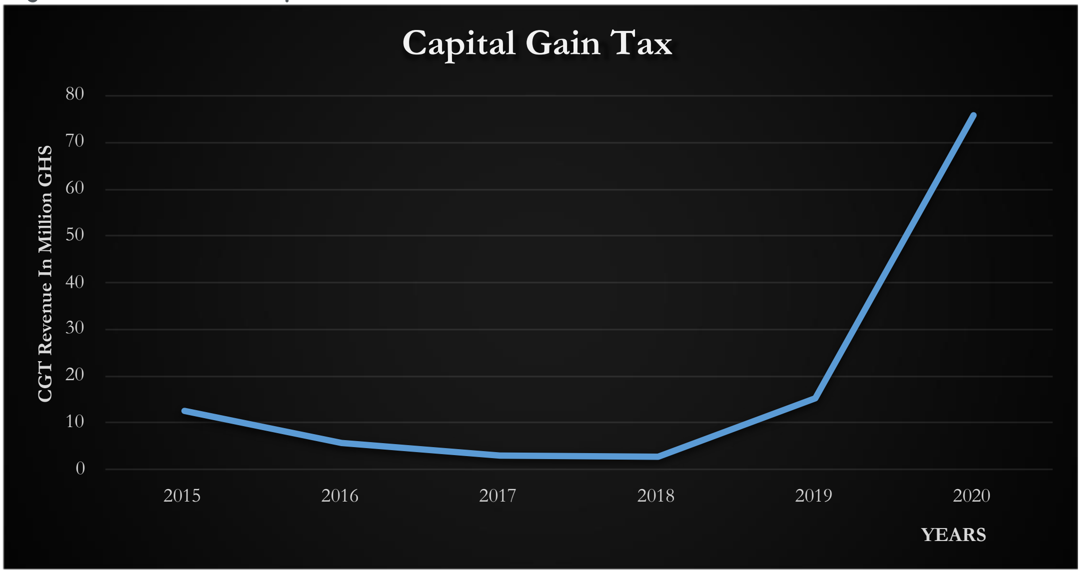
like in Australia, where the CGT raised AUD 339 million in 1990–1991 compared to the Treasurer's 1985 prediction of AUD 25 million for the same year.[43]

Table 2.8: Capital Gain Tax Revenue from 2015 to 2020

YEAR	2015	2016	2017	2018	2019	2020
CGT REVENUE (GH¢ 'm')	12.58	5.73	2.9	2.74	15.26	75.92

Source: GRA Research Department

Figure 2.3: Trend of Capital Gain Tax from 2013 to 2020



Source: Authors' projection based on data from GRA Research Department

Table 2.9: Capital Gain Tax as Percentage of Tax Revenue

YEAR	CGT (GH¢ 'm')	Tax Revenue (GH¢ 'm')	CGT (% TAX REVENUE)
2015	12.576302	24,140.92	0.05%
2016	5.730524	25,728.66	0.02%
2017	2.9030879	32,227.58	0.01%
2018	2.7383349	37,784.19	0.01%
2019	15.261654	42,774.60	0.04%
2020	75.921172	44,447.77	0.17%

Source: Authors' calculation based on data from Ministry of Finance and GRA Research Department

From table 2.8 and figure 2.3, revenue from capital gain fell sharply from 2015 to 2018. The fall in revenue may be due to the new policy of adding capital gain by persons to their employment, business and investment income and taxed accordingly. From the current design of the CGT, some companies may have capital gain. However, since the gain is taxed together with their income, the losses of the company may eat up the gain. Thus, leaving the company no tax to pay. This may have contributed to the fall in revenue from 2015 to 2018. The years 2019 and 2020 experienced a sharp rise in revenue from CGT. In 2020, one may think the impact of Covid-19 will lead to a fall in revenue. However,

[43] C. Evans "Taxing Capital Gains: One Step Forwards or Two Steps Back?" (2002) 5(1) Journal of Australian Taxation 114 at 119, Table 2.

that year recorded the highest revenue. This may be as a result of investor losing confidence in the economy and hence putting their assets on sale.

From table 2.9, expressing CGT as a percentage of total tax revenue has the highest to be 0.17% and lowest to be 0.1%. This means that the contribution of CGT to total tax revenue is not significant. CGT does not rake in enough revenue for the government as compared to the other tax types.

3.2.5.2 Efficiency

Because it levies a second level of tax on gains from investments made with after-tax income, capital gains tax encourages saving in favor of immediate consumption.[44] While it is true that an income tax discourages saving as compared to a consumption tax, this finding holds true for all investment earnings, including interest; there is no particular situation for capital gains. There is also the argument that the CGT encourages investors to get "locked-in" to their existing asset-holding habits by causing them to postpone the sale of underperforming assets in order to avoid the tax penalty on the sale.[45] The phenomenon of lock-in would obstruct the most efficient allocation of investment money. If lock-in hinders sales of shares, the typical nexus between the market value of shares and the rate of returns realized by company managers on the firm's capital may be broken, resulting in less effective company management.[46] In Ghana, the system of capital gain tax has been designed in a way that, it is paid together with the income earned by the person. In the case of individual investors, capital gain may push them into a higher bracket which will expose them to higher taxes. This will make individual investors "locked-in" to their already existing assets. This in a way distorts the investment decisions of investors. Also, there are so many exclusions with the current design of the capital gain tax. This gives investors the room to invest in some assets.

3.2.5.3 Fairness

The current design of the CGT does not consider the income level of the person. Once capital gain is made, it will be added to the income of the person and tax accordingly. Where a gain is made by a company, the general rate is 25%. This rate does not consider the ability of the company to pay. However, persons with higher gain will have to pay higher tax which to an extent makes the system fair.

3.2.5.4 Ease of Administration

The ease with which a tax policy can be administered and enforced determines its effectiveness. When implementing any tax policy, the government must factor in the costs of administration and compliance. Administrative costs are those incurred by the government in the development, implementation, assessment, collection, and auditing of taxes, whereas compliance costs are those incurred by taxpayers in complying with tax legislation.[47] The current design of Ghana's CGT makes it easy for compliance. Companies do not incur extra cost for being complaint. They pay the CGT together with their corporate income tax.

3.2.5.5 Robustness to Avoidance

The CGT system is perceived to be cost effective. This is because gains are added to income from employment, business and investment and taxed accordingly. The main issue with the CGT system is

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[44] M.A. Sullivan, "Are Capital Gains Double Taxed?" Tax Analysts Blog www.taxanalysts.org ((12 Oct. 2011)

[45] L.E. Burman "Taxing Capital Gains in Australia: Assessment and Recommendations" in Chris Evans and Richard Krever (eds) Australian Business Tax Reform in Retrospect and Prospect (Thomson Reuters, Sydney, 2009) 113 at 121–123

[46] L. P. Feld and others, Taxing Away M&A: The Effect of Corporate Capital Gains Taxes on Acquisition Activity (CESifo, Working Paper 5738, 2016) p. 63-74

[47] Fn. 23 above

that companies who may have losses from business get the opportunity to deduct such losses from the capital gains. This creates room for avoidance. The design should be considered in other not to create such loopholes.

3.2.6 Import Duties

Import duties are usually defined as customs duties and all other tariffs, taxes or charges which are collected on or in connection with the importation of goods and does not include any additional charges which are limited in amount to the approximate cost of services rendered or collected by the Customs authority on behalf of another national authority.[48]

Importers who intend on importing goods into a country will be subjected to the custom assessment and procedures by the respective custom authority, at the point of entry into the country. This is done on purpose so that the appropriate import tax can be calculated and charged on imported items before they are released to their final destinations. Importing parties who do not follow these regulations and procedures risk being penalized, which might include fines, imprisonment, and the seizure and forfeiture of the commodities involved. The following is a list of some of the rates at which import tariffs are levied:

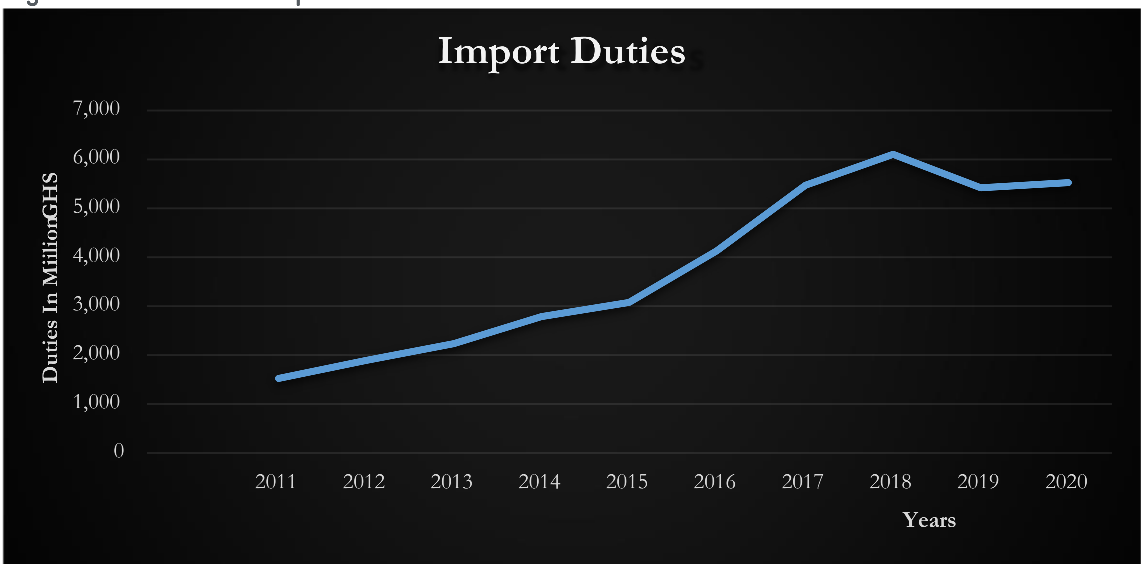
Table 2.10: Import Tariffs Rate

Levy/Charge	Rate	Tax Base
Special import levy	2%	CIF
IRS Deposit	1%	CIF
ECOWAS levy	0.5%	CIF
African Union import levy	0.2%	CIF
Export and Import Levy (EXIM)	0.75%	CIF
GCNet	0.004%	FOB

Source: GRA Research Department

3.2.6.1 Revenue

Figure 4.4: Trend for Import Duties from 2011 to 2020



[48] The Revised Kyoto Convention, (E20/F14)

Source: Authors' projection based on data from GRA Research Department

There has been a steadily increase in revenue from import duty from 2011 to 2015. 2016 to 2018 saw a sharp rise in revenue and 2019 had a fall in revenue. The fall in revenue in 2019 may result from government's agenda to make Ghana an investment hub by granting exemptions to many foreign investors. The effect of the COVID-19 pandemic on global trade in 2020 also presented a further hit to import volumes and associated revenues.[49]

A tax system is deemed to be efficient when it ensures a sufficient amount of tax revenue for the fulfilment of obligations assumed by the state. While import duties are still an important part of the country's overall tax revenue mix, their relative importance is gradually declining over time. This can be seen in the early 2000s, where import duties contributed 18–19% of total tax revenue; this figure was 15% in 2018 and less than 12% in 2019.[50] Taxes on imports have historically been an important revenue source for many countries around the world; however, in line with a consensus that import taxes are harmful to economic growth, reliance on them has declined over time.[51] However, taxes on imports of merchandise are relatively easier than other taxes to collect since goods are concentrated geographically (usually ports or similar entry points to the country) and they tend to be easier to verify, thus provides an excellent source of revenue generation.[52]

3.2.6.2 Efficiency

The direct effect of import duties is that they harm local consumers by increasing the domestic prices of the goods concerned, thus causing purchasing losses to customers and results in them looking for other substitutes.[53] Importers are made to pay import duties on their imports and they in turn increase the cost of the imports by the duties paid in order to achieve profitable margins. This subsequently increases the prices of imports and adversely affects the consumption choices of the final consumer. Consequently, import duties may be regarded as inefficient in relation to its effects on the decisions of market operators.

3.2.6.3 Fairness

From the design of import duties, a rate is assigned to the various classes of goods by the HS code system. This system does not take into consideration the income level of the importer and can be regarded as indifferent towards of the level of income of the importer, since all importers will pay the same rates regardless their level of income. This also means that the duty is structured in such a way that the more an importer can afford to import these goods, the more taxes he pays. This means higher income earners are made to pay more taxes for such large imports thus, ensuring equity amongst all importers.

3.2.6.4 Ease of Administration

Import duties are collected at the point of entry into the country before the imports are released to their final destination. This means that the duties are collected as part of the imports administration procedure into the country, which significantly reduces the compliance costs borne by the importer/customer. Ghana currently uses the Harmonized System (HS) Customs Code to classify goods. Import

[49] E. Abrokwah, E. Bob-Eshun, H. Conron, A.M. Iddrisu, D. Nuer and R. Warwick, Customs Revenue in Ghana: Recent Trends and their Causes (Institute for Fiscal Studies and Ministry of Finance, Ghana (2021)

[50] A.M. Iddrisu, R. Warwick et al, A Survey of the Ghanaian Tax System (Institute for Fiscal Studies and Ministry of Finance, Ghana (2021)

[51] T. Besley, and T. Persson, (2013), 'Chapter 2: Taxation and development', in Handbook of Public Economics, Volume 5, Amsterdam: Elsevier, 51–110.

[52] World Bank (2020), Pakistan Economic Policy for Competitiveness.

[53] P.R. Krugman and M. Obstfeld, International Economics: Theory and Practice, 6th Edn (Pearson Education, Inc, 2003)

taxes are assessed on the basis of weight, value or volume and are subject to change annually.[54] This system is easy to understand and comply with because standardized rates are applied on the various classes of imports and is also carried out by the custom agents who bear the cost of administration.

3.2.6.5 Robustness to Avoidance

Import taxes may be regarded as a tax with a very broad tax base since it covers all goods imported into the country as compared to just a specific class of goods. This means at the point of entry, all import goods without exception are taxed, and therefore can be seen to have broad tax base as it covers all import goods. Importers may, however, try to avoid import duties by hiding and not declaring certain imports into the country. This can be avoided or minimized if the government of Ghana establishes effective structures in place in customs, to be able to detect and check all goods that are imported into the country.

3.2.7 PAYE

The Pay as You Earn (PAYE) system is a tax deduction technique in which a company calculates and deducts any income tax owed from an employee's earnings, salary, or other compensation.

Although all withholding taxes attempt to tax income as soon as it is generated, only withholding on wages is typically referred to as pay-as-you-earn withholding (PAYE). In almost all national tax systems, this tax plays an essential role.[55]

In the context of income taxation, PAYE is a type of individual tax levied on employment income. Before the last payment for the period (usually a month) is made to the employee, the tax is taken from the employment emoluments. Because the money is collected before it reaches the employee, PAYE is a source (withholding) tax. The employer remits the total tax deducted to GRA immediately, informing the employee of the amount of tax that has been paid to the government.[56]

3.2.7.1 Revenue

In many nations, PAYE is a high-yielding revenue collector. It accounts for the majority of personal income tax revenue and, in most industrial countries, far outnumbers general sales tax or value-added tax (VAT) revenue.[57]

PAYE is a key contributor to total tax collection in Ghana, and it is likely the most efficiently collected because it is withheld mostly at the source. To be regarded a good tax policy, the introduction of PAYE tax must be able to generate sufficient revenue. The table below shows the tax revenue generated from PAYE over the years.

Table 2.11: PAYE Tax Revenue from 2015 to 2020

YEAR	2015	2016	2017	2018	2019	2020
PAYE (GH¢ 'm')	3,553.81	3,901.22	5,002.44	6,134.15	7,275.45	7,640.06

Source: Data obtained from GRA Research Department

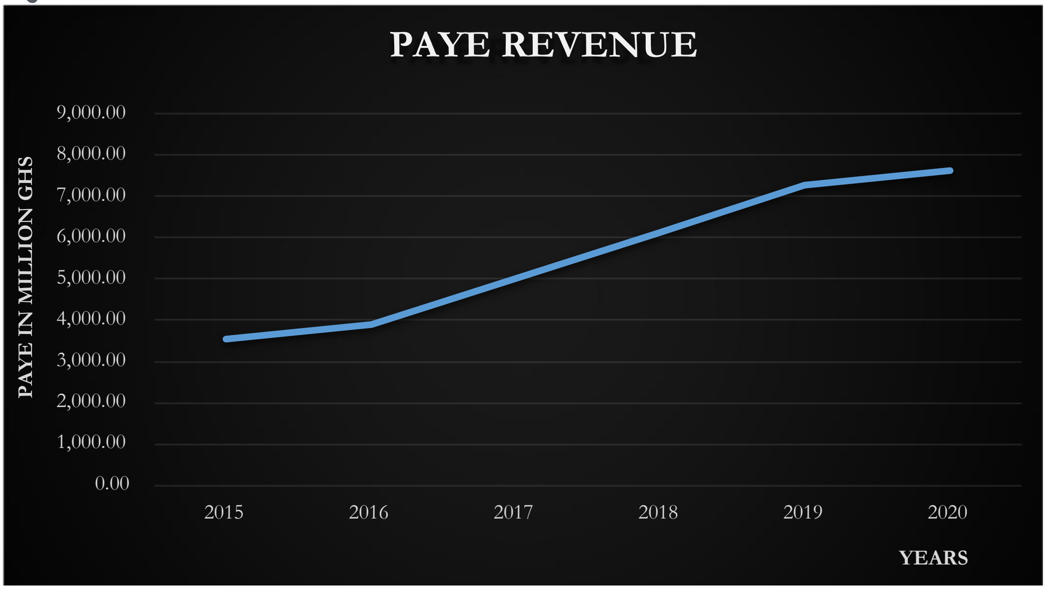
[54] Import Tariffs (2020) https://www.trade.gov/country-commercial-guides/ghana-import-tariffs

[55] K. van der Heeden, The Pay-As-You-Earn Tax on Wages (Chapter 15) in V. Thuronyi, Tax Law Design and Drafting Vol. 2 (International Monetary Fund, 1998)

[56] M. Jouste, T. Kaidu, J. Okello Ayo, J. Pirttilä and P. Rattenhuber, "The effects of personal income tax reform on employees' taxable income in Uganda" WIDER Working Paper, No. 2021/11, ISBN 978-92-9256-945-7, The United Nations University World Institute for Development Economics Research (UNU-WIDER), Helsinki

[57] Fn. 55

Figure 2.5: Trend of PAYE Tax from 2015 to 2020



Source: Authors' projection based on data from GRA Research Department

Table 2.12: PAYE Tax as Percentage of Tax Revenue

Year	PAYE (GH¢ 'm')	Tax Revenue (GH¢ 'm')	PAYE (% Tax Revenue)
2015	3,553.81	24,140.92	14.72%
2016	3,901.22	25,728.66	15.16%
2017	5,002.44	32,227.58	15.52%
2018	6,134.15	37,784.19	16.23%
2019	7,275.45	42,774.60	17.01%
2020	7,640.06	44,447.77	17.19%

Source: Authors' calculation based on data from GRA Research Department and Ministry of Finance

Table 2.11 and figure 2.5 shows that PAYE tax revenue over the years keeps increasing. The increase in revenue may result from the continuous change in the graduated rate used for taxing employment income.

PAYE tax as a proportion of total tax revenue has the greatest value of 17.19% and the lowest value of 14.72%, according to table 2.12. This shows that PAYE tax makes a large contribution to total tax revenue. In comparison to other tax kinds, PAYE generate enough revenue for the government. This means that, PAYE tax contributes significantly to total tax revenue generated in Ghana.

3.2.7.2 Efficiency

The PAYE tax system is considered as an efficient tax system since the tax is deducted at source. The employee may not see the actual effect of the tax since they are deducted before the disposable income is paid to them. This means that, the tax does not affect their consumption and investment decisions.

On the other hand, considering the current PAYE rates (graduated rate) which has 30% as the maximum rate and the corporate income tax rate of 25%, high earning individuals may have incentive take advantage of the lower corporate income tax of 25% by the establishment of companies, than be charged at the higher rate of 30% on their earnings.

3.2.7.3 Fairness

Fairness means equal taxation of equal incomes (horizontal equity) and higher taxation of higher incomes (vertical equity).[58] This equity criterion does not specify how much of an income discrepancy is regarded a distinct ability to pay, or how significant the percentage variances between income levels should be.[59]

The PAYE system has been designed to be progressive which is very good. Thus, individuals who earn more income end up paying more tax and those who earn less income pay less in taxes. This feature of the PAYE system makes it a fair system.

3.2.7.4 Ease of Administration

A robust PAYE system paired with employer filing on behalf of the employee would produce actual cost savings when measured in terms of time and money that could be redirected from the tax preparation process to other purposes. There is some amount of taxpayer-related compliance costs saved with the current design of the PAYE system since the tax is withheld and filed on behalf of employees by the employer. The taxpayer would not have to incur additional cost to comply with it.[60]

On the other hand, the Ghana Revenue Authority do not incur more cost collecting tax revenues from the PAYE system. This is because the system allows only employers to collect and advance the tax on behalf of their employees. The revenue authority does not have to deal with a large tax unit but only employers. This saves the government some cost for both revenue collection and tax audits.

3.2.7.5 Robustness to Avoidance

The PAYE system to some extent is considered as a broad system. The tax is applied to almost all employees in the country. However, it does not apply to the informal sector of the economy. The system allows employers to withhold on behalf of employees. This feature makes it difficult for taxpayers to avoid paying the tax. The system is difficult to avoid. If there will be any avoidance, then the employer who withhold will avoid its payment.

3.3 Tax Incentives/Reliefs

Tax incentives/reliefs are those special provisions that allow for exclusions, credits, preferential tax rates or deferral of tax liability. Tax incentives can take many forms such as tax holidays for limited duration, current deductibility for certain types of expenditures. Ghana has many tax incentives/reliefs in its tax system.

The effectiveness of tax incentives is directly related to the investment climate (including investor confidence that a revenue authority will actually honor tax incentives without controversy) in the country.

Ghana through its revenue authority has over the years ensure that they honor tax incentives/reliefs without any controversies. However, these incentives serve as a cost to government in its attempt to

[58] OECD 2013 Policy Framework for Investment User's Toolkit Chapter 5. Tax Policy p. 13
[59] See Fn. 13 above
[60] W.J. Turnier, "PAYE as an Alternative to an Alternative Tax System", 23 Va. Tax Rev. 205, 264 (Summer 2003). See also National Taxpayer Advocate 2015 Annual Report to Congress 45-55.

generate tax revenue. The benefits must be matched against the cost to help determine the actual benefit.

CHAPTER FOUR

TAX STRATEGY

4.1 Tax Strategy

Over the years, the Ghanaian government has put in place measures to increase tax collection. Inevitably, the ways it accomplishes that matters for the development of the economy and for the distribution of welfare between citizens. Yet governments have generally been less transparent about their tax strategy than they have about many other areas of policy. This makes discussing the tax system and its consequences difficult. It makes planning more difficult. It also reduces the likelihood of coordinated policy making. There is a clear need for the government to articulate its vision for a tax system and, as a result, the direction of tax policy.

Tax strategy from the perspective of government is the plan, based firmly on data and the facts of the economy which sets out the tax decisions made in supporting the government implement its tax policies to achieve its revenue goals.

Over the last two decades, Ghana's tax policy has lacked a long-term strategy. Government tax policy has sometimes been more difficult to articulate than the plan for major public services such as health and education, or even the strategy for social benefits. As a result, tax adjustments have tended to be patchwork, lacking in transparency, and not forming part of a long-term strategy.[61]

At present, Ghana does have tax strategy that directs the tax policy. It is argued that Ghana must have clear cut tax strategies to go with the implementation of tax policies.

4.2 Element of Tax Strategy

- Consider the tax system as a whole
- Seek neutrality
- Achieve progressivity as efficiently as possible

[61] P. Johnson "Defining a tax strategy", Tax policy making: A new approach, IFS (2010)

4.3 Evaluating Some Government Strategies

4.3.1 Self-Assessment

Ghana has a self-assessment system as a strategy to collect taxes. Under the self-assessment system, the onus is on the taxpayer to examine the financial records, calculate the amount of tax payable and file tax returns and pay same. The system accepts the reality that no tax administration has, or ever will have, sufficient resources to determine the correct liability of every taxpayer.

The voluntary compliance nature of the system helps the Ghana Revenue Authority to reduce cost of collecting revenue. The authority does not have to put in many resources to collect revenue using the system. Also, companies that had issues with compliance since they feel the assessment from GRA does not correspond with their actual tax liability now trust the system.

Also, tax revenue generated after the rolling out of the self-assessment system has increased significantly. This presupposes that self-assessment system has a positive impact on revenue mobilization.

4.3.2 Withholding Tax on VAT suppliers

VAT withholding is a mechanism deployed by the government of Ghana to collect tax revenues generated through VAT. Under the VAT withholding system, some institutions are appointed to collect some percentage of VAT charge on supply of goods and services to the institutions. Prior to its introduction, many taxpayers who engaged in taxable goods were charging the VAT and not advancing same to the GRA. With its introduction, some percentage of VAT charged will be advance to the GRA even where the taxable person does not declare. This in a way has helped increase revenue mobilisation.

4.3.3 Simplification of Tax Laws and Practice Notes

Over the periods, there are efforts to simplify the tax laws, regulations, and practice notes. The simplification is intended to help taxpayers to easily understand the tax laws to drive tax compliance.. The texts/language used in most drafting are very simple. It's unclear whether this approach is contributing to the revenue growth in some tax types.

CHAPTER FIVE

TAX EXEMPTIONS IN GHANA

5.1 Tax Exemptions

Exemptions generally reduce the tax burden of taxpayers. Exemptions reduce taxpayer's "taxable income," which is the amount of income on which the taxpayer pays taxes, hence lowering the amount of taxes he or she owes.[62] Tax exemptions are tax subsidies, preferences, and incentives that benefit a certain industry, activity, or group of people and represent government expenditure for those activities or groups, implemented through the tax system rather than direct grants, loans, or other types of government support.[63] In order to entice investment in mostly developing countries, governments give various tax exemptions, lowering tax revenue collection. The intention has been varied, mainly to attract foreign direct investment, alleviating the tax burden on the vulnerable in society, encouraging startup businesses, directing investment into specific sectors or location and support the development agenda of the government. These are the direct basis provided in the memorandum of the current Exemption Bill, 2021. The issue with this method is that these exclusions do not result in increased investment, and hence constitute a revenue loss. In as much as the exemptions provide stimulus to businesses, it must be recognized that the extent of exemption given is a cost to the government. Therefore, tax exemption is negatively related to the revenue of government. This impact is more significant where it does not achieve the intended purpose to yield a long run positive effect on the economy.

Exemptions are also frequently utilized for political reasons, and as a result, they risk being associated with corruption. Taking away these exclusions is one clear answer to this problem. If this is politically impossible, the negative impacts of exemptions could be minimized by increasing openness in the system, either by enshrining exemption rules in laws and regulations or by publicly revealing exemption information.[64] The tax regimes of most West African countries are usually characterized by tax exemptions and tax holidays. In the long run, granting tax exemptions will be costly to these governments in terms of tax revenue generation. It also fails to attract the desired foreign investment that it was designed to encourage.[65] According to a study conducted in the United Kingdom, the transition to tax exemption impacted not only corporate dividend repatriation behavior, but also the conditions under which foreign corporations operate in general, such as investment behavior.[66] By eliminating tax exemptions entirely, West African countries will be able to simplify their tax collecting systems, effectively broadening their tax base and increasing revenue collection.[67]

Despite existing evidence of tax exemption's limitations, developing countries have increasingly turned to tax exemptions to attract Foreign Direct Investment (FDI). Many tax codes in Ghana have tax exemptions. Tax rates remain attractively low in most circumstances, and there are a variety of tax

[62] Marginal and Average Tax Rates https://www.cbpp.org/research/policy-basics-marginal-and-average-tax-rates

[63] S. Surrey and P. McDaniel, Tax Expenditures 3rd ed. (Cambridge, MA: Harvard University Press, 1985)

[64] L. Mills, Barriers to Improving Tax Capacity. K4D Helpdesk Report. Brighton, UK: Institute of Development Studies (2017)

[65] A.I. Adekunle, Surmounting Challenges in Tax Revenue Collection in West Africa: A Precedential Insight Afronomics Law, See https://www.afronomicslaw.org/category/analysis/surmounting-challenges-tax-revenue-collection-west-africa-precedential-insight

[66] P. Egger, V. Merlo, R. Martin, and G. Wamser, "Consequences of the New UK Tax Exemption System: Evidence from Micro-level Data," The Economic Journal, Vol. 125, No. 589 (Oxford University Press, 2015)

[67] Fn. 65

exemption programs meant to encourage investment, such as tax holidays, preferential tax rates, manufacturing zones, and concessionary tax arrangements.

The need of obtaining appropriate tax income cannot be overstated considering Ghana's developmental demands. However, governmental initiatives to use tax exemption to boost investment in Ghana have intensified as the potential of tax exemption as part of general pro-market liberalization measures to attract FDI has been highlighted. However, the possible negative consequences of tax exemption are rarely brought to the attention of Ghanaian policymakers and citizens. Tax exemptions may appear to be costless at first since they do not appear to influence the government budget, but they may have significant cost. Exemptions may not be the best tool for attracting investment in Ghana, because the widespread use of exemptions to entice investment may imperil government revenues.

Tax exemptions come with hidden costs that, if not properly addressed, might outweigh the advantages and erode the tax base. Tax exemptions come with higher administrative and compliance costs, as well as the need for extensive tax planning and anti-avoidance tactics. Furthermore, tax exemptions can cause economic distortions, encourage corruption, and favour multinational corporations and home countries over host countries.

Over the past decade, Ghana has lost significant amounts of tax revenues as a result of arbitrary granting of tax exemptions. According to the memorandum attached to the exemption bill 2022 laid before parliament, the total amount of exemptions granted between 2012 to 2016 and 2017 to 2020 was GH¢4.56 billion and GH¢9.47 billion respectively. In summary, between 2012 to 2020, a total GH¢14.03billion was granted in tax exemptions. These figures do not include exemptions from the payment of corporate and individual income taxes, concessions on tax rates, petroleum tax reliefs and customs tax exemptions enjoyed by diplomatic missions.[68]

In Ghana, the application of tax exemption hovers around a certain level of discretion by the Minister of Finance, although Parliamentary approval is required. Thus, there are no clear-cut criteria for qualifying for the exemption. The basis of assessment of a particular exemption as meeting the state objective cannot independently be predicted. This discretion although requires approval of parliament, when abused may open the floodgate of taxpayers obtaining the exemptions to the detriment of the government and tax revenue target. It seems this phenomenon will continue to exist as the current bill of parliament exemptions could not provide solution to this problem. For instance, the exemption bill 2022 does not provide for criteria for meriting an exemption. Section 5 and 7 of the Exemption Bill leaves the determination to the Minister for Finance. Section 5(2) provides that "the Minister upon receipt of request ensure that; (a) vet the request to ensure that it is consistent with the economic management priorities and general policy of government on exemption; (b) negotiate the exemption on behalf of the state …. These economic management priorities and general policy on exemption are not generally known, again, the criteria of negotiation by the minister is also not generally known. This makes it less transparent policy point of view and may not result in any effective change as a result.

It is also clear that the exemption regime inure to the benefit of foreign investors and multinational players. Whilst the exemptions reduces their cost and raises their profit margin, it places them in economic advantage over the local, start up and Small and Medium Scale enterprises who are unable to obtain these exemptions. In this case, the objective of encouraging start up enterprise is not achieved. The exemption policy must be transparent and one's qualification predictable with respect to the basis and criteria for being exempted.

Table 4.1: Import Tax Exemptions Granted from 2015 to 2020

YEAR	2015	2016	2017	2018	2019	2020
G.N.P.C.	586.31	625.17	1,478.77	417.97	464.40	178.36
GOVT PRIVILEGED PERSONS	353.95	410.12	324.15	241.34	255.74	209.45
GIPC	74.52	71.42	55.40	88.01	114.57	31.69
GENERAL EXEMPTIONS	215.83	275.37	208.01	445.08	451.55	312.99
ECOWAS EXEMPTIONS	116.33	150.94	201.38	284.54	317.86	114.36
PARLIAMENTARY EXEMPTIONS	265.66	357.48	612.34	690.81	819.57	864.25
SPECIAL PERMITS			198.47			3.10
TOTAL	359.47 **972.07**	561.84 **2,452.33**	**3,078.51**	80.37 **248.11**	2.07 **2,425.77**	**1,714.21**

Source: Data Obtained from the Ghana Revenue Authority

Figure 4.1: Trend of Tax Exemptions Granted

Source: Authors' projection based on data from Ghana Revenue Authority

From table 4.1, Ghana gave out not less than GH¢1.5bn as import duty exemption from the years 20152020. This exemption given is a cost to the government in generating domestic revenue for development. From figure 4.1, some of the exemptions were given to government privileged persons and some other institutions. These types of exemptions are mostly at the discretion of the minister in charge of finance. This raises an issue of transparency.

The gap between FDI and GDP continues to widen. Between the year 2015 and 2020, the percentage of FDI and GDP has been decreasing; from 6.461% to 2.737%C,[68] although exemptions as portrayed in table 1.0 continues to increase on average.

[68] The World Bank https://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS?end=2020&locations=GH&start=2010&view=chart

CHAPTER SIX:

OUTCOMES OF TAX OLICIES AND STRATEGIES – THE PEOPLE'S PERSPECTIVE

6.1 Qualitative Analysis

6.1.1 Introduction

In this project, we are given a questionnaire dataset with the goal of evaluating Ghana's tax policies and strategies. Questionnaires were issued to taxpayers to solicit their views concerning the tax system.

6.1.2 Project Objective

The purpose of this research is to employ data science approaches to understand the questionnaire responses on Ghana's Tax Policy and Strategy. Its goal is to comprehend the ease of the tax payment system, the difficulties in collecting tax revenues, if taxpayers are satisfied, and to detect corruption in tax payment and accounting.

6.1.3 Study population, sample size and sample technique

The population of the study is taxpayers in Ghana with a sample size of 100. The simple random sampling technique was employed to administer the questionnaires. A total of 59 responses were received from the questionnaires.

6.1.4 Results from Survey

The results from the qualitative survey have been summarised below. Please see Appendix 4 for the data analysis.

DATA RESPONSE SUMMARY

Education

- 96.6% tertiary educated
- 3.4% below tertiary education

Positions

- 22.4% Business owners
- 39.7% Managers
- 25.9% Heads of departments
- 12.1% Tax managers

Frequent of tax education

- 43.1% not within the past two years
- 19% between 1 to 2 years
- 29.3% within the last 6 months

Difficulty with tax payment

- 67.2% not difficult
- 32.8% difficult

Education on tax policy and obligation in the past year

- 86.2% have not received education
- 13.8% have received

Why people do not pay their taxes

- 50% do not see what government does with the taxes
- 27.6% do not know the law and their obligations
- 17.2% do are not well educated on payment of tax
- 5.2% do not know how to file their taxes

Mode of tax payment

- 44.8% by bank transfer
- 27.6% by cheque
- 15.5% Cash
- 12.1% mobile money

How assessable is mode of payment

- 89.7% easily assessable
- 10.3% not easily assessable

Do tax payers find tax payment beneficial?

- 62.1% yes
- 37.9% no

Do Government waste tax revenue?

- 94.8% yes
- 5.2% no

Whether government use tax revenue for intended purpose

- 82.8% yes
- 17.2 no

Do GRA account for taxes collected

- 46.6% yes
- 53.4% no

Do GRA officials take bribe to assist taxpayer under declare taxes

- 84.5% yes
- 15.5% no

Primary mode of interaction with GRA

- 62.1% in person
- 22.4% telephone
- 12.1% letters
- 3.4% GRA website and social media

How long do one spend at GRA office when filing tax returns

- 48.3% 30 minutes to 1 hour
- 22.4% 1 hour to 2 hours
- 13.8% more than 2 hours
- 15.5% less than 30 minutes

6.2 Findings from similar studies

Afrobarometer in its briefing paper No. 124 on "Tax Administration in Ghana: perceived institutional challenges" (2013) came out with the following findings.[69]

1. The integrity of GRA officials is very low in the eyes of Ghanaians. Thus, half of Ghanaians perceive some tax officials to be involved in corruption.
2. Majority of Ghanaians do not trust the GRA.
3. Strong majority of Ghanaians claim it is very difficult to find out what taxes one is supposed to pay.
4. Majority of Ghanaians perceive the GRA not to be transparent.

These findings are in line with the current findings of the study.

6.3 Quantitative Analysis

6.3.1 Tax to GDP Ratio

Total tax revenue as a percentage of GDP indicates the share of a country's output that is collected by the government through taxes. It can be regarded as one measure of the degree to which the government controls the economy's resources. The tax-to-GDP ratio is frequently used as a metric for comparing tax payments across time. GDP is a helpful comparison for tax because most tax bases are tied to economic activity, and a rise in economic activity will often result in an increase in tax (and a decrease in activity will result in a decrease in tax).[70] In line with Wagner's law, which states that the size of the government as measured by the tax (and expenditure) share to GDP increases as the associated country's income level rises, it has been observed that countries significantly increase their overall level of taxation (as a share of GDP) as they become wealthier.[71]

The tax-to-GDP ratio compares a country's tax revenue to its economy's size. A tax-to-GDP rate is a measure of a country's tax revenue in relation to the size of its economy as measured by GDP (GDP). Because it displays prospective taxes compared to the GDP, the ratio is a valuable tool for analyzing a country's tax revenue. It also allows for a glimpse of a country's overall tax policy orientation. The tax-to-GDP ratio is a measure of a country's tax revenue in relation to its GDP. It indicates that the amount of tax revenue collected by the government is expressed as a percentage of GDP. The higher the tax-to-GDP ratio, the better the country's financial position. A lower tax-to-GDP ratio limits the government's ability to invest in infrastructure and puts pressure on it to satisfy its fiscal deficit targets.[72] The ratio shows the government's ability to fund its spending. With a greater tax-to-GDP ratio, the government can cast a wider fiscal net. It helps a government become less reliant on borrowing. Tax-to-GDP ratios in developed countries are often higher than in underdeveloped countries. To ensure that developing countries have enough money to invest in the future and achieve sustainable economic growth, they should have a tax-to-GDP ratio of at least 15%.[73]

The tax-to GDP ratio is just one indication of economic growth. The tax-to-GDP ratio will decrease if tax receipts rise less than GDP or fall further. As a result, the tax-to-GDP ratio does not always

[69] D. Armah-Attoh and M. Awal, "Tax Administration in Ghana: Perceived Institutional Challenges" Afro barometer Briefing Paper No. 124 (2013)

[70] J. Clark and A. Hollis "Tax-to-GDP: Past and Prospective Developments" Economic Roundup, 2013, issue 2, 15-34

[71] S. Acosta-Ormaechea and J. Yoo, Tax Composition and Growth: A Broad Cross- Country Perspective Working Paper (IMF, 2012)

[72] G. Corneo, & S. Vergalli, "Taxes, Subsidies, Regulation in Dynamic Models", Journal of Economics, (2016) 119(2), 97-99. http://www.jstor.org/stable/43918195

[73] IMF (2019). Determining Countries' Tax effort. See R. A. M. Iriqat & A. N. H. Anabtawi, 2016. "GDP and Tax Revenues-Causality Relationship in Developing Countries: Evidence from Palestine," International Journal of Economics and Finance, Canadian Center of Science and Education, vol. 8(4), pages 54-62, April.

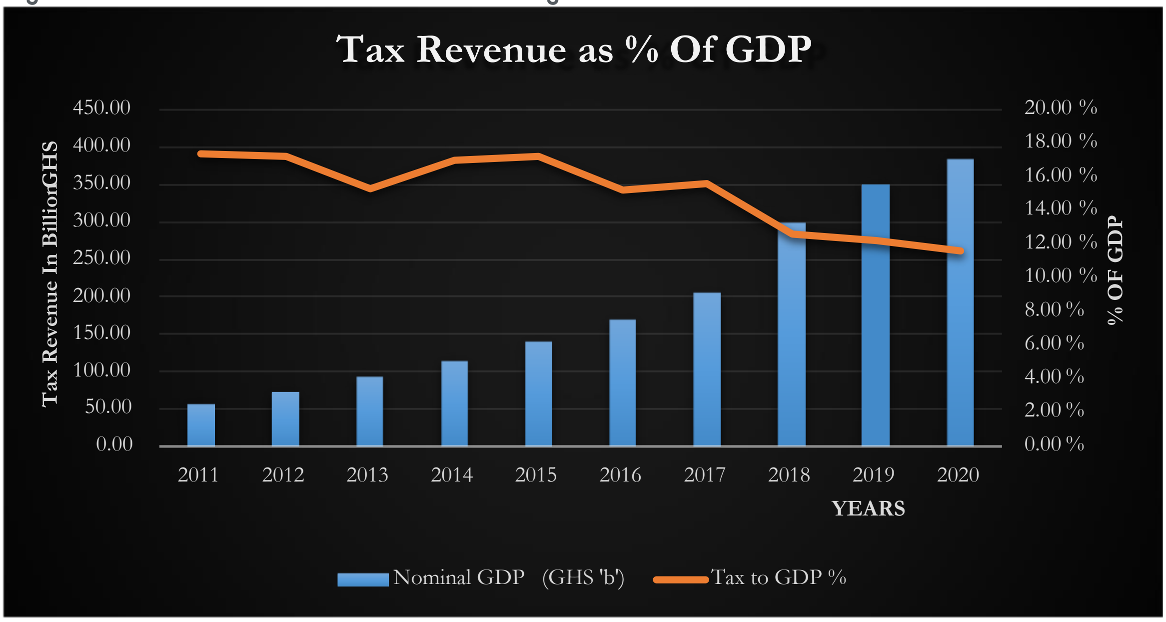
imply that tax revenues have risen in nominal or real terms.[74] Because it provides a better indication of the rise and decline in tax revenue, policymakers utilize the tax-to-GDP ratio to compare tax collections from each year. In 2018, developed countries' tax-to-GDP ratios were roughly 34%, while the European Union's tax-to-GDP ratio was 40%. Tax revenue grows and decreases faster than GDP as a percentage, although the ratio remains reasonably stable.[75]

Table 5.1: Tax-to GDP Ratio from 2011-2020

Year	Tax Revenue (GH¢ 'b')	Nominal GDP (GH¢ 'b')	Tax to GDP
2011	9.78	56.28	17.37%
2012	12.39	71.85	17.24%
2013	14.31	93.46	15.31%
2014	19.23	113.34	16.97%
2015	24.14	139.94	17.25%
2016	25.73	168.75	15.25%
2017	32.23	205.91	15.65%
2018	37.78	298.70	12.65%
2019	42.77	349.48	12.24%
2020	44.45	383.49	11.59%

Source: Authors' calculation based on data from Ministry of Finance

Figure 5.1: Total Tax Revenue as a Percentage of GDP from 2011-2020



Source: Authors' calculations based on data from Ministry of Finance

[74] Fn. 74 above
[75] Fn. 74

The Ghana government has introduced a lot of tax policies and strategies over this period but the tax revenue to GDP ratio keeps decreasing. After 2015 which recorded the highest tax revenue to GDP ratio after 2011, the tax to GDP ratio over the years keeps decreasing. From figure 5.1, one can easily identify that even though the government keeps introducing new tax policies and strategies to supports its agenda to increase domestic revenue, the tax-to GDP ratio keeps decreasing.

Table 5.1 presents the tax revenue and gross domestic product in monetary terms from 2011 to 2020. These data are taken from the fiscal data published by the Ministry of Finance, Government of Ghana. The tax-toGDP ratio varies between 11.59% and 17.37%. The lowest tax-to-GDP ratio (11.59%) was recorded in fiscal year 2020, and the highest tax-to GDP ratio (17.37%) was recorded in fiscal year 2011. The tax-to-GDP ratio for the considered years 2016-2020 has been falling even though government and the revenue authority have been putting in many measures to rake in much revenue. One may attribute the continuous fall in tax-to GDP ratio to the rebasing of the Ghanaian economy. This has led to a substantial upwards revision of nominal GDP in current years. However, the tax-to GDP ratios for years before the rebasing also fell steadily from 2012 to 2013 before rising. For the past 10 years, the average tax-to-GDP ratio has been found to be 15.15%. This is a little above the IMF proposed 15% tax-to GDP ratio for developing countries. From table 1.0, 2016 and 2017 recorded tax-to GDP ratios a little above the country's average tax-to GDP ratio. 2018, 2019 and 2020 fiscal years recorded tax-to GDP ratios lower than the country's average and the proposed tax-to GDP ratio for developing countries by IMF. This means that Ghana is not utilizing its capacity to generate enough revenue to meet its developmental agenda.

6.3.1.1 Regional Context of Tax-to GDP ratio

In comparison to other countries in the region and the African average, Ghana's overall tax-to-GDP ratio remains low. Despite slowly increasing from around 12.19% in 2014 to around 14.1% in 2018 and decreased to 13.54 in 2019, Ghana's tax-to GDP ratio is below the average for the Africa sub-region and that of the Latin America and the Caribbean. Ghana's tax-to GDP ratio remains well below the government's aim of 20% of GDP by 2023.[76] This level of tax income collection is lower than previous forecasts for Ghana. The cause for this is a rebasing of Ghana's GDP series, which resulted in a large upward adjustment of nominal GDP in 2018, highlighting a significant issue when comparing developing economies internationally.[77]

Table 5.2: Regional Tax-to GDP Ratio

Country	2014	2015	2016	2017	2018	2019
Botswana	15.19	12.70	13.96	12.30	12.12	12.59
Burkina Faso	14.27	14.56	15.28	16.12	16.50	17.58
Cameroon	14.39	14.70	14.18	14.44	14.64	14.15
Cabo Verde	16.89	18.69	18.73	20.15	21.32	20.57
Chad	10.65	5.78	4.70	6.18	7.88	8.11
Congo	9.65	12.84	13.27	10.78	7.59	8.04
Democratic Republic of the Congo	9.58	9.83	8.56	6.93	7.65	7.55
Côte d'Ivoire	12.21	12.61	13.15	13.30	13.02	13.20
Egypt	14.18	14.57	14.43	15.18	14.91	14.24

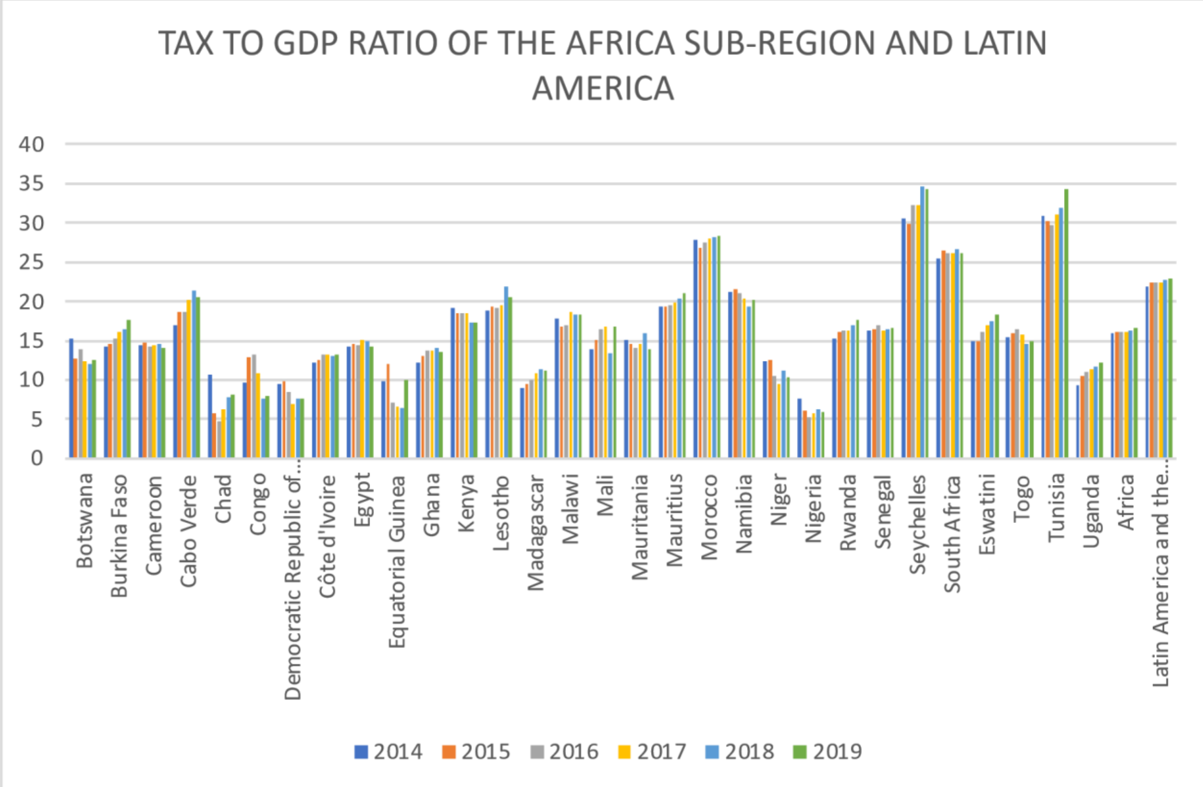
[76] Ministry of Finance (2020a), 'Ghana COVID-19 Alleviation and Revitalization of Enterprises Support (CARES) Obaatanpa programme', Government of Ghana

[77] See Fn. 50 above, Ministry of Finance fiscal data, Ghana

Equatorial Guinea	9.77	12.01	7.09	6.65	6.51	10.08
Ghana	12.19	13.08	13.71	13.75	14.10	13.54
Kenya	19.25	18.57	18.51	18.43	17.38	17.28
Country	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Lesotho	18.92	19.27	19.19	19.56	21.88	20.57
Madagascar	8.93	9.47	10.05	10.93	11.37	11.21
Malawi	17.88	16.83	16.92	18.74	18.33	18.32
Mali	13.94	15.16	16.50	16.72	13.33	16.84
Mauritania	15.11	14.52	14.16	14.52	16.03	13.95
Mauritius	19.33	19.33	19.50	19.86	20.41	21.11
Morocco	27.76	26.83	27.48	27.96	28.21	28.36
Namibia	21.13	21.47	21.12	20.41	19.42	20.20
Niger	12.40	12.59	10.51	9.47	11.17	10.39
Nigeria	7.64	6.05	5.28	5.70	6.33	5.96
Rwanda	15.33	16.14	16.23	16.22	16.90	17.70
Senegal	16.23	16.40	17.02	16.30	16.54	16.58
Seychelles	30.53	29.79	32.17	32.18	34.65	34.27
South Africa	25.42	26.49	26.11	26.12	26.57	26.21
Eswatini	14.91	14.95	16.10	16.99	17.43	18.38
Togo	15.47	16.00	16.42	15.77	14.59	15.00
Tunisia	30.91	30.24	29.62	31.10	31.84	34.32
Uganda	9.27	10.51	11.05	11.38	11.69	12.15
Africa	15.98	16.07	16.03	16.14	16.34	16.61
Latin America and the Caribbean	21.91	22.33	22.35	22.33	22.69	22.95

Source: OECD Statistics pulled in March 2022

Figure 5.2: Regional Tax to GDP ratios



Source: Authors' design based on data from OECD statistics

Scholars in the field of public finance say that a sufficient noninflationary revenue mobilization effort is essential for the government's social and economic commitments to be met. Unfortunately, tax efforts in two-thirds of Sub-Saharan African countries have been disappointingly low, with tax revenue as a percentage of GDP at or around 15%; fact, nearly a third had ratios below 10% of GDP. Moreover, several countries have seen a decrease in their tax efforts in recent years, which is alarming.[78]

Table 5.2 compares Ghana's tax-to GDP ratio to that of other African countries and the African average taxto GDP ratio. From 2014 to 2019, Ghana's tax-to GDP ratio was below that of the average ratio of the subregion. Whereas the average ratio of the continent was 16.61% in 2019, Ghana's ratio in that fiscal year was 13.54%. This is below the average and shows that Ghana is not utilizing its revenue generating capacity as compared to its peers in the sub-region.

6.3.2 Analysis of Domestic Revenue and Government Expenditure

According to the Sustainable Development Goals (SDGs), "strengthening domestic resource mobilization, including through international support to developing countries to improve capacity for tax and other revenue collection" is one of the targets to be met by 2030 in order to finance other development commitments. Lowincome countries are currently able to mobilize only 13% of their GDP on average, compared to the UN's estimate of 20% for achieving the SDGs.[79] As their populations grow and demand for public resources grows, developing countries are under increasing pressure to enhance public service delivery, particularly in critical sectors such as health and education. Ghana is of no exception to ballooning nature of public expenditure.

[78] T. Bayu "Analysis of Tax Buoyancy and Its Determinants in Ethiopia (Cointegration Approach)" 2015 Journal of Economics and Sustainable Development ISSN 2222-1700 (Paper) ISSN 2222-2855 (Online) Vol.6, No.3, 2015

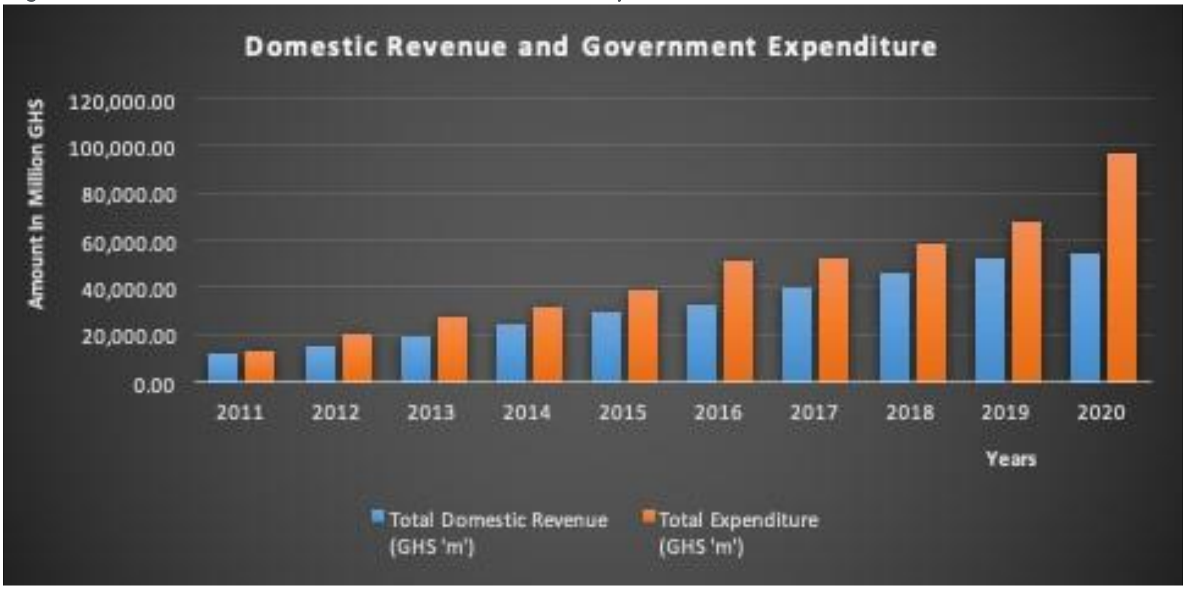
[79] OECD, Strengthening Tax Systems to Mobilize Domestic Resources in the Post-2015 Development Agenda Element 11. Paper 2

Table 5.3: Total Domestic Revenue and Total Expenditure

Year	Total Domestic Revenue (GH¢ 'm')	Total Expenditure (GH¢ 'm')
2011	11,676.60	13,379.98
2012	15,508.09	20,589.73
2013	18,732.11	27,463.04
2014	23,931.32	31,962.21
2015	29,351.65	38,589.91
2016	32,537.45	51,125.04
2017	39,963.04	51,985.95
2018	46,501.93	58,196.96
2019	52,393.49	67,856.11
2020	53,909.52	96,410.21

Source: Data from Ministry of Finance

Figure 5.3: Domestic Revenue and Government Expenditure



Source: Authors' design based on data from Ministry of Finance

Table 5.3 shows that government expenditure for the years 2011 to 2020 always exceeds the domestic revenue generated. In the year 2020, there was an astronomical increase in government expenditure compared to other years. The increase can be attributed to an external shock to the economic and social system which required higher levels of government expenditure. It is clear from the table and the figure above that domestic revenue generated in the country is not enough to meet government expenditure needs. This presupposes that, for government to meet its developmental agenda, much effort must be put in to generate more domestic revenue.

From figure 5.3, there is a positive correlation between domestic revenue and government expenditure. From the graph, as domestic revenue increases, government expenditure increases. This means that, government always put in much effort to close the previous year's fiscal deficit gap but on the other hand increases its expenditure the current year.

6.3.3 Tax Buoyancy

Tax Buoyancy is an important measure that has been used to assess the efficiency of any tax system in terms of its mobilization capacity. It is the response of tax revenue to changes in national income and discretionary changes in tax policy over time. Tax buoyancy reflects the ability of a tax structure to generate revenues during economic growth.[80]

The ability of tax revenue to respond to changes in the country's economic activity is a critical aspect in the country's development. Buoyancy of tax revenue is the percentage change in tax revenue because of a percentage change in the base, usually GDP. Making a fiscal policy decision without knowing the amount of the percentage change in tax revenues with the base (buoyancy) will undercut or overstate policymakers' expectations about the economy's ability to generate income.[81] In this regard, the concept of tax buoyancy is an important consideration when evaluating the efficiency of a particular tax system. There is no need to alter the tax rate regularly if the tax buoyancy exceeds unity, as frequent and ad hoc changes in tax rates affect consumption and investment decisions, causing uncertainty.[82]

Empirical analysis of the idea of tax revenue buoyancy is thus critical for assessing the performance of the current tax system and formulating future tax policy. As a result, to increase the country's tax revenue performance, it is necessary to first understand how responsive the tax system is to the country's total economic activity. This is because the size of a business tax cost affects investment and growth. Businesses are more likely to opt out of the formal sector when taxes are high. As a result, placing high tax expenses on small firms may not increase government tax collection significantly, but it may force businesses to become informal or, in the worst-case scenario, cease to exist altogether.

Table 5.4: Tax Buoyancy From 2011-2020

Year	Tax Revenue (GH¢ 'm')	Nominal GDP (GH¢ 'm')	Growth in Revenue	GDP Growth	Tax Buoyancy
2010	6,295	44,342			
2011	9,776	56,282	55%	27%	2.1
2012	12,389	71,847	27%	28%	1
2013	14,308	93,461	15%	30%	0.5
2014	19,230	113,343	34%	21%	1.6
2015	24,141	139,936	26%	23%	1.1
2016	25,729	168,753	7%	21%	0.3
2017	32,228	205,914	25%	22%	1.1
2018	37,784	298,699	17%	45%	0.4
2019	42,775	349,480	13%	17%	0.8
2020	44,448	383,486	4%	10%	0.4

Source: Authors' calculation based on data from Ministry of Finance

[80] See Fn. 79
[81] Fn. 79
[82] F. Mukarram, Elasticity and Buoyancy of Major Taxes in Pakistan, Pakistan Economic and Social Review, Volume XXXIX, No. 1 (Summer 2001), pp. 75-86

From table 5.4, Ghana's tax buoyancy for 2016 was 0.3 which was below unity. This means that the responsiveness of tax revenue to growth in GDP is not proportional. One may expect tax revenue to increase as there is growth in GDP.

The year 2017 recorded a tax buoyancy of 1.1, this is above unity. This means that, there was a proportionate increase in tax revenue as GDP grew over the year. The government of Ghana generated additional tax revenue in the year more than the growth in GDP.

The years 2018, 2019 and 2020 have all recorded tax buoyancy below unity. This is an indication that the government of Ghana could not utilize its available tax revenue generating capacity. This may be as result of administrative challenges or inefficient tax policies and strategies.

Ordinarily, after Ghana recorded a tax buoyancy above unity 2017, there was no need to alter the tax rates regularly, as frequent and ad hoc changes in tax rates affect consumption and investment decisions, causing uncertainty. The fall of tax buoyancy below unity after 2017 may have resulted from the regular change in some tax rates.

6.3.4 Estimating the Effect of Tax Policy on Tax Revenue

The Ordinary Least Square (OLS) was used to establish the relationship between the relevant variables. The dependent variable is total tax revenue, and the independent variables are Fiscal deficit, GDP, Total expenditure and Tax policy. A dummy variable was introduced for the tax policy. The analysis was done using SPSS software.

The model is of the form;

$$TR=f(FD, GDP, TE, TP)$$

$$\ln TR= \ln FD + \ln GDP + \ln TE + TP + \mu$$

Where, TR is the dependent variable which represent Total Tax Revenue and the independent variables are FD which is Fiscal Deficit, GDP which is Gross Domestic Product, TE represents Total Expenditure and TP is Tax Policy. μ is the error term.

6.3.4.1 Descriptive Statistics

Until deciding the major variables influencing FDI inflows into Ghana, descriptive statistics on the possible variables were conducted. GDP recorded a mean of 188,120,166,655.40 which is the highest and a standard deviation of 117,803,472,348.78 which is also the highest from the description of the descriptive statistics in Table 5.4. The high standard deviation of GDP indicates the fluctuating complexity of Ghana 's GDP. Tax Policy (which was measured using a dummy variable) also has the lowest standard deviation and mean value, as shown in the descriptive statistics table. The lower standard deviation in Tax Policy suggests less gaps between 2011 and 2020 in the rate at which government introduces tax policies in Ghana.

Table 5.5: Descriptive Statistics of Variables (N=10)

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness	Kurtosis

	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic
TR	10	9,776,090,252.50	44,447,772,183.54	26,280,610,427.67	12,618,878,414.91	.205	-1.446
FD	10	2.00%	12.00%	6.7400%	3.32238%	.515	-.798
GDP	10	56,282,000,000.00	383,486,089,311.60	188,120,166,655.40	117,803,472,348.78	.660	-1.068
TE	10	13,379,984,417.00	96,410,209,252.50	45,755,914,373.54	24,798,031,981.91	.766	.566
TP	10	0	1	.60	.516	-.484	-2.277
Valid N (listwise)	10						

Source: Authors' calculation based on data from Ministry of Finance

From the table, except for tax policies all other variables have coefficient of skewness to be positive. This means that the values of all the other variables fall toward the lower side of the scale and there are few high values. Also, all the variables have values for kurtosis below normal distribution which forms the benchmark of value 3, confirming that the data sets are near normality.

6.3.4.2 Correlation Analysis (Relationship Between Variables)

Table 5.6 presents estimated cross-correlation coefficients among the study variables from the correlation analysis. From the table the correlation findings show that there is a significant positive relationship between total tax revenue and GDP ($r(10) = 0.991$, $p < 0.01$), total expenditure ($r(10) = 0.976$, $p < 0.01$), tax policy ($r(10) = 0.881$, $p < 0.01$) and a positive relationship with fiscal deficit ($r(10) = 0.160$, $p > 0.05$). This means that an increase in GDP, total expenditure and tax policies and strategies leads to an increase in the total revenue generated by the Ghana government. Also, an increase in fiscal deficit impacts positively (weak) on the total tax revenue generated by the Ghana government. However, the effect of fiscal deficit is not significant. Additionally, there is a positive relationship between fiscal deficit and total expenditure. This means that Ghana's fiscal deficit increases when there is an increase in total expenditure. One may assume that the government does not generate enough tax revenues to finance its expenditure hence, the need to use debt financing.

Table 5.6: Correlation Analysis (N=10)

		LNTR	LNFD	LNGDP	LNTE	TP
Pearson Correlation	LNTR	1.000				
	LNFD	.160	1.000			
	LNGDP	.991	.176	1.000		
	LNTE	.976	.337	.974	1.000	
	TP	.881	.026	.847	.842	1.000
Sig. (1-tailed)	LNTR	.	.329	.000	.000	.000
	LNFD	.329	.	.314	.170	.471
	LNGDP	.000**	.314	.	.000	.001
	LNTE	.000**	.170	.000	.	.001
	TP	.000**	.471	.001	.001	.
N	LNTR	10	10	10	10	10
	LNFD	10	10	10	10	10

	LNGDP	10	10	10	10	10
	LNTE	10	10	10	10	10
	TP	10	10	10	10	10

***denotes significance at 0.01 level*

Source: Authors' calculation based on data from Ministry of Finance

6.3.4.3 *Empirical Regression Results*

Table 5.7 presents a summary output of the regression analysis. The regression model is of the form: lnTR= +lnFD + lnGDP + lnTE + TP + ε

Where the total tax revenue serves as the dependent variable, thus, TR. The independent variables denoted by lnFD, lnGDP, lnTE, and TP are Fiscal Deficit, Gross Domestic Product, Total Expenditure and Tax Policy. ε is the error term in the model.

Table 5.7: Summary Output of Regression Analysis (N=10)

Regression Statistics	
Multiple R	0.995
R Square	0.991
Adjusted R Square	0.984
Standard Error	0.06796
Observations	10

Source: Authors' calculation based on data from Ministry of Finance

The results given in Table 5.7 indicates that fiscal deficit, GDP, total expenditure and tax policy predicts the total tax revenue generated by the government of Ghana. This is because, in this model, the overall result is significant at a significant level of, p-value= 0.00, and R-square is 0.991. This suggests that, these variables clarify 99.1% of variability in total tax revenue. In effect, only 0.9% variability in the model is unexplained.

Table 5.8: Summary Output of ANOVA Analysis

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	2.541	4	.635	137.529	.000
Residual	.023	5	.005		
Total	2.564	9			

Source: Authors' calculation based on data from Ministry of Finance

Table 5.8 presents the summary output of the ANOVA analysis. The table presents the results of the F-test which represents the model of statistically significance. The regression model is statistically significant at F (4, 5) = 137.529, p = 0.00. This gives an indication that there is more than 99% confident that the regression model relating total tax revenue and fiscal deficit, GDP, total expenditure, and tax policy is correct, and does not occur by chance. Hence, there can be a deduction that fiscal deficit, GDP, total expenditure, and tax policy impacts government ability to generate tax revenue in Ghana.

Table 5.9: Summary Output of Coefficient of Variables

Model B	Unstandardized Coefficients		Standardized	T	Sig. Tolerance	Collinearity Statistics
	Std. Error	Beta				
(Constant)	3.966	2.240		1.770	.137	
LNFD	.075	.075	-.077	-1.011	.358	.313
LNGDP	.407	.224	.507	1.820	.013**	.023
LNTE	.390	.293	.432	1.331	.241	.017
TP	.093	.098	.090	.956	.038**	.202

***denotes significance at 0.05 level*

Source: Authors' calculation based on data from Ministry of Finance

$$\ln TR = 3.966 + + 0.407\ln GDP + 0.390\ln TE + 0.093TP$$

The regression equation was found significant at $F(4, 5) = 137.529$, $p < 0.01$. Fiscal deficit had positive relation with total tax revenue generated in Ghana. This implies that whenever fiscal deficit increases by a unit, total tax revenue generated increases by GHC 75 million. There is also a positive relation between total tax revenue generated by Ghana and GDP, total expenditure, and tax policy. Thus, a unit increase in GDP, total expenditure and tax policy will increase total tax revenue by GHC 407 million, GHC 390 million and GHC 93 million respectively. Specifically, the regression model shows that in explaining the fluctuations in total tax revenue generated by the government of Ghana, two variables, GDP and tax policy, are statistically significant at 5 percent level of significance ($p<0.05$). The model shows that there is a positive relationship between tax policy and total tax revenue generated by Ghana, which is consistent with the initial assumption of priorities. Pearson's correlation coefficient also suggests a clear positive relationship ($r = 0.881$) between tax policy and total tax revenue (cf. Table 5.6). GDP has a positive relation with total tax revenue generated by Ghana. The correlation result in Table 5.6 shows a positive relation ($r = 0.991$) between GDP and the total tax revenue generated by Ghana.

In contrast, the regression model shows that two variables, fiscal deficit and total expenditure are not statistically significant at 5% level of significance ($p > 0.05$) in explaining the variability in total tax revenue generated by the government of Ghana. There is a positive relation between total expenditure and total tax revenue, which is consistent with our initial assumption. Coefficient of correlation indicates a strong positive relation ($r = 0.976$) between total expenditure and total tax revenue. Fiscal deficit also has a positive relation with total tax revenue generated by the government of Ghana. It is also consistent with the initial assumption. Its correlation coefficient indicates a weak positive relation ($r = 0.160$) with total tax revenue generated by the government of Ghana.

The study indicates that tax policy contributes significantly to total tax revenue generated by the government of Ghana. In addition to tax policy, GDP is found to be statistically significant to total tax revenue generated in Ghana. Clifford Ikechi Joseph examined the nexus between government revenue on economic growth in Nigeria. The study revealed that there is a positive relationship between tax revenue and economic growth. Also, there was a statistically significant effect of economic growth on government revenue. This finding is in line with the findings from this study.

CHAPTER SEVEN

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

7.1 Introduction

The previous chapters have elaborated on many things such as tax policies and strategies, tax exemptions, research tools employed and the findings of the results. However, this current chapter focuses on summary of findings, conclusion, and various recommendations of the study.

7.2 Summary Findings

Tax Policies and strategies:

- Ghana does not have its tax policies and strategies comprehensively captured in one single document.
- Tax policies are rather captured in the Country's annual budget statements.
- As a result of lack of a committed national medium to long term tax policies and tax strategies, there are changing tax policies because of political influence.

Corporate Income Tax:

- It is evident from the study that Ghana has different corporate income tax rates and as a result this is leading to a distortion in investment decisions.
- The introduction and implementation of both self-assessment and electronic filing and payment systems have resulted in a reduction in the tax administration and compliance costs for GRA and taxpayers respectively.
- The current corporate income tax policy of Ghana even though broad-based; but not robust enough to prevent avoidance as there exist an estimated total corporate income tax gap of 85.6% of potential corporate income tax revenue.

Value Added Tax:

- There was a sharp drop in the VAT to total tax revenue in the year 2018 and this reduction can be attributed mainly to government's tax policy targeted at decoupling the VAT rate in 2018.

- The decoupling of the VAT rate has led to an increase in general prices of goods and services which is passed onto final consumers.
- The cost of doing business has also gone up as businesses are denied the opportunity to benefit from or deduct their corresponding input VATs in relation to GETFUND (2.5%) and NHIL (2.5%) components, Covid Levy (1%).
- There are too many exemptions under the VAT regime, and this creates economic distortions.
- There is no annual accountability of VAT exemptions/Tax expenditure report on the exemptions granted.
- VAT contributes significant portion of total tax revenue of the country. The average VAT as a percentage of total revenue is 55.7% in 2018 (OECD Statistics). This suggest that the poor are being taxed more because of the regressivity of VAT. This excludes other special indirect taxes such as CST, Excise Duty and the levies that Ghanaians are subject to.

Communication Service Tax:

- The increment in the CST rate from 6% to 9% resulted into a decrease in the tax revenue generated which can be attributed to customers reacting to tax induced price changes.
- The structure of Communication Service Tax is very robust to avoidance, distributionally fair and cost effective in administration.

Capital Gains "Tax":

- Capital Gains Tax is performing below expectation by representing only 0.17% of total tax revenue as compared to what pertains in similar developing countries with extractive sectors.
- Companies that make losses from business gets the opportunity to deduct such losses from the capital gains made for the period out of which the state would have generated some tax revenue.

Incentives and Exemptions Regime:

- Ghana has lost a total of GH¢14.03Billion between 2012 to 2020 because of arbitrary granting of tax exemptions. Unfortunately, the newly developed Exemptions Bill 2022 which has been laid before Parliament cannot cure this menace as it clothes the Minister of Finance with so much power and lacks the required transparency measures.

Tax-to-GDP:

- Ghana's performance in terms of tax-to-GDP ratio as at 2019 is 13.54% which is far below the continental average performance of 16.61%.

Tax Buoyancy:

- Ghana recorded a tax buoyancy above unity in 2017 but there was a drastic fall in the ensuing years mainly as a result of regular changes in some tax rates.

Taxpayers Education, Perception and Accessibility of GRA

- Majority of the respondents representing 86.2% indicated that they have not received any tax education from Ghana Revenue Authority in the last one year.

- Majority of the respondents representing 62.1% indicated that they still access GRA services through in person visits to their offices.
- Most taxpayers perceive officials of the Ghana Revenue Authority to be corrupt and do not trust them. This finding requires an urgent attention as it has negative implications for voluntary tax compliance.
- Majority of the taxpayers do not know what their taxes are being used for and cannot associate with any benefits being derived from the payment of their taxes as most public services are non-existent or are of very poor quality.

7.3 Conclusion

The study aimed to assess Ghana's tax policies and strategies. Areas considered include evaluation of the various tax types, tax exemption, tax to GDP ratio and tax buoyancy. The study employs descriptive research design by using both qualitative and quantitative approach. Questionnaires were issued to taxpayers to take their views concerning the tax system and a 10 years (2011 to 2020) data was obtained from both the finance ministry, GRA and OECD statics. The results from the study revealed that GDP, fiscal deficit, total expenditure, and tax policy affect total tax revenue generated in the country. Also, the study revealed that many taxpayers do not receive education on their tax obligations and some taxpayers are of the view that government does not use the tax revenue for its intended purpose.

7.4 Recommendations

Based on the findings of the study, various recommendations are made to help policy makers when drafting future tax policies.

Recommendations:

7.4.1 Tax Policies and Strategies & Periodic Reviews:

- The government through Cabinet, Parliament and the key MDAs; (Ministry of Finance, Ministry of Trade and Industry, Ghana Revenue Authority, Ghana Investment Promotion Centre, National Development Planning Commission) must as a matter of urgency develop a very comprehensive and long- term Tax Policy and Strategy document through a multi-stakeholder approach to promote an equitable fiscal governance system that ensures progressivity and pro-poor conditions are adequately covered and facilitate domestic resource mobilization for national development.
- The Ministry of Finance should periodically monitor and evaluate all tax policies and strategies on their effectiveness and achievement of targeted outcomes and take the necessary remedial actions.
- CSOs and other non-state actors must also undertake periodic independent evaluation of the effectiveness of the tax policies and strategies of governments and advocate for appropriate policy and administrative reforms.
- The Government must intensify its digitalization agenda which has the potential to propel the formalization of the Ghanaian economy and widen the tax net. Efforts towards the taxation of the digital economy, high net-worth individuals and properties must also be intensified with learning from global and sub-regional best practices.

- The Government should put the necessary measures in place towards the achievement of its Tax -to GDP target of 20% by 2023 and ensure an efficient balance between total tax revenue and the growth in GDP.

7.4.2 Review of tax types:

The Ministry of Finance and the Ghana Revenue must take some pragmatic steps towards the review of the following tax types as suggested below:

7.4.2.1 Corporate Income Tax:

a. The government should put in place the necessary mechanisms to guarantee the attainment of the objectives of the existing corporate income tax structure which considers location, sector, and social inclusion in order to attract the needed investment into the priority sectors of the economy.

b. The GRA must intensify public and taxpayers' education on self-assessment and online filing and payment systems to further reduce tax administration and compliance costs for GRA and taxpayers respectively.

c. The Government must develop and implement strategic measures to help bridge the current corporate income tax gap of 85.6% over a ten-year period, including a more robust tax system that prevents tax evasion and avoidance.

7.4.2.2 Value Added Tax:

a. The Government should reconsider its decision on decoupling the VAT rate as it has resulted into a reduction in VAT to total tax revenue with cascading effect of tax on tax and thereby leading to high prices of goods and services and the cost of doing business in Ghana. VAT should be a single tax rate with the levies built into it as this will promote compliance.

b. The Ministry of Finance and GRA should reconsider their position on denying businesses the opportunity to benefit from or deduct their corresponding input VATs in relation to GETFUND (2.5%), NHIL (2.5%) and Covid (1%) components as this is being absorbed by some businesses and thereby increasing their operational cost, hence reducing their profitability.

c. The Ghana Revenue Authority should put in place measures to ensure the efficient implementation of the Fiscal Electronic Device System. Its implementation will enable easy monitoring of the VAT invoicing and possibly increase revenue generation.

d. The exemptions and the reduced rates under the VAT law should be reviewed and changed to reflect the Modern VAT concept (see New Zealand approach). As much as possible, there should be limited exemptions. The exemptions granted under a VAT law should be objective.

7.4.2.3 Capital Gains "Tax":

a. There should be a separate Capital Gain Tax Regime. Capital gains should be taxed separately from employment, business, and investment income. This is necessary because most companies and investors take undue advantage of the current regime/treatment prescribed in the Incomes Tax Act 2015, Act 896 to set off business and investment losses against the capital gains made for the period.

b. The GRA should effectively monitor and tract companies' asset base in order to obtain all the necessary information regarding disposals, determine the corresponding capital gains and the appropriate tax liabilities.

c. The GRA should effectively collaborate with mandated state institutions and partners for efficient enforcement of the capital gains regime in Ghana.

d. Withholding tax approach should be introduced to the design of Capital Gains Tax to make the collection of the tax more efficient.

e. The exemptions under the taxation of Capital Gains and Capital Losses should be reviewed to put a cap where necessary to avoidance blanket exemptions in certain circumstances.

7.4.3 Incentives and Exemptions Regime:

a. Parliament must expedite action on the passage of the exemptions bill which is currently before them as this has a potential to reduce tax revenue losses.

b. Government should establish an independent body to support the Minister of Finance to evaluate and recommend the granting of exemptions to cabinet in order to improve transparency, efficiency and accountability in the exemptions region in Ghana

c. The tax exemption bill should focus on dealing with the tax concessions and exemptions that are subject to the Minister of Finance's recommendation under Section 7 of Income Tax Act 2015, Act 896 (as amended). Attempting to streamline all exemptions (statutory ones) under a single law may create interpretation problems.

d. An establishment of an independent body to evaluate and recommend the granting of tax exemptions. This will curtail the discretionary power given the Finance Minister under Section 7 of the Income Tax Act 2015, Act 896.

e. The Ministry of Finance should factor Tax Gap in its budget control.

7.4.4 Efforts towards reducing tax avoidance and evasion

a. Government should expedite action on the adoption and domesticate the recommendations of the AU High-Level Panel on IFFs.

b. Government should review Ghana's fiscal regime with the aim of identifying and plugging loopholes that allows for tax avoidance. It must also institute punitive sanctions that could deter tax evasion.

c. Government should resource (equipment, technology, human capacity etc) the Ghana Revenue Authority; especially the Tax Audit and Transfer Pricing Units to help ensure higher audit quality curbing of IFFs.

d. The GRA should avoid Selective Enforcement.

7.4.5 Taxpayers Education, Perception and Accessibility of GRA

a. Ghana Revenue Authority must intensify its public education efforts as mandated. This will promote voluntary tax compliance and thereby increase tax revenue.

b. GRA should take the necessary steps to redeem its image and strengthen its internal controls so as to prevent unethical behaviour among its staff. Award systems must be instituted to motivate professional conduct.

c. Government must be more accountable through periodic reporting and branding of projects funded with tax revenue.

Finally, the dispute resolution mechanism should be improved to make it easy for taxpayers to mount a challenge of tax decisions. The calls for the implementation of the independent tax appeals board should be given a priority.

ANNEX 1

WORKING GROUP

TAX POLICY QUESTIONS

1. Do you know of any government tax policy introduced in the last five years?
2. What are your views on the said tax policy?
3. Do you think the tax policy can help government generate enough revenue?
4. Don't you think the tax policy will distort consumption and investment behaviour?
5. If yes or no give your reasons
6. To what extent has the policy been known by the citizens?
7. To what extent has the tax policy been effective in raising revenue?
8. What are the challenges in collecting the tax revenue?
9. To what extent can the citizen help to improve tax revenue mobilization?
10. How transparent is the Ghana tax system?

TAX STRATEGY QUESTIONS

1. Do you know of any tax strategy introduced by government in the last five years?
2. What are your views on said tax strategy?
3. Do you think that the tax strategy can help government generate enough revenue?
4. To what extent has the strategy been known by the citizens.
5. To what extent has the tax strategy been effective in raising revenue?
6. Are there some challenges faced by the GRA during implementation of tax strategies?
7. To what extent can the contribute to the tax policy implementation

RECOMMENDATIONS FOR TAX POLICY

1. What recommendations will you make to help government design its tax policies?
2. What recommendations will you make to enable the implementation of tax policies?
3. What recommendation will you make to help improve revenue mobilization?

RECOMMENDATIONS FOR TAX STRATEGY

1. What recommendations will you make to help government design its tax strategies?
2. What recommendations will you make to enable the implementation of tax strategies by the GRA?

ANNEX 2

INTERVIEW QUESTIONNAIRES: SELECTED TAXPAYERS

Questionnaire Code : Interview Date :

Organization: ………………………… Department: ………………… Position: …………………………...

SECTION A: DEMOGRAPHIC CHARACTERISTICS

Sex ☐ Male ☐ Female

1. Educational Background

☐ None ☐ Basic ☐ SHS ☐ Tertiary ☐ Postgraduate

2. Which of the following institutions are from? Tick the appropriate

☐ Ministry of Finance

☐ Ministry of Trade

☐ Ghana Revenue Authority

☐ Ghana Investment Promotion Centre

☐ Private Sector Representative

☐ Selected Taxpayer

3. Which of the following best describes your position?

☐ The business owner

☐ Manager

☐ Head of department

SECTION B: Convenience of Tax Payment System

1. What is the first thing you need to do when making tax payment?

…………………………………………………………………………………………………
…………………………………………………………………………………………………

2. Do you face any difficulties when paying your tax liability?

☐ Yes

☐ No

3. Do you have someone who assists you in making your tax payment?
   - ☐ Yes
   - ☐ No

4. What mode of payment do you use in making tax payment?
   - ☐ Bank Transfer
   - ☐ Mobile Money
   - ☐ Cheque
   - ☐ Cash

5. Is the mode of payment easily accessible?
   - ☐ Yes
   - ☐ No

SECTION C: TAX EDUCATION

1. In light of the importance of tax regulations to the government, why do you think people do not pay their taxes or file their tax returns as mandated?
   - ☐ Some do not know the laws and their obligations
   - ☐ Some do not know how to file taxes
   - ☐ We don't see what government is doing with the tax they collect
   - ☐ The tax officers do not educate us well on payment of taxes

2. In your view, what will be the best strategy/method for educating the general public on taxes? (tick all that applies)
   - ☐ Send text messages
   - ☐ Market broadcasts
   - ☐ One-on-one education and support
   - ☐ Radio and television programme
   - ☐ Other (specify)

3. Has any tax official come to educate you on tax policies and your obligations within the last year?
   - ☐ Yes
   - ☐ No

4. When was the last time you had any form of education on your tax obligations and procedures?
   - ☐ About 6 months ago
   - ☐ Between 6 months and a year ago
   - ☐ Between 1 year and 2 years ago
   - ☐ More than 2 years ago

5. Which is your most trusted source of information/education on tax policies and your obligations? (select only 1)
   - ☐ Radio/Television
   - ☐ Social Media (Whatsapp, Facebook etc.)
   - ☐ GRA Website
   - ☐ Direct in-person education by GRA officers
   - ☐ Market broadcast using vans etc.
6. Which is your most preferred source of education on your tax obligations and regulations?
   - ☐ Radio/Television
   - ☐ Social Media (WhatsApp, Facebook etc.)
   - ☐ GRA Website
   - ☐ Direct in-person education by GRA officers
   - ☐ Market broadcast using vans etc.

SECTION D: Customer Satisfaction

This section should only be administered to respondents who do not work with the GRA.

1. How many years have you been involved in filing tax returns or payment of taxes to GRA?

   ……….. years
2. Which GRA office do you file your tax returns? …………………………………….
3. Is this the closest GRA office to your business?

   ☐ Yes ***(Skip to question 4)*** ☐ No
4. If no to question 51, why don't you file your tax returns at the nearest GRA office?
   - ☐ The staff there are not friendly
   - ☐ I have a friend in the other office who helps me complete the process
   - ☐ I started filing my returns there and so I don't want to change
   - ☐ No reason

   Other (specify)
5. What is the primary way you interact with the GRA? ***(Please select only one answer)***
   - ☐ In person (local office)
   - ☐ Telephone
   - ☐ Letter
   - ☐ GRA website
   - ☐ GRA social media account
   - ☐ In person at my work place
6. What is your most preferred way of interacting with the GRA? ***(Please select only one answer)***

- ☐ In person (local office)
- ☐ Telephone
- ☐ Letter
- ☐ GRA website
- ☐ GRA social media account
- ☐ In person at my work place

7. In the last year, how often have you interacted with the GRA using each of the following;

Form of interaction	Very often	Not that often	Not often	Not at all
In person (local office)				
Telephone				
Email				
Letter				
GRA website				
WhatsApp				
Facebook				
Twitter				
Instagram				

8. GRA has a customer care/call centre. Have you ever contacted GRA through the call centre?

☐ Yes ☐ No ***(Skip to question 9)***

9. If yes, how long do you wait before speaking to a GRA customer care personnel?

- ☐ Less than 1 minute
- ☐ 2 minutes or less
- ☐ 3 minute or less
- ☐ 4 minutes or less
- ☐ 5 minutes or less

10. In your opinion, how long of a waiting time is acceptable?

- ☐ Less than 1 minute
- ☐ 2 minutes or less
- ☐ 3 minute or less
- ☐ 4 minutes or less
- ☐ 5 minutes or less

11. If no, why don't you contact GRA through the call centre?

- ☐ No reason
- ☐ I feel it will not work
- ☐ I tried once and it didn't go through
- ☐ I tried once and no one answered the call

12. Based on your most recent contact with the GRA's call centre how much do you agree with each of the following statements?

Statements	1 = Strongly Agree	2 = Agree	3 = Neutral	4 = Disagree	5 = Strongly Disagree
I was treated with courtesy and respect					
My call was answered quickly					
I was provided clear and useful information					
I was able to resolve my questions/issues					

13. If you visited the GRA office in the last year, how do you agree with each of the following statements?

Statement	1 = Strongly Agree	2 = Agree	3 = Neutral	4 = Disagree	5 = Strongly Disagree	6 = NA
GRA officers are always willing and ready to assist me in filing my taxes						
Tax officers talk to me politely and I like the way they talk to me						
The location of the GRA tax office makes it difficult to visit their offices to file taxes or make inquiries						
I get prompt and appropriate responses to my questions/requests/queries						
I receive regular education on tax laws, regulations and procedures for filing taxes from GRA officials						
I am satisfied with the length of time I spend at the GRA offices when filing my tax returns						
I am treated with respect when I visit the GRA tax offices						

I am happy with the level and kinds of tax education provided by the GRA officers						

14. If you visited the GRA website in the last year, how do you agree with each of the following;

Statements	1 = Strongly Agree	2 = Agree	3 = Neutral	4 = Disagree	5 = Strongly Disagree	6 = NA
The GRA website is easy to navigate						
The GRA website has current and updated information						
The GRA website has all relevant information I need clearly written						
The GRA website is interactive and I receive feedback to all my queries through the website						
The contact information provided at the website is reliable						

15. On the average, how much time do you spend at the GRA offices when filing tax returns?

☐ Less than 30 minutes

☐ between 30 minutes and 1 hour

☐ between 1 hour to 2 hours

☐ more than 2 hours

16. In your view, how much time (maximum) should you spend at the GRA offices when filing tax returns?

☐ Less than 30 minutes

☐ between 30 minutes and 1 hour

☐ between 1 hour to 2 hours

☐ more than 2 hours

17. What are some of the challenges you face in receiving services from GRA offices?

………………………………………………………………………………………………
………………………………………………………………………………………………
………………………………………………………………………………………………

18. How satisfied are you with the overall quality of service you receive from GRA?

☐ Very satisfied

☐ somewhat satisfied

☐ dissatisfied

☐ very dissatisfied

SECTION E: Perceived Benefits of Taxation

1. What benefit do you get from paying taxes?

……

……

2. Do you find payment of taxes beneficial to the general public?

☐ Yes ☐ No

3. Does the government use tax revenue for intended purposes?

☐ Yes ☐ No

4. Do you think government wastes tax revenues?

☐ Yes ☐ No

5. Is the tax revenue used for developmental projects that benefit the general public?

☐ Yes ☐ No

6. Does government usage of tax revenue affects your decision to pay tax?

☐ Yes ☐ No

SECTION F: Perceived Corruption in Tax Collection and Accounting

1. Do you think GRA officials account for the total tax collected?

☐ Yes ☐ No

2. Is there any system in place to monitor tax revenue collected?

☐ Yes ☐ No

3. Do you think some tax officials take bribe to help some taxpayers under declare their tax liability?

☐ Yes ☐ No

ANNEX 3

INTERVIEW QUESTIONS WITH THE MOF AND THE GRA

Questionnaire Code: Interview Date:

Organization: ………………………… Department: ………………… Position: …………………………...

SECTION A: DEMOGRAPHIC CHARACTERISTICS

☐ Sex ☐ Male ☐ Female

1. Educational Background

☐ None ☐ Basic ☐ SHS ☐ Tertiary ☐ Postgraduate

2. Which of the following institutions are you from? Tick the appropriate Ministry of Finance

☐ Ministry of Trade

☐ Ghana Revenue Authority

☐ Ghana Investment Promotion Centre

☐ Private Sector Representative

☐ Selected Taxpayer

☐

3. Which of the following best describes your position?

☐ The business owner

☐ Manager

☐ Head of department

SECTION B: Tax Policy

1. What is the process for making tax policy?

…………………………………………………………………………………………………
…………………………………………………………………………………………………

2. Is the process transparent?

☐ Yes ☐ No

3. Do you undertake adequate consultation when formulating tax policy and strategies?

☐ Yes ☐ No

4. Is there any single document containing tax policies and strategies in Ghana?

☐ Yes ☐ No

5. What are the sources of tax policy and strategies in Ghana?

....

6. Do you face any challenges implementing tax policies and strategies?

☐ Yes ☐ No

7. What are some of the challenges?

....

8. Do you have any plan for evaluating tax policies and strategies?

☐ Yes ☐ No

9. Do tax policies and strategies impact on total tax revenue?

☐ Yes ☐ No

10. Are there any organisational and capacity constraints that impede revenue collection?

☐ Yes ☐ No

11. What are some of the organisational and capacity constraints that impede revenue collection?

....

SECTION C: Challenges in Collecting Tax Revenue

1. What challenge do you face in collecting tax revenue?

....

....

2. Does this challenge affect your ability to collect tax revenue?

☐ Yes ☐ No

3. Does the GRA have any automation system in place to assist revenue collection?

☐ Yes ☐ No

4. Does this system help to overcome the challenges of revenue collection?

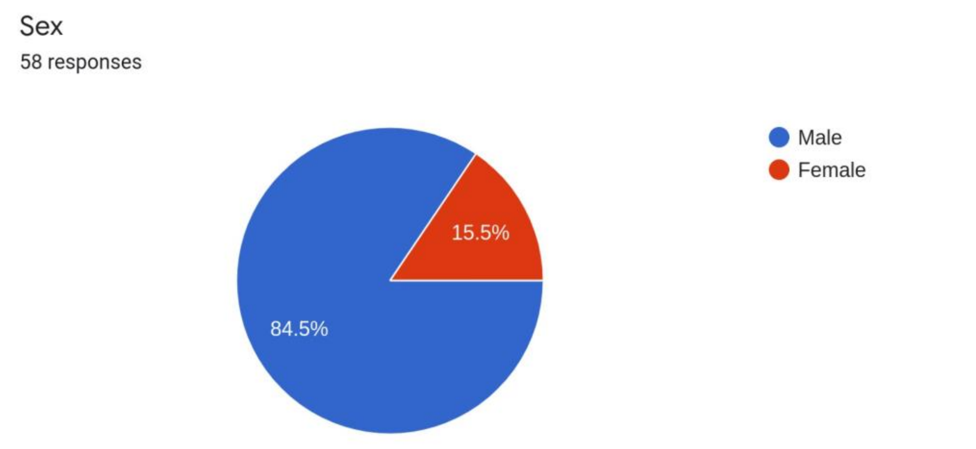
☐ Yes ☐ No

ANNEX 4

EXPLORATORY DATA ANALYSIS

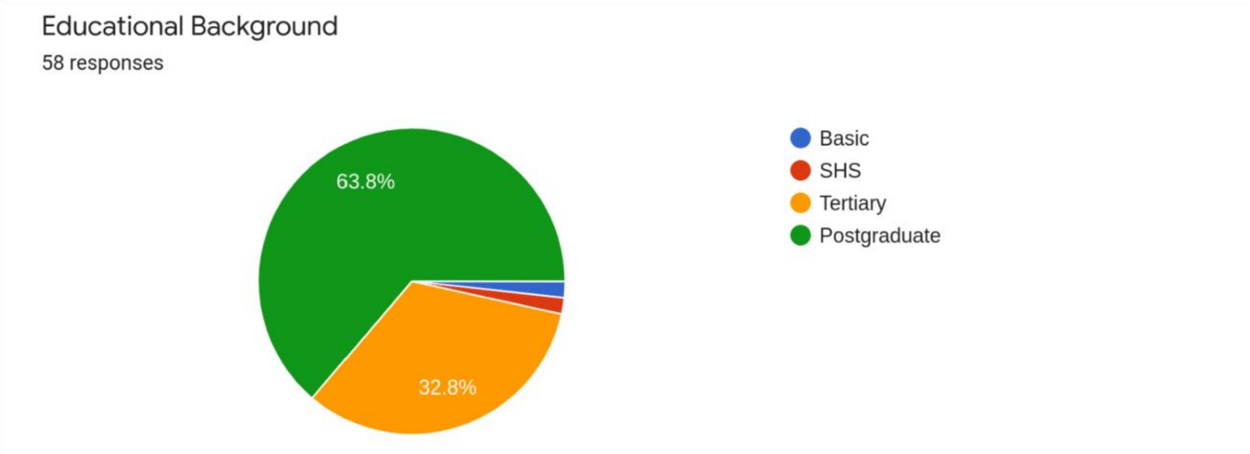
The response data was imported, and calculations were formed which led to plotting of these figures.

Sex:



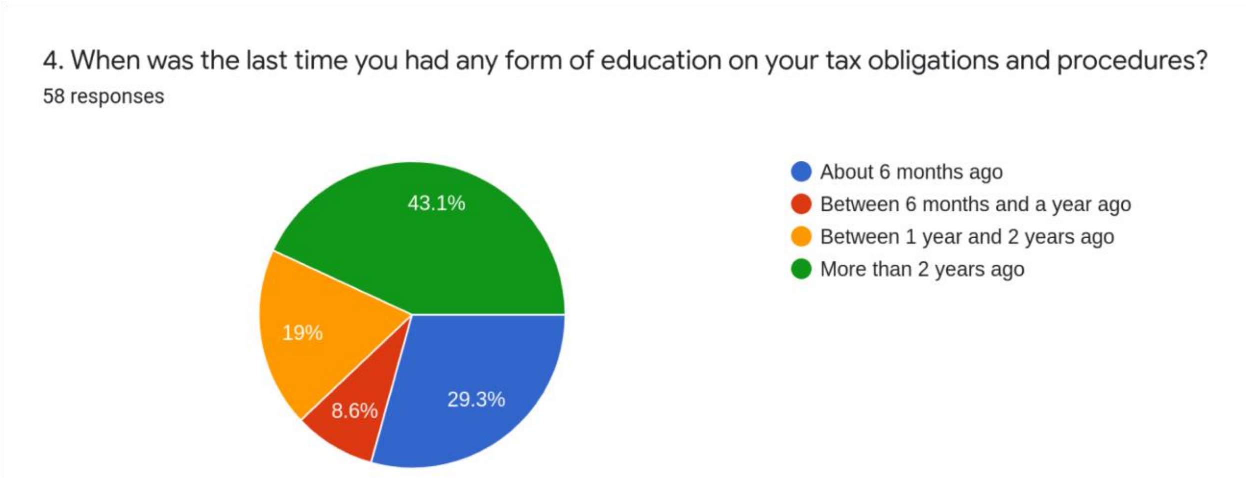
Looking at the chart above, out of the 58 responses we had, 15.5% are females and 84.5% are males.

Educational Background:

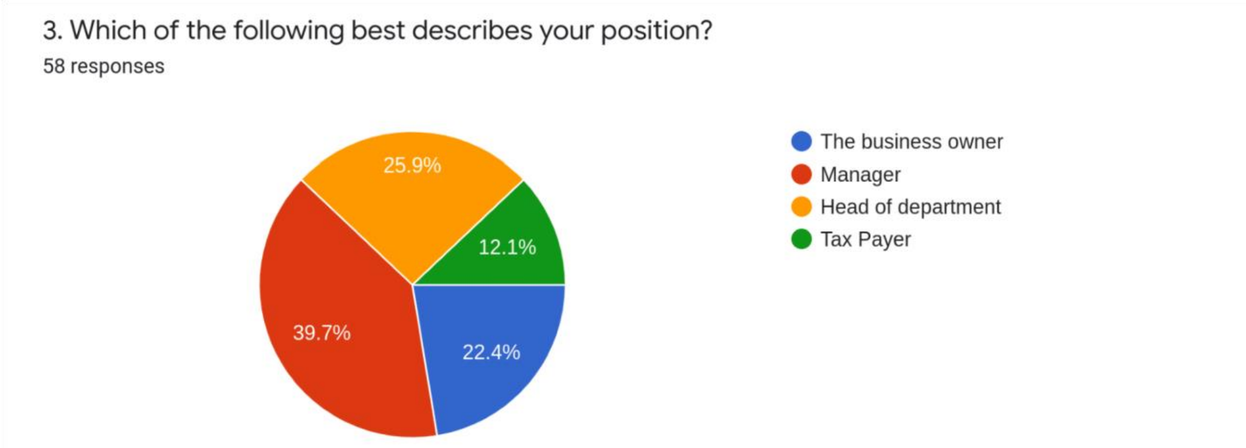


The above chart shows the percentage distribution for the education background of the response we had.

32.8% of taxpayers have a tertiary background. 63.8% have a postgraduate background and only 1% have a high school background

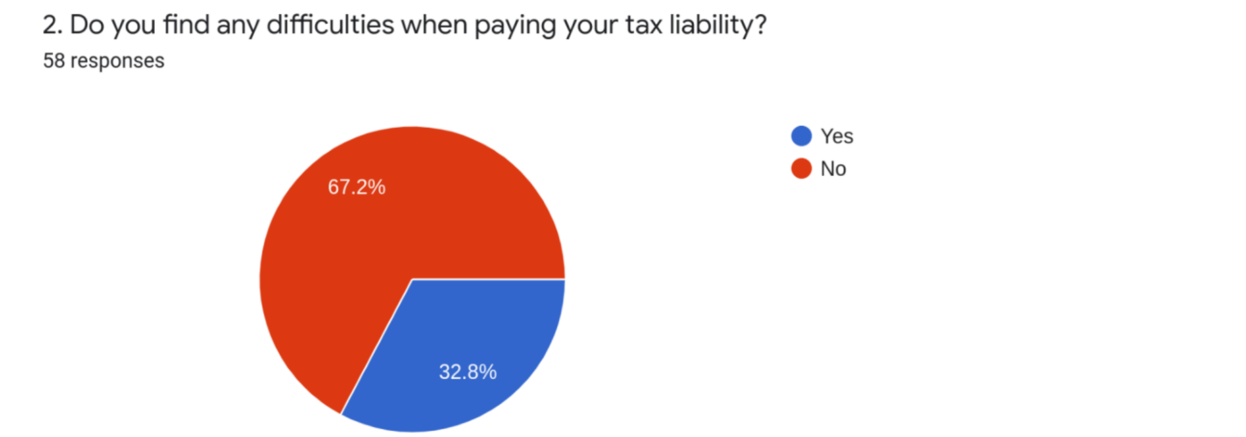


The figure above indicates the last time a taxpayer who participated in this survey got any form of education on tax obligations and procedures. The majority (43%) of people haven't received any form of education for the past 2 years, **Position:**



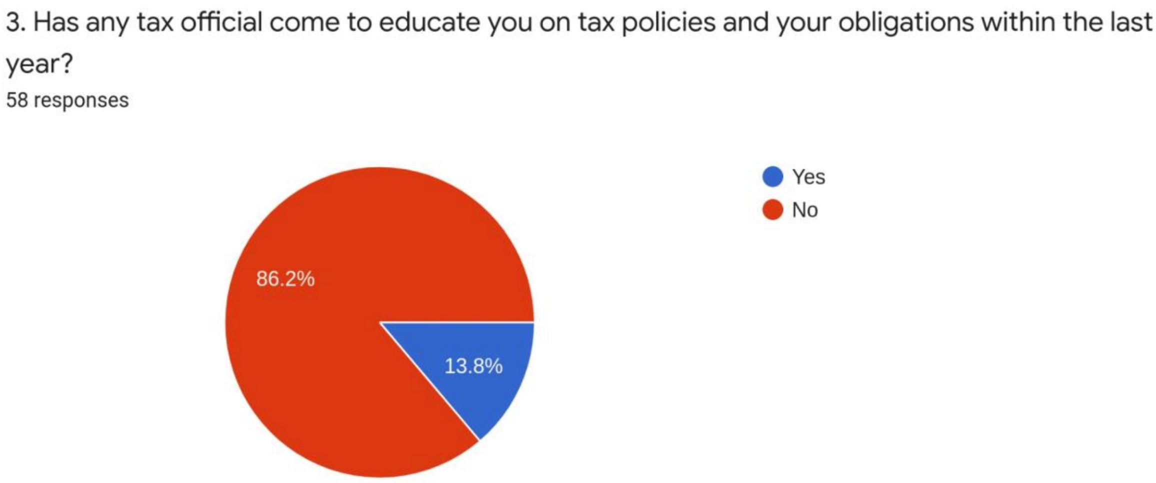
With a goal of getting the position for each person. The above chart shows that 39.7% of the response received were managers, 25.9 were the head of their various departments and 22.4% own their businesses.

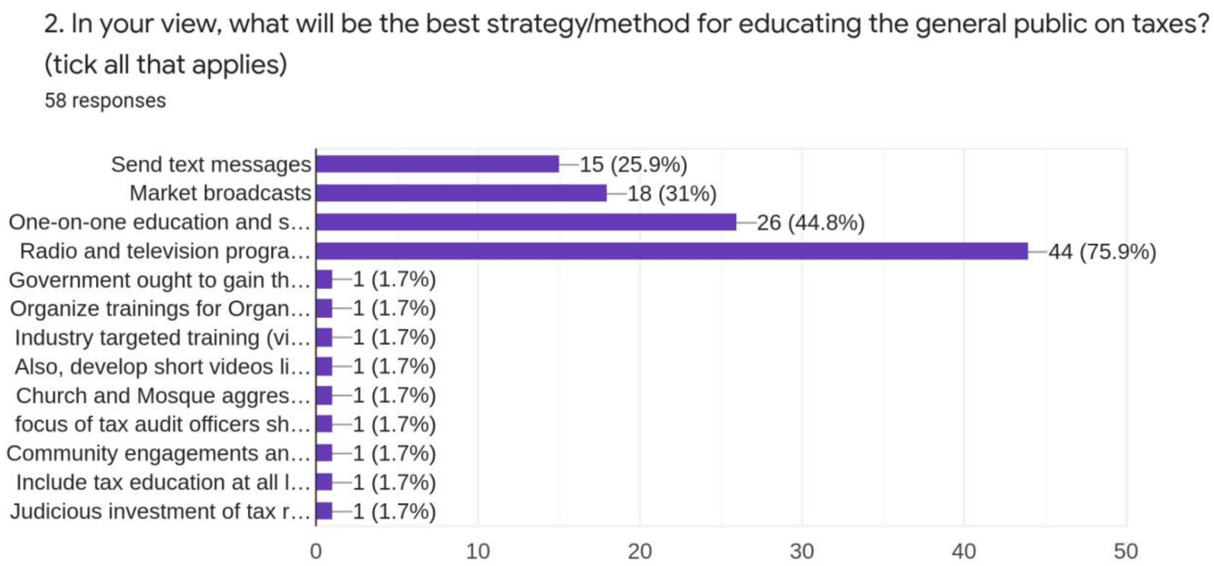
Difficulty in Tax Payment:



The figure above indicates the percentage of the response we had that finds difficulty when paying the tax liability. Out of the response, 67.2% don't find any difficulty while 32.8% find difficulty.

Tax Education:

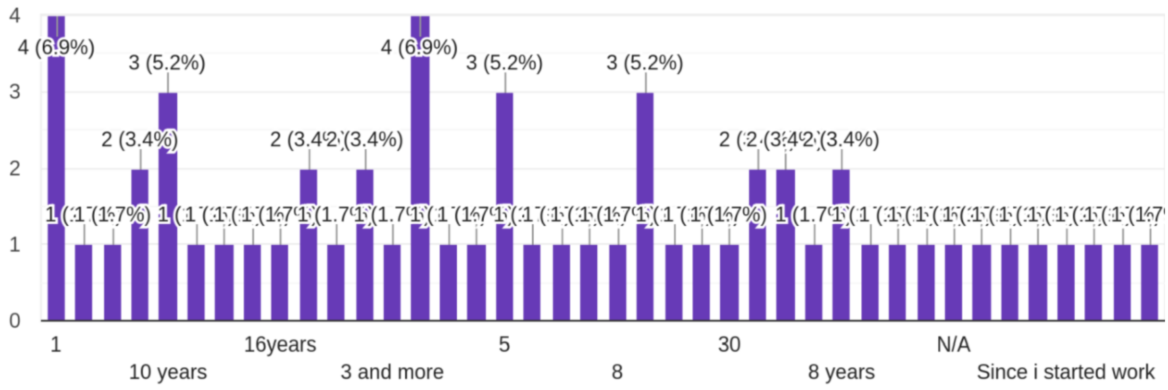




13.8% of the taxpayers that participated in this survey have had an official to educate them while 86.2% haven't. The chart above aims at identifying the best strategy for educating the general public on taxes.75.9% opted for radio and television programmes as the preferred and best method, 44.8% opted for one-on-one education, 31% went for market broadcast and only 25.9% went for text messages as a medium of education.

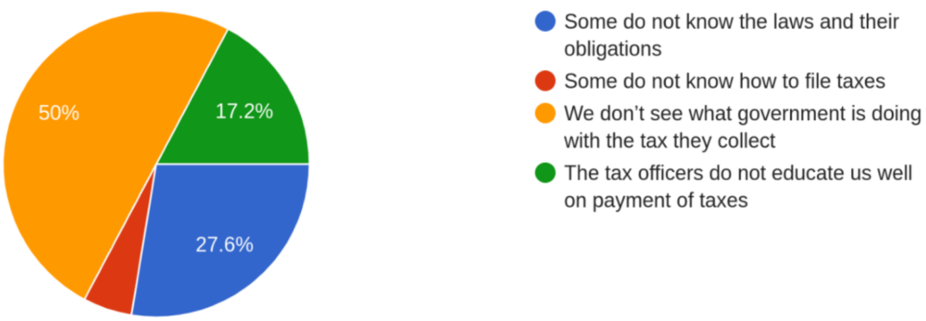
Tax Payment:

1. How many years have you been involved in filing tax returns or payment of taxes to GRA?
58 responses



The figure above indicates the number of years the taxpayers have been filing their taxes, about 14.3% have been paying their taxes for 3 years.

1. In light of the importance of tax regulations to the government, why do you think people do not pay their taxes or file their tax returns as mandated?
58 responses



The chart above indicates the response got from taxpayers on why they think people do not pay their taxes.50% of them think people do not pay because they do not see what the government is doing with the tax they have collected.

Fig D.

What mode of payment do you use in making tax payment?
58 responses

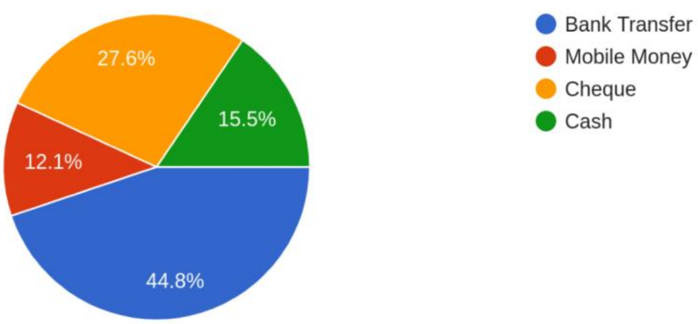
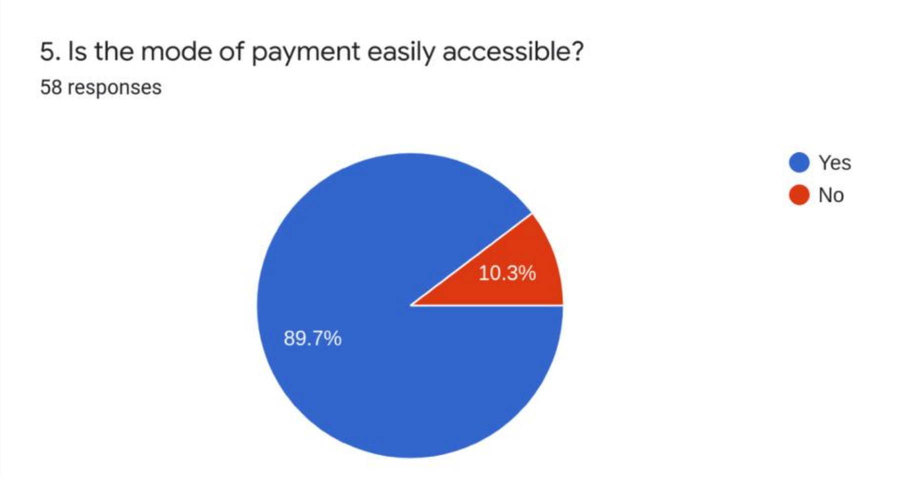


Fig C.



The figures(D, C) above indicates the various means, the taxpayers use in paying tax, about 44.8% uses bank transfer as their payment method, 15.5% uses cash, 27.6% uses cheque, and 12.1% uses mobile money transfer as a mode of payment. Also, 89.7% finds the mode of payment very accessible **User's Perspective:**

Fig A.

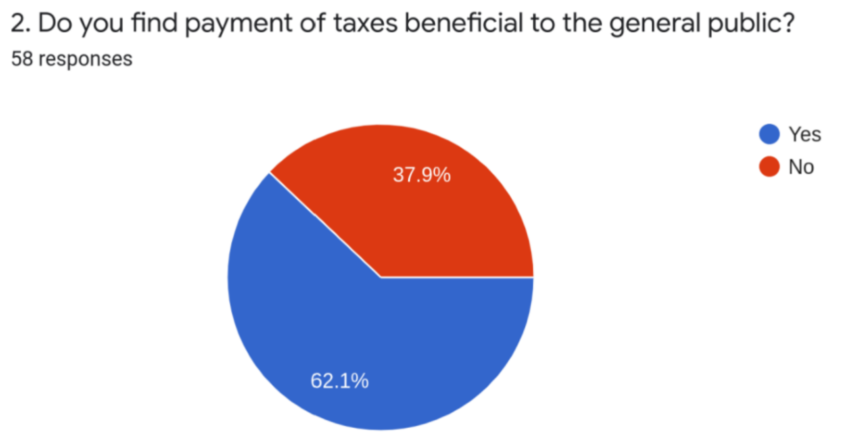
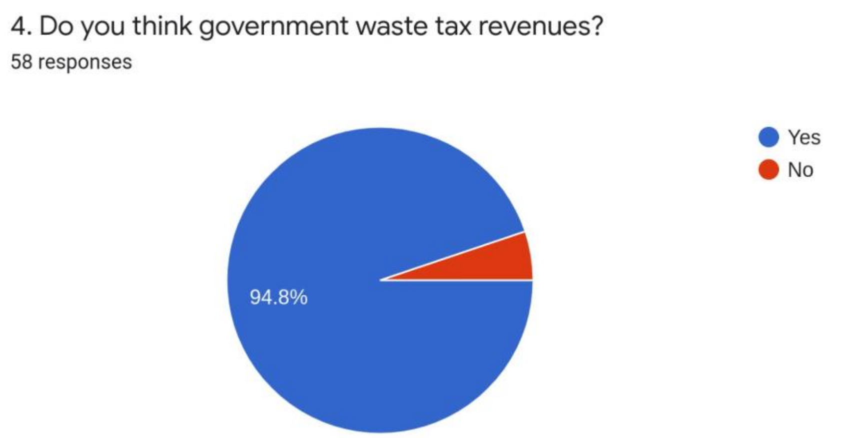
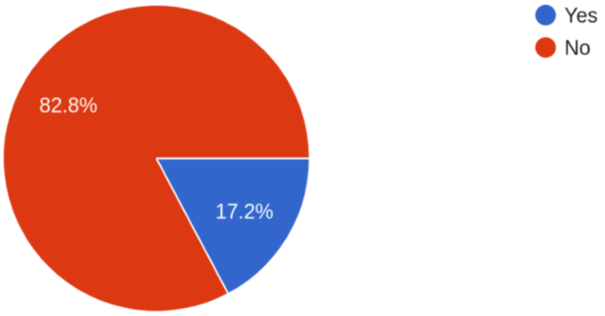


Fig B.

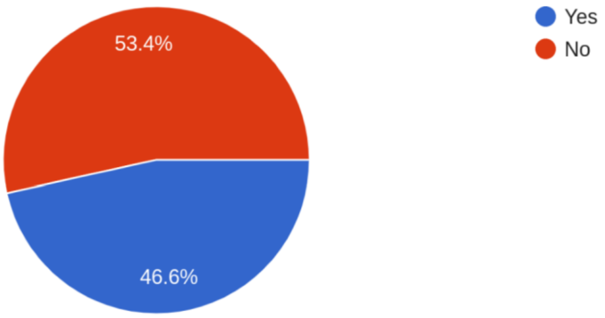


3. Does the government uses tax revenue for intended purposes?
58 responses



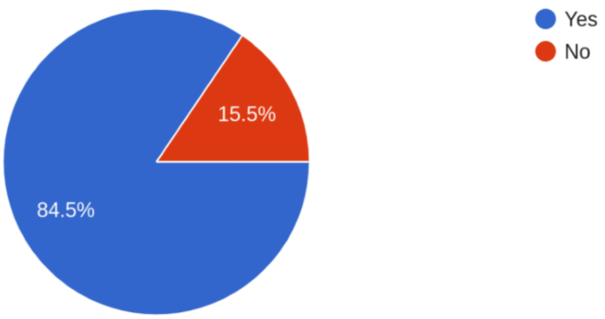
82.8% of taxpayers think the government doesn't use tax for its intended purpose while 17.2% of taxpayers think the government does. In figure A, about 62.1% of taxpayers don't find tax benefits the public. This led to the one-sided response for figure B. 94.8% of taxpayers thinks the government waste tax revenues.

1. Do you think GRA officials account for the total tax collected?
58 responses



53.4% of taxpayers who participated in this survey think there is no system to monitor tax revenue collected and 46.6% think otherwise. The above figure illustrates the percentage of taxpayers that think GRA officials don't account for the total tax collected

3. Do you think some tax officials take bribe to help some taxpayers under declare their tax liability?
58 responses

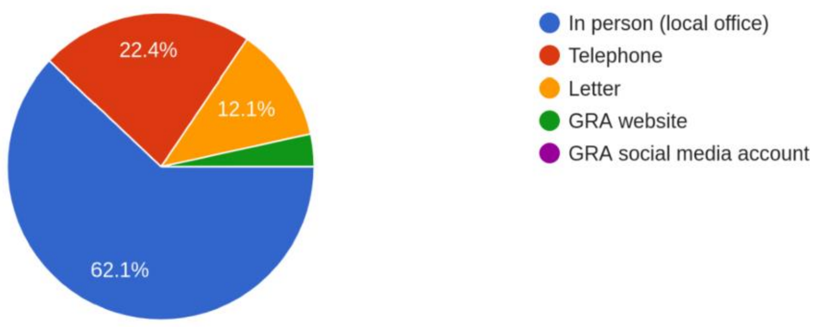


The chart above indicates how taxpayers feel about tax officials, 84.5% of taxpayers feel tax officials take a bribe to help some taxpayers under-declare their tax liability

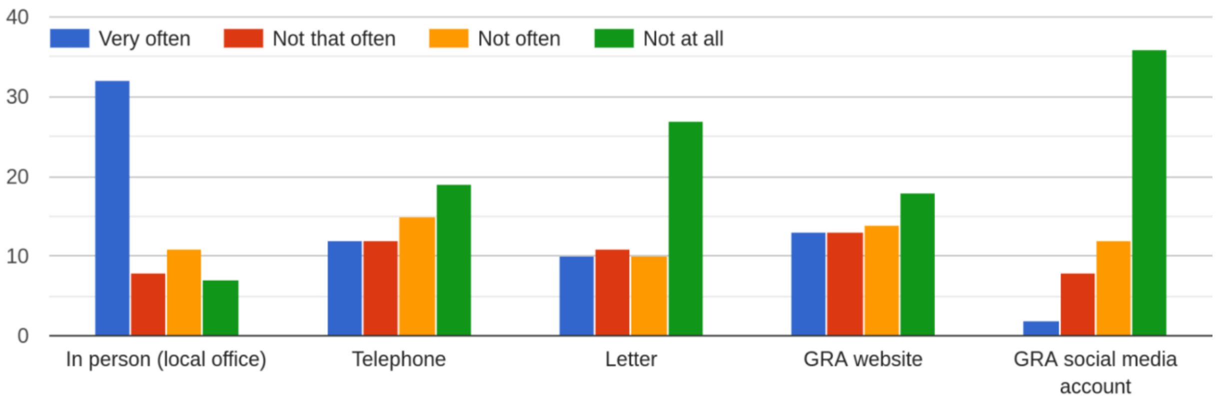
GRA Interaction

5. What is the primary way you interact with the GRA? (Please select only one answer)

58 responses



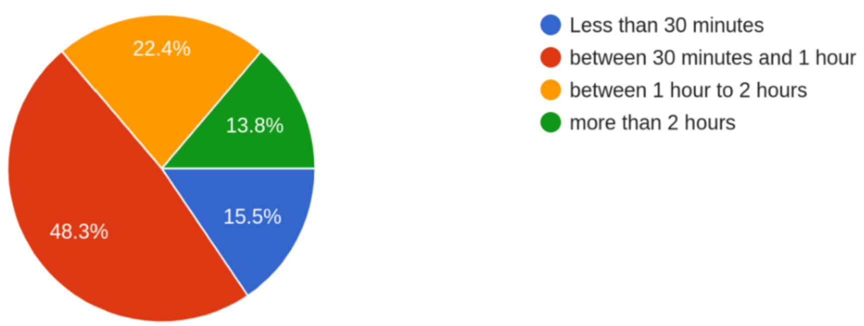
7. In the last year, how often have you interacted with the GRA using each of the following?



The figure above indicates the primary way taxpayers who participated in this survey interacted with GRA. 62.1% had an in-person interaction, 22.4% had a phone interaction. 12.1% interacted with the GRA through letters.

15. On the average, how much time do you spend at the GRA offices when filing tax returns?

58 responses



The chart above indicates that about 48.3% of taxpayers spend between 30 minutes to an hour at the GRA when filing tax returns

ANNEX 5:

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