

TAX ADMINISTRATION IN GHANA (a case study in Kumasi Metropolis)
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ABSTRACT

The role of the Ghana Revenue Authority (GRA) cannot be ignored. The primary responsibility of every government is to provide better or improved living conditions for its people. Carrying out infrastructure and developmental projects involves huge capital expenditures. To meet these expenditures the government relies on taxes, non-taxes as well as loans and grants from foreign countries.

Taxes are expected to bring benefits to the economy of Ghana. This includes fiscal benefit which improves the development of the nation.

The study identifies and examines the challenges facing the administration of taxes in Ghana. The study was undertaken to outline the various challenges of Ghana Revenue Authority and make some suggestions and recommendations to combat such challenges thereby helping to expand the tax net for the country.

It came out from the study that the challenges were pertinent to both tax officials and the taxpayers.

In view of this, recommendations were made, which I strongly believe that when these are comprehended to, it will ensure efficiency and effectiveness in the administration of income tax in Ghana.

KeyWords: Challenges, IncomeTax, Direct and Indirect tax.

INTRODUCTION

The primary responsibility of every government is to provide better or improved living conditions for its people. The government must provide the resources needed to achieve this goal. Carrying out infrastructure and developmental project involves huge capital expenditures. The government must therefore get some sort of revenue to finance these expenditures.

To meet these expenditures or achieve the primary goal, the government relies on taxes, non-taxes as well as loans and grants from foreign countries. The

foreign monies received are payable at a given time period while others are given for specific projects only. The loans given for specific projects cannot be used for other purposes.

Basically, government administer two types of taxes namely, Direct and Indirect taxes. The Indirect taxes are made up of Customs and Excise Duties, purchase tax, sales tax and Value Added Tax. Simply put, indirect taxes are taxes levied on goods and services. Direct taxes on the other hand are levied on income. Examples are corporate tax, Pay As You – Earn (PAYE) and taxes on incomes of self –employed persons like traders, professionals etc.

As part of government revenue generation to finance its expenditures, the 1992 constitution of Ghana makes it obligatory to levy tax on the income of the people and companies as well. The government considers the levy of tax as an important aspect of its income generating activities as it is the main source of income to the government.

One of the institution that is charged with the collection of taxes in this country as stated in clause 2 of Act 174 is the Ghana Revenue Authority (GRA). This research focuses on the activities and performance of the Ghana Revenue Authority with regard to improving domestic mobilisation of direct taxes.

WHAT IS INCOME

Income can be said to be an amount of money derived or obtained out of work done or service rendered at a point in time. It can also be said to be a flow of wealth or service in excess of what is necessary to maintain a constant capital. It is the enjoyment of the service of capital over a period of time. (Margaret Lalikinson)

INCOME EXEMPTED FROM TAX

Section 10 and 11 of the decree however exempted some income from tax. These are;

1. The income of charitable or educational institutions of a public character provided that such income is not derived from trade or business carried on by such institution.
2. The income from cocoa of a cocoa farmer.
3. The income of an institution or trust of a public character by any enactment (law) solely for the purpose of scientific research. Example. Council for scientific and industrial research (C.S.I.R).
4. The income accruing to a company engaged in construction for sale or letting of residential premises during the first five (5) years of the company. E.g. Real Estate Development.
5. The rent income from residential or commercial premises during the first five (5) years after the completion of the construction.
6. The income of rural banks for the first ten (10) years of operations.
7. The income accruing to the Ghana stock Exchange during the first fifteen (15) years of its existence.
8. The income accruing from farming of livestock (other than cattle), fish, or cash crops for the period of (5) years from the commencement of commercial production.
9. In the case of tree crops such as coffee, oil palm, shear butter, rubber and coconut during the first ten (10) years following the date of the first harvest.
10. Any expert, adviser, technician or official whose salary or principal emolument is not payable by the government of Ghana and who is brought to Ghana through any specialise nation of the United Nation organization approved by the president.

WHAT IS AN ASSESSABLE INCOME

It is the sum total of a person's income earned in a particular year of assessment which is deemed to be taxable.

THE INCOME TAX RELIEF AND THE FILING OF TAX RETURNS

A tax relief is an approved allowance granted by the government to soften the burden of

tax on the individual or an approved deductible allowance intended to reduce your taxable income and thereby lessen your tax burden.

TYPES OF RELIEF

1. MARRIAGE AND RESPOSIBILITY:

It is granted to an individual with a dependent spouse or at least two dependent children. The relief is thirty five (GH¢35) Ghana Cedis per annum.

2. CHILDREN EDUCATION RELIEF:

- i. The relief is thirty (GH¢30) Ghana Cedis per annum.

3. OLD AGE RELIEF:

- i. The relief is thirty five (GH¢35) Ghana Cedis per annum

4. DISABLED RELIEF:

- i. This relief is 25% of the disable persons income from business and, or employment.

5. AGED DEPENDANT RELIEF:

- i. The relief is twenty five (GH¢25) Ghana Cedis per relative per year.

6. SOCIAL SECURITY RELIEF:

- i. Your contribution as an employee shall not exceed five (5%) of your total emoluments.
- ii. Your contribution as a self employed person shall not exceed seventeen and half percent (17.5%) of your income from business.

7. PROFESSIONAL / SELF IMPROVEMENT RELIEF

- i. The relief is one hundred Ghana Cedis (GH¢100.00).

8. LIFE ASSURANCE:

- i. the relief shall not exceed 10% of the sum assured
- ii. The annual premium paid is allowed as relief provided it does not exceed 10% of your income.
- iii. The premiums are paid in Ghana currency.

WHAT IS A RETURN

A return is a statutory form which has to be completed by every tax payer. It shows the taxpayers personal circumstances for a given year. The personal circumstances may vary from year to year and it is only a tax return which can show this.

RESULTS PRESENTATION

The following are the data or responses obtained as been some of the challenges facing the administration of income tax in Ghana (relevant to the area studied-Ashanti Newtown District).

- i. Lack of education on taxation
- ii. Unwillingness by Ghanaians to pay tax
- iii. The corrupt nature of tax officials
- iv. Provision of wrong information by taxpayers to the service
- v. Lack of motivation to the GRA personnel
- vi. Large area of operation
- vii. Outmoded system of operation
- viii. Inadequacy of GRA staff
- ix. Lack of logistics

ANALYSIS AND INTERPRETATION OF DATA

A. Lack of education on income tax

TABLE 1.1

RESPONDENTS	POSITIVE RESPONSE		NEGATIVE RESPONSE	
	FREQ.	%	FREQ.	%
TAX OFFICIALS	90	60	60	40
TAX PAYERS	120	80	30	20

The above table and the chart represent the responses obtained on the problem of education on income tax been lacking.

The table 1.1 and chart 1.1 reveals clearly that out of the 150 respondents from the taxpayers and tax officials, 80 and 60 percent answered positively whiles the rest responded negatively.

This shows that lack of education on taxation account for the challenges of income tax administration.

B. Unwillingness by Ghanaians to pay tax.

TABLE 1.2

RESPONDENTS	POSITIVE RESPONSE		NEGATIVE RESPONSE	
	FREQ.	%	FREQ.	%
TAX OFFICIALS	120	80	30	20
TAX PAYERS	30	20	120	80

With regards to whether or not Ghanaians are willing to pay tax, the study disclosed that on the part of the taxpayers 20% consented to the unwillingness to pay whiles 80% responded otherwise. 80% of the sample GRA personnel proved positively to the problem under study whiles 20% stated otherwise. Through interview conducted, the GRA personnel disclosed to the researcher that only few among many of the taxpayers come to their office voluntarily to file their returns for assessment and also the

provisional assessment made to them are not comprehended to by the taxpayers. Furthermore, the taxpayers run from their stores when they go on field operation. This is a clear indication that Ghanaians in general are not willing to pay tax.

C. The Corrupt Nature of Tax Officials

TABLE 1.3

RESPONDENTS	POSITIVE RESPONSE		NEGATIVE RESPONSE	
	FREQ.	%	FREQ.	%
TAX OFFICIALS	48	32	102	68
TAX PAYERS	129	86	21	14

On the issue of tax officials been corrupt, out of the 150 respondents of the GRA personnel, only 48 responded positively and

102 answered negatively. This means that about 32% accepted the fact that some of the officials are victim to it.

The response from the taxpayers revealed that most of the officials are highly corrupt as 86% of the respondents answered positively to the problem under study.

D. Provision of Wrong Information by Taxpayers to the Service

TABLE 1.4

RESPONDENTS	POSITIVE RESPONSE		NEGATIVE RESPONSE	
	FREQ.	%	FREQ.	%
TAX OFFICIALS	81	54	69	46
TAX PAYERS	60	40	90	60

From the study, 54% of sampled GRA personnel disclosed that the taxpayers have been providing wrong information about *their businesses to the service with regards to their address, and location*. 46% stands for those who provide the right information about their business.

From the 150 taxpayers sampled 90 responded that they provide the right information to the service representing 60%. Making comparison between the officials and the taxpayers view, there is a high percentage of taxpayers who provide wrong information to the service

YEAR	BUDGETED	ACTUAL	DEVIATION
2010	8,802,489.60	8,634,456.32	-168,033.28
2011	9,402,134.00	9,078,433.60	-323,700.40
2012	10,000,950.80	10,790,525.84	789,575.04
2013	13,001,145.60	13,606,756.00	605,610.40
2014	15,480,087.60	16,826,904.72	1,346,817.12

FACTORS MILITATING AGAINST EFFICIENT REVENUE COLLECTION

1. Ineffective tax education
2. Tax evasion
3. Absence of computerisation
4. Inadequate logistics
5. Low staff motivation
6. Luxurious living by some public officers.
7. Inadequate staff training.

RECOMMENDATION

1. Task force
2. Tax incentive scheme for agents
3. Public education
4. Computerisation
5. Manpower development
6. Logistics
7. Motivation
8. Legislation

CONCLUSION

The inception of the Ghana Revenue Authority has brought significant

Problems/Challenges	Positive Response		Negative Response	
	FREQ	%	FREQ	%
E. Lack of motivation	129	86	21	14
F. Large area of operation	99	66	51	34
G. Un-modernized System of operation	150	100	0	0
H. Inadequate of GRA staff	90	60	60	40
I. Lack of logistics	90	60	60	40

improvement in the operations of revenue collections, and can do better if the recommendations outlined above are followed and implemented.

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