

Full Length Research Paper

Evaluating taxpayers' attitude and its influence on tax compliance decisions in Tamale, Ghana

Abubakari Abdul – Razak^{1*} and Christopher Jwayire Adafula²

¹Accountancy Department Tamale Polytechnic Tamale - Northern Region Ghana.

²Finance Department; Accountant Budgets, Bolgatanga Polytechnic, Sumbrungu – U/E Region, Ghana.

Accepted 19 September, 2013

This research was conducted to provide an insight into the debate in Ghana - a developing country: the influence of attitudes of individual taxpayers on tax compliance decisions. Survey responses from questionnaires administered to operators of SMEs in Tamale, were quantitatively analysed. Both descriptive and inferential statistics were applied. The results indicated that, individuals are highly concerned with the amount of taxes they pay. The rates of income taxes in Ghana are generally perceived to be high. Furthermore, the burden of taxes paid affects the attitudes of individuals and this informs how they evaluate the tax system and consequently their compliance decisions. Individuals have little regard for the amount of taxes paid by them in comparison to amounts paid by higher income earners. It was further revealed that, the level of governmental accountability and transparency did not significantly impact taxpayers' attitudes. The perceived level of benefits derived from the provision of public goods and services particularly physical infrastructure was high. The results further indicated that, individuals did not clearly understand the tax laws. A significant positive statistical relationship ($R=0.72$) was found to exist between levels of understanding and tax compliance decisions.

Key words: Tax compliance, individual attitudes, planned behaviour, Tamale –Ghana.

INTRODUCTION

Achieving high levels of voluntary tax compliance and/or maintaining current compliance rates as well as increasing the marginal levels are issues of concern to fiscal policy makers in developed and developing countries alike. This is the case because, irrespective of the nature of the economy, the principal objective of taxation is one and the same: to raise revenue towards the financing of public goods and services, and funding of governments (Martina et al., 2008). Indeed taxes are a major part of the means through which monetary resources are mobilised by governments for the prosecution of projects and programmes. These projects and programmes are usually undertaken with the view to providing varied services to the citizenry ranging from;

road infrastructure, internal security, protection against external aggression, sewage services, disaster management and to the new phenomenon of counterterrorism.

Ghana has recently achieved a lower middle income status; as a result of rebasing of the economy by the Statistical Services of Ghana in 2011 (Francisco et al., 2013). Substantial investment in productive infrastructure is required to maintain this exalted status and to prevent the country from sliding. These infrastructural projects, as stated earlier are financed from a myriad of sources including taxation. To this end, taxpayers' attitude towards tax payment is seen as a major precondition for effective revenue mobilization in all countries and Ghana

is not an exception. In spite of its current middle income status, Ghana continues to face challenges with regard to mobilisation of tax revenues, and there seems to be no end in sight in this regard. For example, only 1.5 million citizens out of the estimated taxable population of 6 million pay direct taxes (Ghana, 2011). This represents only 25% rate of compliance. The share of personal income tax to total tax revenue has been the lowest in the past 15 years (Ghana, 2012). Historically, Ghanaians vehemently resisted Act 486 of 1994, the law that initially introduced the Value Added Tax (VAT). The famous “Kumipreko” demonstrations and other resistance protests against the introduction of the tax were fierce (Ali-Nakyee, 2006). Quite recently, the general public’s response to the introduction of the Communication Service Tax (CST) christened “Talk tax” was negative.

Tax research in Ghana, like other developing countries, seems to focus greater attention on the twin issues of administrative reforms of taxation and reduction of corruption (Richard, 2003). For example, Terkper (2007) explored ways of improving the tax accounting systems of SME’s in Ghana while Ayee (2007) discussed strategies for achieving compliance through building and improving reciprocity with government. The study by Atuguba (2006) profiled the tax culture of Ghanaians. It however fell short of examining specific attitudinal antecedents of tax-paying behaviour. This study is hence carried out to examine the issue of tax payers’ attitude effect on tax compliance. In view of that, this study sought to achieve the following objectives:

- i. To assess the extent to which individual taxpayers’ perceptions of the burden of tax influences the attitudes of income taxpayers in Tamale (Ghana).
- ii. To assess the degree to which individual income taxpayers’ levels of understanding of the tax law influences attitudes of taxpayers.
- iii. To determine whether taxpayers’ perceptions of accountability of government influences taxpayer’s attitudes.
- iv. To determine the extent to which the factors mentioned above influence individual taxpayer’s compliance decisions.

Scope of the study

This study focused on individual income earners in the Tamale metropolitan area. These persons were informal self employed/petty traders and individuals engaged in small and medium scale enterprises located within the Tamale Metropolitan area. The meaning of small and medium scale enterprises in this study is based on the definition and classification given by Ayee (2007). The age of respondents, annual incomes, educational backgrounds and the type of enterprise operated were

analysed. These factors were considered important because of their likely effects on the individual’s compliance decision. Older business enterprises may have dealt with the tax authorities for a rather longer period than younger ones; thus the older business operators may better understand the tax laws, and consequently may be better positioned to evaluate their burden of taxes. Ghana’s income tax regime is progressive; and thus taxpayers with varying levels of incomes will feel different about the distribution effects of the tax system. The gender and educational qualifications of respondents were also studied. The issue of feminine compliance influenced our decision to analyse the gender of the respondents. Educated people are more capable of comparing the benefits derived from government in relation to the amounts they contribute to the state, as compared to less educated people. It was therefore deemed necessary to evaluate the educational backgrounds of the respondents. The results of these are shown in (Annex Table 2).

Delimitations

- i. Respondents whose incomes are exempted from tax by law were not included in this study.
- ii. Also persons, whose income taxes (Pay As You Earn) are deducted at source, by the Controller and Accountant General Department, were not included in the population of this study.

Limitations of the study

- (a) Due to the small sample size used for this study, results may not be generalized beyond the specific population from which the sample was drawn.
- (b) Sampled respondents may not have answered all questions with candor, and therefore the results of this research based on the opinions of the sampled group might not accurately reflect the opinions of all members of the included population. This is more so because, people generally feel reluctant to divulge correct information about their incomes and tax positions (Coskun and Savasan, 2009).

REVIEW OF RELEVANT LITERATURE

All over the world, governments strive to achieve development goals that are set out in either their annual fiscal budget or in their medium term plans. These goals require huge capital outlay to be met from taxation and other revenue sources. Certainly, taxes are generally seen as the most convenient means through which the

cost of governments is met albeit from the standpoint of government (Eshag, 1983). However, taxpayers' views appear not to take in with this notion. This assertion could be justified in the light of the various concerns regarding non-compliance to tax in the form of avoidance at the very least and outright evasion at the extreme (Coskun et al., 2009). Tax compliance has therefore generated huge international concerns for tax authorities and policy makers as tax evasion seriously threatens the capacity of governments to raise public revenue (Gerald et al., 2009). Developing and emerging economies are particularly vulnerable to tax evasion and avoidance activities of individual taxpayers and corporations... as the tax losses arising in course of tax evasion and avoidance activities do largely contribute to the poor performance of the state revenue mobilization in these countries... (GIZ, 2010).

In this regard, several attempts have over the years been made by both practitioners and academics to examine the issue of tax compliance from various angles including the behaviour of the taxpayer. For instance, Eshag (1983) argues that, the amount of tax revenue generated by a government for its expenditure programmes depends among other things, upon the willingness of the taxpayer to comply with the tax laws of the country. This willingness could also be attributed to the attitude that taxpayers demonstrate at any given point in time on the one hand and the purpose of the tax on the other hand (Noami and Joel, 2009).

Some of the empirical researches on tax compliance and evasion undertaken from various angles in the context of the business and economic environments of the developed countries of the world include those of: Andreoni, et al., (1998); Torgler (2003); Wenzel (2002); Diego and Luca (2011); Serdan et al. (2011) and Coskun et al. (2009). It has been argued that the findings of these works could not be favourably applied within the context of developing countries due mainly to the noticeable differences in the socio-political, cultural and even demographic constitution of the developed and developing economies (Alabede et al., 2011). Likhovsk (2010) also criticised some of these studies for their reliance on risk based neoclassical economics approaches to model the compliance decisions of individuals, particularly with reference to: (i) the level of actual income (ii) tax rate (iii) audit probability, and (iv) the magnitude of fines. Kircher et al. (2007) and Young et al. (2013) both faulted the economic approach to assessing tax compliance for its inability to provide extensive empirical explanations regarding tax compliance decisions on the one hand, and the constraint in methodology and the narrow scope applied to explain complex compliance behaviour on the other hand.

This gap therefore ushered in a new dimension to tax compliance research, aimed at identifying and explaining the other critical "*actors in the field*") which influence the

individual's compliance decision (Alm et al., 2011). In line with this, Fischer et al. (1992) resorted to different non-economic factors such as demographic; non-compliance opportunity; tax payers' attitude and perceptions of tax system fairness; and various features of the tax system fairness have been proposed to affect tax compliance. Following the lead of Fischer et al. (1992), the Inland Revenue Service of USA outlined 64 factors that are related with tax compliance by taxpayers or companies (Young, 1994). Other behavioural based studies of tax compliance include that of: Modeo et al. (1987) and Harwood et al. (1993). Also moral reasoning was studied by Singh (2003) and tax penalty and sanctions by Davis et al. (2002) and Tittle (1997).

This paper explores within the context of a developing country the taxpayers' perceptions regarding the burden of taxes; taxpayers' level of understanding and their attitude to pay tax; perception of government accountability to tax payers and how all these factors influence tax compliance.

The extent which the tax payers perceive a tax system to be fair influences their attitude to pay their taxes (Coskun, 2009; Alm, et al., 2011). Alabede et al. (2011) postulated that, a tax payer whose motive is to demonstrate his beliefs in a system will evaluate the fairness of the systems with objectivity whereas the taxpayer whose attitude is motivated by what benefit to derive from the system may label the tax system fair only if he is benefiting from it. Also Richardson (2006) indicated that perceived fairness of tax system is significantly related to tax non-compliance. Roth et al. (1989) and Jackson and Milliron (1986) found that tax payers concerns about fairness have links with attitudes and behavioral intentions about tax compliance. Therefore, to understand a particular individual tax payer's behavior, it is important to identify the determining variable of behavioural intentions (Hanno and Violette, 1996).

Apart from individual tax payers' perception about the fairness of the tax system, its complexity or otherwise influences the compliance of tax payers. The Internal Revenue Act 2000 of Ghana (Act 592) as amended stated in section 1 (i) that "a person who has a chargeable income shall pay subject to this Act, for each year of assessment income tax as calculated in accordance with this Act"(Ghana, 2000). As a civic duty, the expectation is that citizens may comply with the Act, but that is not the case with some citizens (Alabede et al., 2011). Terkper (2007) advanced the reason that tax payers demonstrate various degrees of compliance owing to factors such as lack of understanding of the tax laws; improper book keeping and apathy towards government. Jackson and Milliron (1986) contended that the complexity of tax system has been considered as a possible reason for tax non-compliance. To Young et al. (2013), the rules should be simple and clear allowing

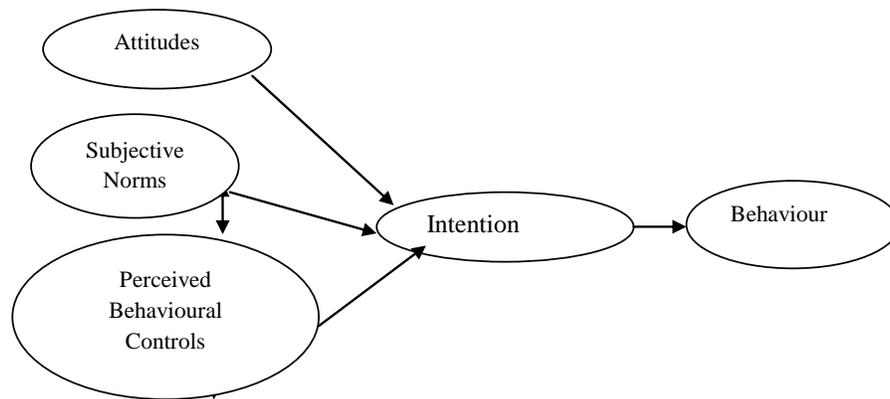


Figure 1. The theory of planned behaviour. *Source:* Ajzen (1991: 182).

taxpayers to read and understand the requirement and the rules they need to follow easily and quickly. Otherwise, tax payers' intentions of compliance may reduce. Beck et al. (1991) also concurred with this view by arguing that reducing tax complexity may lead to an increased perception of fairness on tax system and subsequent reduction of tax non-compliance.

Taxpayers' expectations are that the revenue generated from taxes should be spent and accounted for meaningfully by the state, (Young et al., 2013). Where this is lacking it can cause a slack in tax payers' commitment to pay their taxes. This is corroborated by Thorndike (2009) as he posited that citizens must comply with their obligations as part of their bargains, while governments are expected to secure the safety and security of individuals including the right to property. Braithwaite (2001) contended that the taxpayers' evaluation of local tax bureau's performance is proposed to affect tax compliance. Thus, the extent to which the tax office is delivering on its charter is suggested to be a factor affecting compliance. Young et al. (2013) concurred to this as they put it that as tax authority is fulfilling its promise their willingness to follow tax requirement may be higher.

The conceptual framework

This research is performed within the framework of the theory of planned behaviour. This model is shown in Figure 1.

From Figure 1, it can be seen that, the immediate antecedent determinant of behaviour is the intention behind that behaviour. Intentions are the motivational factors that influence behaviours that are under the volitional control of the individual (Ajzen, 1991). Volitional control behaviour is one in which the individual can decide at will to perform or not to perform the behaviour.

Though taxes are the product of law which must be obeyed, the decision to obey or not to obey is a voluntary one. Thus the issue of voluntary tax compliance can be investigated within the theory of planned behaviour (Allingham and Sandmo, 1972).

The willingness to pay taxes or comply with the tax laws or to engage in the given behaviour in general terms is informed by the overall attitude of the individual given certain coperant factors (Pickens, 2005). Thus the factors forming the basis of this study have been considered as antecedents of an individual's taxpaying attitude and modelled as follows (Figure 2):

MATERIALS AND METHODS

Research hypothesis

Given the availability of prior literature on the phenomenon of tax compliance and the need to examine the other critical "actors in the field" (Alm et al., 2011) which influence the individual's compliance decision, particularly within the context of a developing country like Ghana, the following tentative hypotheses have been articulated and examined in this study.

Hypotheses 1: *Perception of the burden of tax does not significantly influence taxpayers' attitudes and does not positively correlate with tax compliance.* This hypothesis was applied to examine the relationship and for that matter the extent to which the taxpayer's views about the burden of tax predicts an individual's taxpaying attitude. Some previous research works for example; Alabede et al., (2011); Diego and Luca, (2011); Allingham and Sandmo, (1972) seem to support the view that, taxpayers have some concern for vertical and horizontal equity and that, some taxpayers compliance levels decreased with high levels of unfairness in the tax system. The findings of Atuguba (2006) that "Ghanaians can be tax loving" is profoundly exciting and thus should be tested empirically.

Hypotheses 2: *Taxpayers level of understanding of the tax laws does not significantly influence taxpaying attitudes and does not positively correlate the individual's tax compliance.* "Complexity is

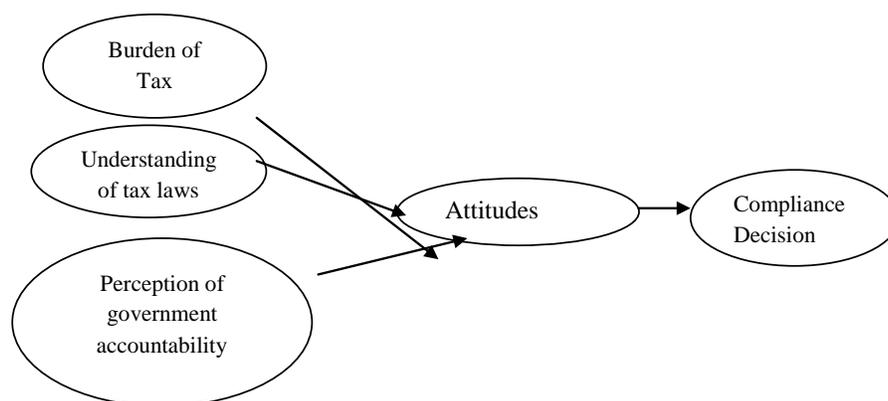


Figure 2. Researchers' model.

an unwanted feature of a tax system as it enhances the opportunity to avoid taxes" (Coskun and Savasan, 2009). The complexities in the system especially the use of legal verbiage could be an added ingredient in the milieu of noncompliance. The second hypothesis is thus meant to test whether there is any significant relationship between levels of understanding of the tax laws and tax compliance attitude

Hypotheses 3: *Taxpayers' perceptions of government accountability do not significantly influence taxpayers' attitudes and do not positively correlate with tax compliance decisions.* Underlying this hypothesis is the view that, when individuals voluntarily comply with their tax obligation, they are expectant that their contribution will yield some results. These results are viewed from different perspectives including the extent to which government is considered accountable to the people (Aye, 2007). It is thus assumed that, if individuals perceive their government of the day to be accountable, they will in consequence comply voluntarily with their tax obligations.

Research design and methods

A survey involving individual income earners in the Tamale metropolitan area was conducted. A structured questionnaire containing a five point Likert scale test items was applied in soliciting the opinions of individual taxpayers who are engaged in active medium and small scale businesses in Tamale. These individuals were selected on the basis of convenience. Interviews were also utilised in obtaining the primary data for this research. The Cronbach alpha (α) was applied as the statistical measure of reliability. The reliability estimates indicated that, each test item had an alpha (α) value greater than the mostly recommended magnitude of 0.70 according to Pallant, (2005).

Population and sample size

Non-probability sampling method was applied in this study. The sampling technique used was purposive. According to Aye, (2007) most Medium and Small Scale Enterprises in Ghana are managed by semi-literate individuals who are indifferent to proper record keeping. It would have therefore been inappropriate to randomly select respondents using probability sampling techniques as it is likely that a respondent may be randomly selected who cannot

provide answers to the questions. The sample was drawn from a population consisting of the following business categories; hairdressers, vehicle mechanics, provision shop keepers, fuel station malls, other shopping malls, and bookshop keepers, vendors of small wares and market women and men. A total of 390 questionnaires were applied out of which 244 were successfully returned. The return rate was 62.56%. Out of the successful returns 11 questionnaire forms were omitted.

Presentation of data

The Spearman Rank correlation coefficient (R) was applied to explain the strength of the relationship between the three main factors in the hypotheses of this research and tax compliance. Rank correlation is used because of the measurement scale applied in assessing the opinions of respondents regarding their levels of agreement and disagreement. A one-way ANOVA was also applied in testing for significant differences between the means of attitudinal variables and tax compliance. These tools were primarily employed to explain the causal relationship between the three variables namely; perception of burden of tax, understanding of the tax laws, and perception of government accountability influence the tax compliance decisions of individuals.

Socio biographic profile of respondents

A total of 233 respondents were successful. Out of this the male respondents represented 45.06%, and the rest of the 54.94% (128) were females. The mean age of business was 5 year (SD = 0.991). More than 61% of these businesses had been in operation above the mean of 5 years. Also 45% of respondents earned below GH¢6,500 in annual taxable incomes. The mean taxable income was GH¢9,750 with a standard deviation of 0.991. On the educational profile of respondents, 30.9% were senior high school leavers while only representing 9.7% had post first degree qualifications. In total more than half, that is 127 of the respondents did not have post secondary education. Sole proprietorship was the dominant type of business ownership with 82% of respondents operating this form of business while the second largest category was partnerships representing a total of 30 (12.9%). This situation appears to be the norm in most Ghanaian business ownerships (Aye, 2007) owing to various socio-cultural factors. In regard to the

Table 1. ANOVA of individual taxpayer's perceptions of burden of taxes paid.

		Sum of squares	df	Mean square	F	P - Value
Burden of amount of taxes paid	Between groups	8.334	4	2.083	2.912	.000
	Within groups	163.117	227	.715		
	Total	171.451	233			
Opinion on rates of taxes generally	Between groups	37.242	4	9.310	11.728	.000
	Within groups	180.202	227	.794		
	Total	217.444	233			
Fairness of tax paid relative to higher income-earners	Between groups	23.565	4	5.891	3.255	.000
	Within groups	410.913	227	1.810		
	Total	434.478	233			

Source: Field Survey, January (2013).

TIN status about 79% of respondents have had their businesses registered with the Domestic Tax Revenue Division of the Ghana Revenue Authority. Indeed technical compliance in this regard is clearly very high. When this data was further cross analysed according to the gender of respondents, the results showed that, 91% of females had registered their businesses as opposed to 66% for their male counterparts. Statistics on the biographic profile of respondents are illustrated in Table 2 in the annexure section of this paper.

Inter-item correlation matrix

Partial correlations were also calculated and analysed with the view to determining the magnitude and direction of relationship between the various attitudinal factors. The result of this is shown in the correlation matrix in Table 2 in the annex. Almost all underlying attitudinal variables showed significant inter-item correlations. Five major items stood out clearly in terms of their partial/inter-item correlation coefficients. These are (1) the perception of the burden of taxes paid (2) the opinion about the rate of taxes generally, (3) the legal language used in structuring the tax laws (4) the likelihood of compliance given an increase in ones level of income in the future and (5) perceptions of benefits derived from governments' use of public funds. All these variables have significant inter-item correlation coefficients greater than 0.3. This is indicative that, there is a higher degree of interdependence between the various items, thus justifying their inclusion in measuring the construct, that is, tax compliance decisions. This conclusion is further corroborated by the Spearman's correlation matrix of the weighted means of these variables shown in Table 4.

DISCUSSION OF RESULTS

Perceptions of burden of taxes

From Table 3 it has been revealed by the ANOVA that, there was no significant difference between the means of the three response items (all critical $P < 0.05$) which are applied in measuring the burden of tax. Most people appear slightly indifferent to the amount of taxes they paid relative to those paid by higher income earners. This is indicative that, the compliance decision of the sampled individuals in this study is not influenced by concerns of

vertical equity. This finding is rather diametrically opposed to the conclusions of (Coskun and Savasan, 2009) regarding vertical and horizontal equity. The Spearman Rank correlation coefficient ($R = 0.720$) reveals a strong statistical positive relationship between burden of tax and voluntary compliance. The coefficient of determination ($R^2 = 0.5184$ or 51.84%) also reveals a greater degree of the measured variable. This result is in tandem with prior research for example, (Alabede et al., 2011; Serdan et al., 2011; Torgler, 2003; Alm, et al., 2011; Atubuga, 2006) whose works concluded among others thing that, tax payers have concerns for fairness and take seriously their burden of tax in forming their tax compliance attitudes.

Taxpayers' levels of understanding of the tax laws

On the issue of understanding of the tax laws, a greater number of people demonstrated poor understanding of the tax laws. There was strong agreement that, the tax laws are written in a language that is difficult to understand and to apply. The respective means and standard deviations of 2.80, 1.135 and 3.230, 1.170 for statement of LU1 and LU3 as shown in Table 1 clearly attest to this conclusion. As evidenced by the review of literature, notably by Atuguba (2006), Alabede et al. (2011) and Diego and Luca (2011) the extent to which taxpayers understand the tax laws affects tax compliance. The results of the ANOVA presented in Table 4 also did not indicate the existence of any significant statistical difference as all P values were < 0.05 .

Perception of government's accountability

Individuals indicated that they are moderately benefiting from governments use of public funds. The level of government accountability was also somewhat low. This is also demonstrated in Table 1 (annexure) by the mean scores above 3.1 for all statements. The Spearman

Table 2. ANOVA of taxpayers levels of understanding of tax laws.

		Sum of squares	df	Mean square	F	P - value
Understanding rate of the tax law	Between groups	11.853	4	2.963	2.353	.000
	Within groups	287.066	228	1.259		
	Total	298.918	233			
Legal language affecting understanding of tax laws	Between groups	9.866	4	2.467	1.380	.000
	Within groups	407.404	228	1.787		
	Total	417.270	233			
Declaration of ALL sources of incomes	Between groups	5.670	4	1.418	1.036	.002
	Within groups	311.815	228	1.368		
	Total	317.485	233			

Source: Field Survey, January (2013).

Table 3. ANOVA of perception of government's accountability.

		Sum of square	df	Mean square	F	P-value
Level of transparency and accountability in the use of public funds in Ghana	Between Groups	10.134	5	2.027	1.858	.000
	Within Groups	247.668	227	1.091		
	Total	257.803	233			
Usage of public funds influencing willingness to pay taxes	Between Groups	16.092	5	3.218	3.061	.001
	Within Groups	238.689	227	1.051		
	Total	254.781	233			
Perception of benefits derived from government use of public funds	Between Groups	10.779	5	2.156	2.530	.002
	Within Groups	193.436	227	.852		
	Total	204.215	233			

Source: Field Survey, January (2013).

Ranked correlation coefficient for perception of government accountability also shows a rather slightly significant positive relationship ($R = 0.534$; $R^2 = 29.7\%$). Taxpayers however did not consider the issue of government accountability to be of essence in making their tax compliance decisions. This result is very profound given that, in a civic society, citizens most of the time will hold their governments accountable, where they seem to have notions that they are not getting their fair share of the bargain (Feld and Bruno, 2009). An argument could however be made that, this suggestion is

very idealistic in assuming that, there is a high level of awareness or consciousness in the citizenry regarding their rights and obligations under the social contract (Thorndike, 2009). The results of this study rather suggest the contrary. Sampled respondents did not consider government accountability in forming attitudes towards the tax system.

SUMMARY AND CONCLUSION

This study evaluated taxpayers' attitude and its effects on

Table 4. Spearman rank correlation coefficients between individual attitudinal factors and tax compliance.

	Burden of Tax	Understanding of tax laws	Perception of government accountability	Tax compliance
Burden of Tax	1	0.665*	0.514**	0.720**
Understanding of tax laws	0.665*	1	0.635*	0.626**
Perception of government accountability	0.514**	0.635*	1	0.534**
Tax compliance	0.720**	0.626**	0.534**	1

Source: Field Survey, January (2013) **. Correlation is significant at the 0.01 level (2-tailed). *.Correlation is significant at the 0.05 level (2-tailed).

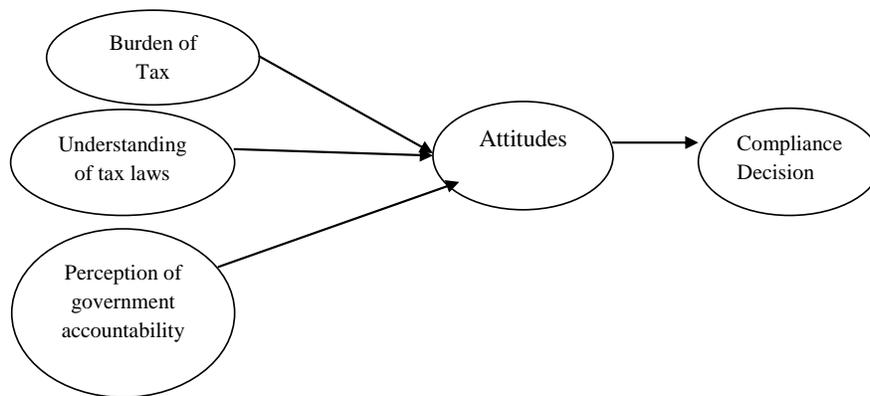


Figure 3. Summary of results of the model - correlation coefficients; Source: Researchers’ Model: January 2013.

tax compliance decisions in Tamale – Ghana. Three major factors were hypothesised and tested. These were: perception of burden of tax, respondents’ level of understanding of the tax laws and respondents’ perceptions of governments’ accountability (Figure 3).

Perception of burden of tax

Individual taxpayers had concern for the amount of taxes they pay. Female taxpayers were more sensitive to the amount of taxes they pay as pointed out earlier. A strong positive correlation exists between perceived levels of tax burden and compliance decisions. The policy implication of this is for the tax authorities to adopt strategies towards making the tax system more equitable taking the taxpayers views into account. After all, the issue of equity is one of the cardinal cannons of taxation identified by Adams Smith, an 18th century economist and political philosopher whose cutting edge economic and political economy theories have remained relevant till this day. Taxpayers perceive that, they were receiving some benefits from the government. They indicated that they may continue to comply with their tax obligations if the perceived benefits from government increased, even though their tax burdens were high. This conclusion was

reflected in the inter-item correlation coefficient between burden of tax and perception of government’s accountability. The partial correlation coefficient between burden of tax and perceive level of benefits derived (0.325) is significant.

Levels of understanding of the tax law

The study further established that taxpayers did not clearly understand the tax laws. The tax laws are written in a language that is very difficult to understand and to apply (Table 2). The levels of understanding of the tax laws influenced to a significant degree the attitudes of taxpayers. Taxpayers’ levels of understanding positively correlated to a significant degree with their tax compliance decisions. These conclusions had been confirms the evidences in extant studies (Alabede et al., 2011; Atubuga, 2006; Everest, 2008).

Perception of Government’s Accountability

Levels of accountability and transparency in governance are matters that taxpayers have less regard for in their

compliance decisions. This conclusion is in line with Atuguba (2006). That study concluded in part that people doubted the real benefits of paying taxes. Tax education is very crucial as the levels of transparency in the government use of revenue affects tax compliance. Atuguba (2006) captured this notion succinctly when he concluded in part "the transparency of the tax system is directly proportional to people's willingness to pay taxes and hence the amount of taxes that may be mobilised"

RECOMMENDATION

It is recommended that, the Domestic Tax Division of the Ghana Revenue Authority should revamp and revitalise the taxpayer award scheme. The aim should be to award consistency and faithfulness in income declaration and prompt payment of taxes. This will encourage other taxpayers not to indulge in tax evasion.

Individuals will continue to willingly pay their taxes if they know that their taxes are being put to good use (Atuguba, 2006; Ayee, 2007). It is therefore recommended that the government through the ministry of information should continuously educate the taxpaying public about ongoing projects which are being financed from their taxes. When taxpayers get feedback from their governments in connection with the use to which their taxes are put, their voluntary compliance levels may increase as a result.

The National Board for Small Scale Industries (NBSSI) in collaboration with national bodies such as National Commission for Civic Education, Rural Enterprise Foundation, and other allied bodies to carry out business education fairs with the view to promoting joint venturing. This will likely widen the current envelop of taxable incomes and in consequence increase the amount of tax revenues to be generated by government for development purposes.

It is worth reiterating that there is the need for government through the National Commission on Civic Education in collaboration with the ministry of information to undertake sensitization programmes aimed at educating the public about their fundamental obligations as citizens. The operations and client service units of the Domestic Taxes Division of the Ghana Revenue Authority should adopt mechanisms aimed at clarifying the tax laws. New legislative instruments for the implementation of any budget or fiscal policy should be promptly disseminated and the taxpaying public clearly educated. This will deal with the problem of low levels of understanding of the tax laws. When this is achieved it will conceivably help to increase the amount of revenue mobilised from direct taxation. *If possible tax education should be introduced at the basic school level with the view to making the population a very conscious taxpaying mass.*

Suggestions for further research

The sample size used was not very large due to financial resource constraints. Further research could therefore be conducted into the phenomenon using a larger sample size. Preferably the study could be conducted across the 10 regions of Ghana to find out whether there are regional differences in attitudes with regard to tax compliance. This could be an important step in clarifying and updating extant knowledge about the tax culture and morale of Ghanaians.

The religious denominations of respondents were not analysed. A comparative study on tax compliance based on religion might be worth exploring.

There also is the need to explore further on why female taxpayers have greater concern for equity and the burden of tax than male taxpayers. Some studies have tried to look at feminine compliance to tax within the context of the Western developed countries. This is worthy of replication in a developing country like Ghana

REFERENCES

- Ajzen I (1991). *Organisational and Human Decision Processes: The Theory of Planned Behaviour*. Massachusetts: Academic Press Inc.
- Alabede OJ, Ariffin ZZ, Kamil MI (July 2011). Individual Taxpayers' Attitudes and Compliance Behaviour in Nigeria: The moderating Role of Financial Condition and Risk Preference. *J. Account. Taxat. Vol 3(5)*.
- Alabede OJ, Zainol A, Kamil MI (2011). Determinants of Tax Compliance Behaviour: A Proposed Model for Nigeria. *Inter. Res. J. Financ. Econ. p. 122*.
- Ali-Nakyea A (2006). *Taxation in Ghana; Principles Practice and Planning; Page 273*. Accra: Black Mask Limited.
- Allingham G, Sandmo A (1972). Income Tax Evasion: A Theoretical Analysis. *J. Pub. Econ. 323 - 338*.
- Alm J, Kirkchler E, Muehlbacher S, Gangl K, Hofmann E, Kogler C (2011). Rethinking the Research Paradigms for Analysing Tax Compliance Behaviour. *"The Shadow Economy, Tax Evasion and Money Laundering"* (p. 34). Munster: FOCUS.
- Andreoni J, Erard B, Feinstein J (1998). Tax Compliance. *J. Econ. Lit. Vol 36*.
- Atuguba R (2006). *The Tax Culture of Ghanaian: A Research Report Prepared for the Revenue Mobilisation Support (RMS)*. Accra: Legal Resource Centre; GTZ.
- Ayee JR (2007). Building Tax Compliance Through Reciprocity with Government. *Enterprise Formalization in Africa* (pp. 6 - 7). Accra: Foreign Investment Advisory Service of the World Bank Group.
- Beck P, Davis J, Jung W (1991). Experimental Evidence on Tax Compliance reporting under uncertainty. *Accounting Review*.
- Braithwaite V, Reinhart M, Graham R (2001). *Preliminary findings from the Community Hopes, Fears and Actions Survey*.
- Coskun CA, Savasan F (2009). Tax Morale: Empirical Evidence from Turkey. *Annual Meeting of the European Public Choice Society*.
- Davis J, Hecht G, Perkins JD (2002). Social Behaviours, Enforcement and Tax Compliance Dynamics. *The Accounting Review*.
- Diego L, Luca Z (2011). Happiness and Tax Morale: An Empirical Analysis. *Working Paper Serie. WP 4*.
- Eshag E (1983). *Fiscal and Monetary Policies and Problems in Developing Countries*. Cambridge: Cambridge University Press.
- Everest PM (2008). Business Tax as State-building in Developing Countries: Applying governance principles in Private Sector Development. *Inter. J. Regulat. Gov. 8(2): 123 -154*.

- Feld LP, Bruno SF (2009). Tax Evasion in Switzerland: The Roles of Deterrence and Tax Morale. *Working Paper Series. Working Paper No. 284, Institute for Empirical Research in Economics. University of Zurich.*
- Fischer C, Wartick M, Mar M (1992). Detection Probability and Taxpayers Compliance: A Review of Literature. *IJ Accounting Literature.*
- Fishbein M, Ajzen I (1975). Belief, Attitude, Intention and Behaviour: An Introduction to Theory and Research- Reading. *Reading, MA - Wesley.*
- Juan AMM, María GR, Francisco SG (2013). *Ghana's Advance to Middle-income Status Requires Firm Policies.* Retrieved from IMF Survey Magazine: <http://www.imf.org/external/pubs/ft/survey/so/2013/car061213a.htm>
- Frank VO, Frank S (2005). A Connectionist Model of Attitude Formation and Change. *Personal. Soc. Psychol. Rev.* 9(3)231-274.
- Gerald C, Leung P (2009). A Critical Review of Fischers Tax Compliance Model: A Research Synthesis. *J. Taxat. Account.*
- Ghana RO (2000). Internal Revenue Act, Act 592 2000. Accra: Assembly Press.
- Ghana RO (2011). *Budget Statement and Economic Policy.* Accra: Assembly Press.
- GIZ (2010). *Addressing Tax Evasion and Avoidance in Developing Countries.* Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.
- Harwood G, Larkins E, Vazques J (1993). Using a Randomised response methodology to collect data for tax compliance. *The J. Am. Taxat.*
- Isaac W, Ajay M, Mehrotra PM (2009). *The Thunder of History: The Origins and Development of the New Fiscal Sociology.* Cambridge: Cambridge Press.
- Jackson B, Milliron V (1986). Tax Compliance Research Findings, Problems and Prospects. *Journal of Accounting Literature.*
- Kirchler, E., & Hoelzl Wahl, E. (2008). The Slippery Slope Framework. *Journal of Economics and Psychology,* 210 -225.
- Kristina M (2004). *Moving towards a more effective model of regulatory enforcement in the Australian Taxation Office.*
- Kristina M (2004, November). An Examination of Taxpayers' Attitudes Towards the Australian Tax System: A survey of Tax Scheme Investors. Working Paper 46. *Centre for Tax System Integrity; Australian National University,* p. 2.
- Likhovsk A (2010). Is Tax Law Culturally Specific? Lessons from the history of income tax law in Mandatory Palestine. *Theoretical Inquiries in Law,* 725-763.
- Lumumba, O. M., Magutu, P. O., Wanjohi, S. M., & Mokoro MJ (2010). Taxpayers' Attitudes and Tax Compliance Behaviour in Kenya. *African Journal of Business and Management.*
- Margaret M, Evans C (2009). Sustaining Growth in Developing Economies through Improved Taxpayer Compliance: Challenges for Policy Makers and Revenue Authorities. *eJournal of Tax Research; Volume 7 Number 2.*
- Martina H, Silvia R, Eric K, Alfred S (2008). Procedural Fairness and Tax Compliance. *Econ. Anal. Tax Policy,* 38(1): 137.
- Modeo S, Schepanski A, Uecker V (1987). Modelling of Judgement of Taxpayers' Compliance. *Account. Rev.* 323-342.
- Noami F, Joel S (2009). War and Taxation: When Does Patriotism Overcome the Free-Rider Impluse? *The New Fiscal Sociology. Taxation in Coparative and Historial Perspectives,* pp. 143-156.
- Pallant J (2005). *SPSS Survival Manual: A step by Step Guide to Data Analysis Using SPSS for Windows.* Maidenhead: Open University Press.
- Pickens J (2005). *Organisational Behaviour for Health Care: Attitudes and Perceptions, Page 44.* Miami Florida.
- Richardson D (2006). Determinants of Tax Evasion. A cross-country investigation. *International Journal of Accounting, Auditing and Taxation,* 150-169.
- Sandmo A (2006). The Thoery of Tax Evasion: A Retrospective View. *National Tax J.,* 58: 642 - 663.
- Serdan B, Ahmet FC, Tamer B (2011). An Investigation of Tax Compliance Intentions: A Theory of Planned Behaviour Approach. *European J. Econ. Financ. Admin. Sci.*
- Singh V (2003). Tax Compliance and Ethical Decision-making. A Malaysian Perspective. *1st Edu. I Pearson Malaysia Sdn.Bhd.*
- Terkper S (2007). Improving Taxpayer Accounting for SMEs and Individuals. *Andrew Young School of Policy Studies; Annual Conference on Public Finance Issues: Alternative Methods of Taxing Individuals* (pp. 22-23). Georgia State: Georgia State University.
- Thorndike JJ (2009). The Unfair Advantage of the Few: The New Deal Origins of "Soak the Rich" Taxation. *The New Fiscal Sociology: Taxation in Comparative and Historical Perspectives,* pp. 26 - 28.
- Tittle C (1997). Sanction, Fear and the Maintenance of Social Order. *Social Forces,* 55(3), 579-596.
- Torgler B (2003). The Importance of faith. *Centre for Research in Economics, Management and the Arts (CREMA).*
- Wenzel M (2002). *An Analysis of Norm Processing in Tax Compliance.* Canberra: The Australian National University, University Tax Office. Centre for Tax Integrity.
- Young A, Danny C, Daniel H (2013). A Study of the Impace of Culture on Tax Compliance in China. *International Tax Journal; CCH Incorporated.*