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TAX KNOWLEDGE AND FILING OF TAX RETURNS BY SMALL AND MEDIUM ENTERPRISES IN THE TAMALE METROPOLIS OF GHANA

ZENABU BADZOE KANTON

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MEDIUM ENTERPRISES IN THE TAMALE METROPOLIS OF GHANA

BY

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DECLARATION

Student

I hereby declare that this thesis is the result of my own original work and that no part of it has been presented for another degree in this University or elsewhere:

ZENABU BADZOE KANTON   28ᵗʰ July 2017

(CANDIDATE)   SIGNATURE   DATE

Supervisor

I hereby declare that the preparation and presentation of this thesis was supervised in accordance with guidelines on supervision of dissertation/thesis laid down by the University for Development Studies.

MR. JOSEPH KOFI NKUAH   15/9/17

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ABSTRACT

Taxes play a significant role in the development of countries the world over. There are concerns that poor tax knowledge of SMEs in Tamale Metropolis is affecting the filing of tax returns. This has implications for local government revenue in the Tamale Metropolis. No study had been done on this problem which may be affecting the development of this Metropolis of Ghana. This study set out to assess the tax knowledge of owners of SMEs and filing of tax returns in the Tamale Metropolis. The Deterrence and Psychology theories on taxation were employed for the study. A descriptive research design was used to achieve the purpose of the research. Thirty (30) SMEs were chosen for empirical analysis. The study found that SME owners lack adequate tax knowledge about levels of taxable income, types of taxes their businesses are supposed to pay and payment dates. SME taxpayers' view on their level of tax knowledge was that it is inadequate to help them properly file their tax returns. The huge amount of paperwork to be completed in filing of tax returns compounds the problem of illiteracy and low level of education and prevents effective filing of tax returns by owners of SMEs. The study concludes that, only a small segment of the SME community in Tamale Metropolis files tax returns. However, the study recommends that, the Ghana Revenue Authority (GRA) should carry out very intensive education on filing of tax returns. There is also the need for tax simplification to improve filing of tax returns by owners of SMEs.

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DEDICATION

This work is dedicated to my husband and my entire family

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LIST OF ACRONYMS

AERC--------------African Economic Research Consortium

BoG-----------------Bank of Ghana

CEO----------------Chief Executive Officer

CEPS ---------------Custom Excise and Preventive Service

DTRD---------------Domestic Tax Revenue Division

ECOWAS----------Economic Community of West African States

EDIF----------------Export Development and Investment Fund

JHS------------------Junior High School

JSS------------------Junior Secondary School

OECD--------------Organization for Economic Cooperation and Development

IRS------------------Internal Revenue Service

GDP----------------Gross domestic product

GEDC --------------Ghana Enterprise Development Commission

GETFUND--------Ghana Education Trust Fund

GRA----------------Ghana Revenue Authority

GSS----------------Ghana Statistical Service

GST-----------------Goods and Services Tax

MSEs ---------------Micro and Small Enterprises

MSLC--------------Middle School Living Certificate

NBSSI--------------National Board for Small Scale Industries

NGO----------------Non- Governmental Organization

NHIL---------------National Health Insurance Levy

PAYE--------------Pay as you earn

PASW---------------Predictive Analytic Software

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PNDC--------------Provisional National Defense Council

SSSCE-------------Senior Secondary School Certificate Examination

SME----------------Small and medium enterprises

UK------------------United Kingdom

USAID-------------United States AID

VAT-----------------Value added tax

VFRS---------------VAT Flat Rate Scheme

VIT------------------Vehicle income tax

WASSSCE--------West African Senior Secondary School Certificate Examination

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Taxes play a significant role in the development of countries the world over. Taxes and tax systems are essential in nation building (Oladipupo & Obazee, 2016). Governments use taxes for state capacity building necessary for meaningful economic development (Bautigam, Fjeldstad, & Moore, 2005). Every country has its own tax policies. Tax policies determine the economic growth of many countries. Most countries depend on taxation as a means of generating the required resources to meet their national expenditure requirements (African Economic Research Consortium, 1998). Taxation is the process whereby a state or government exacts contributions from its citizens or from the residents of its territory for the maintenance of the state machinery (Seltzer, Goldsmith and Kendrick, 1951). It is the levying of compulsory contributions by public authorities having tax jurisdiction, to defray the cost of their activities in which no specific reward is gained by the taxpayer (Ali–Nakyea, 2008).

In Africa, tax revenue is a critical resource for nation building (Oladipupo & Obazee, 2016). This is true of Ghana. This is the reason why the Internal Revenue Service (IRS), one of the agencies of the Ghana Revenue Authority (GRA), asserted that; "little drops of taxes build a nation". In the current difficult national economic environment, the Government of Ghana is working to correct the growing fiscal imbalance because revenue generation falls below expenditure (Government of Ghana, 2015). Taxes are important sources of revenue for government to fund its increasing expenditure. A strong and efficient tax system

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will help generate tax revenue for enhanced economic growth. Tax administration is given priority in Ghana as in most countries. Tax authorities use legal and regulatory mechanisms to collect taxes. However, people and business entities may not pay taxes or may pay less taxes due to poor tax knowledge.

Poor tax knowledge can significantly affect filing of tax returns particularly in the informal economy where most Small and Medium Enterprises (SMEs) operate. Small and Medium Enterprises (SMEs) are an integral part of the economies of most countries. Globally, the contributions of SMEs to the growth and development of economies of countries are substantial given that they play significant roles in production, distribution, employment generation, wealth creation and distribution (Mbuta & Nkandela, 1998). SMEs also play roles in the value chain process in most industries and sectors in helping move products and services from producers to their end use by consumers and in the process they create employment, wealth and develop innovations (Nieman, Hough &Nieuwenhuizen, 2003). By playing these roles, SMEs serve as mechanisms for allocation of resources and wealth redistribution among diverse income, gender, ethnic and geographic groups in most countries of the world. In addition to the 'middleman' role played by SMEs, they are also seen as the basis of industrial development of any country (Nnanna, 2003).

Aghion and Bolton (1990) argued that successful industrialization must come from indigenous entrepreneurship and small firms provide the context for the development of indigenous entrepreneurial skills. SMEs' play significant roles in industrialization, employment generation and wealth creation and have considerable multiplier effects on economies through forward and backward

linkages (Allal & Chuta, 1982). Governments at all levels have undertaken initiatives to promote the growth of SMEs (Carsamer, 2009).

SMEs can play crucial roles in the socio-economic development of countries through the payment of taxes. Small and medium enterprises are for-profit or commercial entities and they include sole proprietorships, partnership and other corporate forms of business organization. Ghana has a vibrant SME sub-economy which contributes significantly to gross domestic product (GDP). Statistics from the Ghana Statistical Service (GSS) indicate that about 90% of businesses in Ghana fall under the small and medium enterprise category whose major activities include; soap and detergents making, fabrics, clothing and tailoring, textile and leather, village blacksmiths, ceramics, timber and mining, bricks and cement, beverages, food processing, bakeries, wood furniture, electronic assembly, agro processing, chemical based products and mechanics (Gray, Cooley &Lutabingwa, 1997). SMEs employ about 60% of the overall workforce yet they contribute only about 6% to GDP. The SME sector in Ghana is a fast-growing sector in the national economy and has the potential to make significant progress towards sustainable economic development through indigenous enterprise development.

SMEs in Ghana also have the potential to help generate greater tax revenue for sustainable economic and social benefits apart from contributing to employment creation, inter-industry linkages; working in close connection with larger firms and serving as agents in supply chains of many industries. This is possible through tax compliance and the filing of tax returns. Tax compliance is currently a topical policy issue in Ghana as the government is seeking ways to improve efficiency in tax revenue collection to finance the national budget. SMEs

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form the majority of businesses in Ghana as such their tax compliance levels will directly impact on government tax revenue collections. However, they are perceived not to be paying a fair share of their taxes. Thus, although it is generally accepted that SMEs in Ghana are the backbone of the national economy, their owners do not pay a fair share of their taxes due to poor tax knowledge among other things. Small and Medium sized Enterprises (SMEs) have the tendency to under-report tax liability. SME owners are expected to be well versed with tax knowledge to ensure that they properly file tax returns. Singh (2003) argues that knowledge is one of the significant predictors of tax compliance, influences taxpayers' ability to understand laws and regulations and comply appropriately. Tax compliance can be achieved if the persons involved are knowledgeable and can comprehend the relevant tax laws, guidelines and regulations (Chen Loo & Keng Ho, 2005). Poor tax knowledge can be the cause of fraud, errors and other forms of irregularities in tax reporting and payments.

Small taxpayers are generally worried about their knowledge of tax laws and interpretations of the rulings as this may affect filing of tax returns (Nakha, 2002). In Ghana the influence of poor tax knowledge on filing of tax returns by SMEs is yet to be known as there is no empirical study on this issue. This study investigates the tax knowledge of SMEs within the Tamale Metropolis of Ghana and whether it is helping to ensure proper filing of taxes as part of the overall effort of driving greater revenue mobilization since this is an important catalyst for socio-economic growth and national development.

1.2 Statement of the Problem

Small and Medium Enterprises contribute immensely to the growth of Ghana's economy (Ghana Revenue Authority, 2009). Taxes are a significant cost or drain on SMEs (Oladipupo & Obazee, 2016).According to the GRA (2009), the Government in its bid to boost the SME sector makes tax policies positively skewed in favor of small businesses or enterprises. However, there are concerns that poor tax knowledge of small business owners in some districts in Ghana influences the filing of their tax returns. In 2008, there were 46,842 small businesses registered in Ghana (up from 30,377 in 2006) of which 36,000 filed tax returns, which represents only a fraction of the total number of businesses in the country (GRA, 2009). In the Tamale Metropolis, in 2014 out of the total of 216 SMEs registered with the Ghana Revenue Authority (GRA), 153 (70.84%) filed tax returns while in 2015 out of the same total 164 (75.93%) filed their tax returns. This shows a marginal increase in the filing of tax returns by SMEs in the Tamale Metropolis. However the problem of all SMEs not filing their tax returns is worrying. It is perceived that this is partly a function of poor tax knowledge.

Poor tax knowledge has implications for local government revenue in the Tamale Metropolis. It is perceived that poor tax knowledge of SMEs have negative effects on filing of tax returns in the Tamale Metropolis. It is believed that owners of SMEs within Tamale Metropolis are robbing the Metropolitan Assembly and the state of the tax revenue needed in the improvement of socio-economic welfare of citizens. There are calls for an assessment of the tax knowledge of SMEs, including the adequacy and currency of their tax, and how this is influencing their filing of tax returns in Tamale Metropolis. No study has

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yet been done on this phenomenon which may be affecting the development of the Metropolis and Ghana as a whole. For instance, studies by Nieman, Hough & Nieuwenhuizen, 2003;Bautigam, Fjeldstad, & Moore, 2005; Ali–Nakyea, 2008; Carsamer, 2009; Oladipupo and Obazee, 2016 all focused on the impact of taxes without looking at the tax knowledge and the filling of tax returns outside Ghana. There is a knowledge gap since little is known about this issue. This knowledge gap has implications for the development of the metropolis, hence the need to investigate the problem. This study attempts to fill the knowledge gap by assessing the tax knowledge level of SME's in the Tamale Metropolis.

1.3 Research Questions

The following research questions guided the study;

a. What is the level of tax knowledge of small business owners in the Tamale Metropolis?

b. Does tax knowledge of small business owners affect their filing of tax returns?

c. What challenges do small business owners face in filing their tax returns in the Tamale Metropolis?

1.4 Objectives of the Study

The main objective of this study is to assess the tax knowledge of owners of SMEs and filing of tax returns in the Tamale Metropolis. Specifically the study sought to:

a. Assess the tax knowledge of small business owners in the Tamale Metropolis.

b. Probe the effects of tax knowledge on the filling of tax returns by SME's.

c. Identify challenges faced by small business owners in filing of tax returns in the Tamale Metropolis.

1.5 Significance of the Study

This study will be of benefit to SMEs in Tamale Metropolis, the Tamale Metropolitan Assembly, tax officials of the Ghana Revenue Authority, the Government, the Internal Audit Agency, the Auditor General, National Board for Small Scale Industries (NBSSI), Ministry of Trade and Industries (MoTI), Association of Small Scale Industries (ASSI), Chamber of Commerce (CoC), Association of Ghana Industries and other support institutions working with SMEs.

From the policy makers' perspectives, this study will assist tax authority to develop their tax education programmers. This will help SME owners/managers improve their tax knowledge and help them properly file tax returns and comply with tax rules, laws and regulations so that they avoid lawsuits. By this the Tamale Metropolitan Assembly will see improvement in tax revenue as more SMEs file tax returns.

The information obtained from this study would be beneficial to both tax principles and practice. It will add to the tax literature. Hence, this research will be of immense significance to practitioners and researchers. This study will also serve as a guideline or reference guide for researchers who seek to study tax knowledge and filing of tax returns.

1.6 Scope of the Study

Geographically, the study was done in the Tamale Metropolis. Tamale metropolis is large, fairly populated and has a good number of small businesses. All small businesses in the Tamale Metropolis should have been studied but this was not possible because of time and financial constraints. This raised the need to

sample some SMEs. In Tamale small scale enterprises are the most common form of businesses. The study focused on SMEs operating in the service and manufacturing sectors. SMEs provide about 85% of manufacturing employment of Ghana (Aryeetey, 2001). It is perceived that SMEs in these business categories pay very little tax, hence the study focused on these categories. The study excludes detailed studies on other tax issues. It is focused on tax knowledge and filing of tax returns. The findings will therefore be applicable only to services and manufacturing SMEs operating within the Tamale Metropolis in the Northern Region of Ghana.

1.7 Organization of the Study

The study was organized into five chapters. Chapter one contains the general introduction. It comprises the background of the study, statement of the problem, objectives of the study and research questions, significance and scope of the study. Chapter two focuses on the literature review. Chapter three details the methodology of the study. It discusses the research design, approach and methods as well as the population and sampling procedures adopted for the study. Chapter four focuses the results and discussion of the study. These are arranged under key themes drawn from the analysis of data based on the research objectives. Chapter five presents the summary, conclusions and recommendations as well as suggestions for future research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the pertinent literature on the research problem. To gain a comprehensive understanding of the problem, the review first focuses on key concepts including definitions of small businesses, taxes and tax knowledge. Prospect theory is also reviewed to give a theoretical underpinning to the study. Empirical studies have been reviewed to put the study in context. A conceptual model is developed which combined elements of the theories and findings from previous studies to explain the research problem.

2.2 The Concept of small businesses/Small and medium enterprises

The concept of small business or SME has no universally accepted definition. The definition and criteria for classifying a business or an enterprise as small or medium varies from one country to another. The variation in the definition also depends on whether the country in question is a developed or developing country. A small business in one country may be a large-scale business in another. Micro, small and medium enterprises (MSMEs) are widely defined in terms of their characteristics including; total worth, size of capital investment, relative size within an industry, number of employees, annual turnover, value of products, management style, location and the market share (Kasekende&Opondo, 2003).

According to the World Development Indicators Database small and medium-size enterprises are business that may be defined by the number of

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employees. Micro enterprises have 0-9 employees; Small enterprises have 10-49 employees; Medium-size enterprises have 50-249 employees.Chukwemeke (2004) defines small business as one whose total asset in capital, equipment, plant and working capital are less than N250,000 and employing fewer than 50 full time workers. The Central Bank of Nigeria (CBN, 2004) defines small business as an enterprise whose annual turnover ranges between N25, 000-N50, 000. Ogundele (2007) defines SMEs as one which has a minimum of five employees with minimum capital outlay of not less than N5, 000.00 ($33).

The European Commission (EC) defined SMEs largely in term of the number of employees are firms with 0 to 9 employees - micro enterprises; 10 to 99 employees -small enterprises; and 100 to 499 employees - medium enterprises. Thus, the SME sector is comprised of enterprises (except agriculture, hunting, forestry and fishing) which employ less than 500 workers. In effect, the EC definitions are based solely on employment rather than a multiplicity of criteria. Secondly, the use of 100 employees as the small firm's upper limit is more appropriate, given the increase in productivity over the last two decades (Storey, 1994). Weston and Copeland (1998) hold that definitions of size of enterprises suffer from a lack of universal applicability. This is because enterprises may be conceived of in varying terms. Size has been defined in different contexts, in terms of the number of employees, annual turnover, industry of enterprise, ownership of enterprise, and value of fixed assets.

In Japan, small-scale industry is defined according to the type of industry, paid-up capital and number of paid employees. Consequently, small and medium-scale enterprises are defined as: those in manufacturing with 100 million yen paid-up capital and 300 employees, those in wholesale trade with 30 million yen

paid-up capital and 100 employees, and those in the retail and service trades with 10 million yen paid-up capital and 50 employees (Ekpenyong, 1992).

2.3 Definition of SME in the Ghanaian context

There have been various definitions of small-scale enterprises in Ghana but the most commonly used criterion is the number of employees of the enterprise (Kayanula and Quartey, 2000). In applying this definition, confusion often arises in respect of the arbitrariness and cut off points used by the various official sources. In its Industrial Statistics, the Ghana Statistical Service (GSS) considers firms with fewer than 10 employees as small-scale enterprises and their counterparts with more than 10 employees as medium and large-sized enterprises. The GSS in its national accounts considered companies with up to 9 employees as SMEs (Kayanula and Quartey, 2000).

The value of fixed assets in the firm has also been used as an alternative criterion for defining SMEs. However, the National Board for Small Scale Industries (NBSSI) in Ghana applies both the "fixed asset and number of employees" criteria. It defines a small-scale enterprise as a firm with not more than 9 workers, and has plant and machinery (excluding land, buildings and vehicles) not exceeding 10 million Ghana cedis.

The Ghana Enterprise Development Commission (GEDC) on the other hand, uses a 10 million Ghanaian cedis upper limit definition for plant and machinery. However valuing fixed assets poses a problem. Secondly, the continuous depreciation of the local currency as against major trading currencies often makes such definitions outdated (Kayanula and Quartey, 2000). Osei (1993)

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used an employment cut-off point of 30 employees in the definition of small-scale enterprises in Ghana. He classified small-scale enterprises into three: micro-employing less than 6 people; very small - employing 6-9 people; and small-between 10 and 29 employees.

2.4 Characteristics of SMEs in Developing Countries

Fisher and Reuber (2000) enumerate a number of characteristics of SMEs in developing countries under the broad headings: labour characteristics, sectors of activity, gender of owner and efficiency. Given that most SMEs are one-person businesses, the largest employment category is working proprietors. This group makes up more than half the SME workforce in most developing countries; their families, who tend to be unpaid but active in the enterprise, make up roughly another quarter. The remaining portion of the workforce is split between hired workers and apprentices. SMEs are more labour intensive than larger firms and therefore have lower capital costs associated with job creation (Schmitz, 1995).

In terms of activity, they are mostly engaged in retailing, trading, or manufacturing (Fisher &Reuber, 2000). The major activities within this sector include:- soap and detergents, fabrics, clothing and tailoring, textile and leather, village blacksmiths, tin-smiting, ceramics, timber and mining, bricks and cement, beverages, food processing, bakeries, wood furniture, electronic assembly, agro processing, chemical-based products and mechanics (Kayanula and Quartey, 2000).

In Ghana SMEs can be categorized into urban and rural enterprises (Kayanula and Quartey, 2000). The former can be subdivided into "organized"

and "unorganized" enterprises. The organized ones mostly have paid employees with a registered office, whereas the unorganized category is mainly made up of artisans who work in open spaces, temporary wooden structures, or at home, and employ few or in some cases no salaried workers They rely mostly on family members or apprentices. Rural enterprises are largely made up of family groups, individual artisans, women engaged in food production from local crops.

While it is a common perception that the majority of SMEs will fall into the first category, the proportion of SME activity that takes place in the retail sector varies considerably between countries, and between rural and urban regions within countries. Retailing is mostly found in urban regions, while manufacturing can be found in either rural or urban centers. However, the extent of involvement of a country in manufacturing will depend on a number of factors, including, availability of raw materials, taste and consumption patterns of its consumers, and the level of development of the export markets.

2.4 Importance of SMEs to Economies

The performance of SMEs is important for both economic and social development of countries. SMEs provide a number of benefits (Advani, 1997).They have been noted to be one of the major areas of concern to many policy makers in an attempt to accelerate the rate of growth in low-income countries. These enterprises have been recognized as the engines through which the growth objectives of developing countries can be achieved. They are potential sources of employment and income in many developing countries. In today's rapidly expanding global economy, SMEs serve as engines of growth in countries. They can also be the vehicles that can serve to bridge the income

divide endemic in the urban-rural divide in developing countries. This is because SMEs tend to be widely dispersed reaching remote and relegated settings and helping reduce the income gap between urban and rural areas of countries. They have advantages over their large-scale competitors in that they are able to adapt more easily to market conditions and are able to withstand adverse economic conditions because of their flexible nature (Kayanula and Quartey, 2000).

SMEs are also more labour intensive than larger firms and therefore have lower capital costs associated with job creation (Schmitz, 1995). Since most SMEs are labour intensive they are significant sources of employment in many countries. It is estimated that SMEs employ 22% of the adult population in developing countries (Gallagher and Robson, 1995). There is a general consensus that the performance of SMEs is important for both economic and social development of developing countries (Aborand Quartey, 2010).

SMEs contribute to a country's national product by either manufacturing goods of value, or through the provision of services to both consumers and/or other enterprises. This encompasses the provision of products and, to a lesser extent, services to foreign clients, thereby contributing to overall export performance. In Ghana and South Africa, SMEs represent a vast portion of businesses. They represent about 92% of Ghanaian businesses and contribute about 70% to Ghana's GDP and over 80% to employment. SMEs also account for about 91% of the formal business entities in South Africa, contributing between 52% and 57% of GDP and providing about 61% of employment (Berry, 2002).

Small enterprises are not just suppliers but also consumers. They play very important roles if they are able to position themselves in a market with purchasing power: their demand for industrial or consumer goods will stimulate

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the activity of their suppliers, just as their own activity is stimulated by the demands of their clients. Demand in the form of investment plays a dual role, both from a demand-side (with regard to the suppliers of industrial goods) and on the supply-side (through the potential for new production arising from upgraded equipment). In addition, demand is important to the income-generation potential of SMEs and their ability to stimulate the demand for both consumer and capital goods (Berry, 2002). Levy and Powell (2005) argued that SMEs are thought to be flexible and innovative organizations that are able to respond quickly to customer and market demands (flexibility).

2.5 Small and Medium Enterprise (SME) Growth and Development

Nnanna (2003) acknowledged that SMEs are generally seen as the bedrock of the industrial development of any country. Thus the sustainable development of SMEs is a major issue that concerns stakeholders in the development of most countries. SMEs play critical roles in job creation, employment generation, innovation and government revenue generation. The development of SME's is seen as accelerating the achievement of wider socioeconomic objectives, including poverty alleviation (Cook and Nixson, 2000). The growth of SME"s boosts employment more than the growth of large firms because SME"s are more labour intensive (Snodgrass and Biggs, 1996). So subsidizing SME's may help reduce poverty (Beck, Demirguc-Kunt and Maksimovic, 2005).

The importance of developing SMEs lies not only with their marginal productivity growth but also the unique role they play in entrepreneurship and in the innovation process (Dessing et al., 1994). Since start-ups produce innovations

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in new and emerging technological fields, SMEs play a unique and critical role in technological and economic development by exploring and innovating in new technological fields (Dessing et al., 1994).

SMEs are agents in economic and technological transformation. The Bolton Committee (1971) viewed small firms as the basis for industrialization. Aghion and Bolton (1990) argued that successful industrialization must be come from indigenous entrepreneurship and small firms provide the context for the development of indigenous entrepreneurship skills. Apart from industrialization and employment generation, Allal and Chuta (1982) argued that optimal use of local resources and considerable multiplier effects on the economy through forward and backward linkages could be a consequence of SME development. Page and Steel (1984) also argue in favour of SME development as a means of boosting indigenous managerial and entrepreneurial skills that will impact socio-economic development. The development of SME's is seen as accelerating the achievement of wider economic objectives, including poverty alleviation (Cook and Nixson, 2000).

SME growth and development has been argued to be crucial to local, regional and national economic development of countries. A report by the National Board for Small-Scale Industries (NBBSI, 2001), outlined potential benefits of SMEs in Ghana. According to the report, SME development will among other things;

a. Create employment at relatively low cost.

b. Make significant contribution to the economy in terms of output in goods and services.

c. Improve forward and backward linkages between diverse economic, social and geographic sectors.

d. Provide opportunity for the development and adoption of new technologies.

e. Offer excellent breeding grounds for entrepreneurial and managerial talents; a crucial shortage of which is often a handicap to economic development.

f. Provide the opportunity for the development of a pool of skilled and semi-skilled workers.

g. The provision of ancillaries Help in to large scale enterprises as SMEs play a crucial role in the supply of raw materials and distribution of products.

SME growth and development is crucial for unleashing the full potentials and harnessing the benefit of the small business sector of an economy. The growth of any firm or sector is measured by the contribution and number of employment opportunities it is providing or increase in sales, income, profit and thus capital which portrays a survival capability in case of any problem facing the sector or firm. SME growth as used in this study refers to an increase in SME size or other objects that can be quantified or a process of changes or improvements (Penrose, 1995). The firm size is the result of firm growth over a period and it should be noted that firm growth is a process while firm size is a state (Penrose, 1995). An examination of the organizational life cycle theory models reveals that there are between three to five stages that most organizations usually go through. The Churchill and Lewis model (Timmons, 1990) suggests that four critical stages

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exist in the life of an SME where the stages are determined by the length of time the firm has been in operation. Churchill and Lewis (Timmons, 1990) estimate the duration of each stage to be as follows: Stage 1 is the start-up phase and is 0-3 years in duration; Stage 2 is the growth phase and is 4-6 years in duration; Stage 3 is the maturity phase and is 6-9 years in duration; and Stage 4 being the stability phase is approximately 10+ years. Each stage has a different set of characteristics, challenges, managerial abilities and entrepreneurial needs that business owners will have to face (Kuratko and Hodgetts, 1995).

Despite efforts being made by stakeholders to see a strong and enduring SME sector, the survival rate of majority SMEs is still low globally. Statistics indicate that a high percentage of SMEs fail within the first two years of start-up (LeBrasseur, Zanibbi and Zinger, 2003). For example, in the UK, according to a study done by Cressy and Storey (2006), for the government, it found that 30% of new firms appear to cease trading by the third year and 50% by the fifth year. Rwigema and Venter (2004: 68) state that "in most countries, the rate of business failure far exceeds that of success." Given the high failure rate of SMEs, internationally and locally, it is essential that the reasons for failure be investigated and a framework be developed to reduce the failure rate among start-ups.

2.5.1 SMEs' Growth and Development in Ghana

According to Kayanula and Quartey (2000), small scale enterprise promotion in Ghana was also not impressive in the 1960s. Dr. Nkrumah in his modernization efforts emphasized state participation but did not encourage the domestic indigenous sector. The local entrepreneurship was seen as a potential political threat. As the economy declined in the 1980s, large-scale manufacturing

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employment stagnated which forced many formal sector employees into secondary self-employment in an attempt to earn a decent income. In other to solve these problems governments has put in place measures to promote the growth of SME's in Ghana by establishing organizations to support the activities of SME's.

National Board for Small Scale Industries (NBSSI) was established under Act 434 in 1981 as an apex body for the development of small-scale industries in Ghana. In order to create a single dynamic integrated organization capitalized and capable of responding to the needs of the SME sector, the government merged the Ghanaian Enterprises Development Commission (GECD) in 1991 and the Cottage Industries in 1994 with the Board. In 1987, the industrial sector also witnessed the coming into operation of the Ghana Appropriate Technology Industrial Service (GRATIS). It was to supervise the operations of Intermediate Technology Transfer Units (ITTUs) in the country. GRATIS aims at upgrading small scale industrial at the grass root level.

In 1992, the government in attempt to the response of the private sector to economic reforms undertook a number of measures. According to Kayanula and Quartey (2000), prominent among them is the setting up of the Private Sector Advisory Group and the abolition of the Manufacturing Industries Act, 1971 (Act 356) which repealed a number of price control laws, and the Investment Code of 1985 (PNDC Law 116) which seeks to promote joint ventures between foreign and local investors. In addition to the above, a Legislative Instrument on Immigrant Quota which grants automatic immigrant quota for investors was enacted. Government also provided equipment leasing, an alternative and flexible

source of long term financing of plant and equipment for enterprises that cannot afford their own.

In 1997, government proposed the establishment of an Export Development and Investment Fund (EDIF), operational under the Exim Guarantee Company Scheme of the Bank of Ghana. This was in aid of industrial and export services within the first quarter of 1998. To further improve the industrial sector, according to the 1998 Budget Statement, specific attention was given to the following industries for support in accessing the EDIF for rehabilitation and retooling: Textiles/Garments; Wood and Wood Processing; Food and Food Processing and Packaging.

Private sector development is said to be critical for employment creation, growth and development of Africa (Kurokawa et al., 2008). The development of Small and Medium Enterprises (SME's) is acknowledged as a key condition in promoting equitable and sustainable economic development in Africa. This sector, in terms of economic development has the potential to provide for growth in employment and contribute towards reducing poverty among urban cities in most developing countries. In Ghana, a key strategy the government has adopted for increasing employment and production is to take measures to improve the capacity of the private sector as a means of accelerating the growth of small and medium scale manufacturing industries. The Ministry for Private sector Development was established in 2001 to co-ordinate and harmonizes all inter-sectoral effort which aimed at the development of the private sector as the engine of growth and poverty reduction.

The Ministry of Private Sector Development (MPSD) was charged with the responsibility to facilitate basic courses for the informal sector to awaken individuals and enterprises of the sector to the potential benefits of basic disciplines such as bookkeeping, banking and other entrepreneurship skills. The Ministry made progress towards relieving Small and Medium-Scale Enterprises (SME''s) of one of their major problems, which is access to affordable long-term funds. To boost the country's export trade, an Export Development and Investment Fund (EDIF), has been set up by the government to be given out on very liberal terms. The funds are administered by eleven (11) designated financial institutions. Furthermore, other schemes such as the Government Loan Guarantee, African Development Foundation, Italian Credit facility among others was set up by the government. These schemes did not only solve the perennial problem of SME's inability to provide collaterals demanded by banks, but also ensured an increased flow of capital to the private sector for innovation, technology development and adoption and development of new products and services for productivity enhancing investment activities.

The President's Special Initiative (PSI) was launched in 2002. It aimed at supporting the production of cassava as well as textiles and garments for export. The President's Special Initiatives (PSI) has been launched in five (5) areas of activity. They are accelerated export development for garment and textiles, salt mining, cotton production, oil palm production, cassava starch production and distance learning. These initiatives are intended to spearhead the expansion and deepening of the economy; create jobs and reduce poverty through agribusiness and export in Ghana. It is also intended to develop a critical mass of high growth oriented internationally competitive exporting firms in the said sectors, targeting

the American and European consumers markets. Currently, there is an ongoing Rural Enterprise Development Programme in which every district in Ghana is to identify three (3) enterprise projects for development.

In sum some of the efforts various Governments of Ghana have put in by way of policies relate on assisting SMEs to grow include granting of soft loans. managerial training and other fiscal incentives through support from international agencies and organizations like World Bank and United Nations Industrial Development Organization (UNIDO).

2.6 Concept of Tax

Tax is a fee charged by a government on a product, income, or activity. The purpose of taxation is to finance government expenditure. According to Kaldor (1995) the impositions on the people by the sovereign powers are nothing else but the wages due to them that hold the sword to defend private men in the exercise of their several trades and callings. This view is supported by Oteiku (1992) who stated that the subject, when properly taxed, contributes only some of his property in order to enjoy the rest. Goldsmith (1951) defined taxation as the process whereby a state or government exacts contributions from its citizens or from the residents of its territory for the maintenance of the state machinery.

Taxes are seen as compulsory extractions that involve personal obligations for common public good. Harley (1996) noted that: "the modern viewpoint in taxation is a product of the growing social solidarity and sense of common social obligation that have characterized human progress during the last hundred years. The contributory factor in the modern concept emphasizes the greater social unity and the stronger sense of common burden and responsibility,

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which are features of modern life. All should therefore, contribute to its effective support". In this line of thought, Ali –Nakyea Abdullah (2008) saw taxation as the levying of compulsory contributions by public authorities having tax jurisdiction, to defray the cost of their activities in which no specific reward is gained by the taxpayer.

From the foregoing, taxes are compulsory payments made by tax payers to the government for the provision of public goods and services and the development of countries.

2.6.1 Forms of Taxes

There are different types or various forms of taxes in many countries. In Ghana there are four main components of taxes namely, taxes on income and property, taxes on domestic goods and services, international trade taxes and value-added tax. The first three tax categories have been operational for a very long time but the value-added tax (VAT) was introduced initially in 1995, withdrawn and re-introduced in 1998.

Globally, two broad classes of taxes can be identified. These are direct taxes and indirect taxes. The basis of this differentiation is the extent to which a particular tax burden could be passed on to a third party (or the final consumer) by the initial taxpayer.

All taxes which cannot be passed onto third parties or the final consumer by the initial payer are considered as direct taxes. These include personal and corporate income taxes, capital gains and gift taxes (Akakpo, 2007). Within the formal sector, the main direct taxes are income tax, capital gains tax, gift tax, rent tax and stamp duty. In the informal sector, the major ones are vehicle income tax

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(VIT) and tax stamp. Employee income tax is applied under the "Pay As You Earn" (PAYE) system. 'PAYE' is the routine deduction of tax at source from one's income whenever they are paid (WP/BOG 2009/01).

Indirect taxes on the other hand, are those taxes, the burden of which can be transferred with relative ease by the initial taxpayer to third parties. This tax is levied on one person in the expectation that the tax will be shifted or passed on to another person. Here, the incidence and impact are on different persons. Indirect taxes comprise Sales tax/VAT on both domestic and imported goods and services, petroleum taxes and excise duties. Prior to the introduction of VAT in Ghana, the excise tax system was perceived as better structured and therefore more efficient than the general consumption taxes. A sales tax was imposed on goods and services at the manufacturing and import stages, whilst Value Added Tax (VAT) currently 12.5 percent (2.5 percent for GETFUND) is a tax applied on the value added to goods and services at each stage in the production and distribution chain and on imports. It forms part of the final price the consumer pays for goods or services. In some countries it is called 'Goods and Services Tax' or GST.

2.7 Performance of Tax Administration

Performance of tax administration has to be unarguably an effective and efficient comportment so as to guarantee an equitable in addition to economically system exists of efficient taxation (Klun, 2004).The significance of an effective and efficient tax administration is backed by Gill (2003)who affirmed that "while the policy of tax and tax laws generate possibility of raising tax revenues, the definite taxes flowing into the government Treasury, to a very great degree, based on the effectiveness and efficiency of the revenue administration". Gill (2003)

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further added that limitations in revenue administration bring about insufficient tax collections, therefore reducing the budgetary resource packet, and affecting the government's capacity to execute its policies and programs. and provide public services.

Notwithstanding the significance of having a thriving revenue administration, there are no universal, settled upon measures which offer for the relative assessment of performance tax administration (Levi, 1988).Klun (2004) also revealed that the literature does not put forward a general definition for tax administration system performance measurement. Actually, there is no one set of broadly conventional performance measures or indicators for measuring the revenue performance or the general tax administration system performance (von Soest, 2006).

By reason of the lack of standardized systems for performance measurement, (Klun, 2004) preceding literature has recommended diverse methods to find out the tax administration system performance. Several authors have proposed measuring tax office performance founded on productive efficiency (Farrell, 2002). Other authors such as Tanzi and Pellechio (1995), and Silvani and Baer, (1997) have clustered certain issues together within the single concept of tax administration performance in respect of effectiveness and efficiency. Frampton (1993) deemed the essential tax administration components to be efficiency, responsiveness and motivation. Silvani and Baer (1997) proposed that the system of tax administration efficiency and effectiveness are most excellent considered by examining the process of tax collection and taxpayer's non-compliance or the tax gap. The OECD (2001) appraised tax administration performance of OECD countries by centering on efficiency.

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service quality and effectiveness. Conversely, the text recommends that the scope of appraisal relates to input, output, productivity, quality, taxpayer satisfaction and the outcomes from revenue and compliance.

The World Bank (2003) suggested that performance of tax administration should be assessed with reference to the three qualifications of effectiveness, efficiency and equity. Teera (2003) proposed that tax performance assessment should center on raising more tax revenue. In keeping with Teera (2003),an illustration of an end result of a system of tax administration is the amount of audits carried-out by each tax inspector whereas the outcomes typically consist of taxpayer satisfaction, quality of services to the taxpayers and taxpayer compliance rate. The OECD (2008) acknowledged that the tax administration outputs are, for instance, the amount of inquiries processed and the amount of audits cases and debt cases settled, and the outcome could be in the form of changes in taxpayers' compliance.

In spite of the lack of uniform systems for performance measurement of tax administration, researchers have been determining performance of tax administration by means of different performance standards, indicators and measures to attempt to estimate the problems regarding tax administration and to propose ways to prevail over those problems.

2.7.1 Core and Support Functions of Tax Administration

In the USAID's leadership in public financial management report authored by Jacobs et al. 2012, the core or basic functions that a modern tax administration performs in its direct operations are:

i.   Taxpayer registration – the collection, recording, and maintenance of basic identifying taxpayer information in the tax administration's master database that permits the tax administration to understands its taxpayer base and to plan accordingly;

ii.   Taxpayer services – the information, forms, publications, and tax education that the tax administration provides taxpayers to help them comply with their tax obligations, to demonstrate that they are considered valued customers of the tax administration, and to reduce the need for extensive enforcement, given limited resources;

iii.   Processing of tax declaration filings and tax payments – the processes and forms designed by the tax administration for taxpayers to file their tax return(s) and pay their tax liabilities on specified dates, and the processes used by the tax administration to receive, document, review, correct if necessary, and archive the tax returns;

iv.   Taxpayer audits – the processes used by the tax administration to monitor compliance, by selecting filed tax returns to audit/verify income, expenses, and supporting information reported by the taxpayer and to make additional assessments which require collection action;

v.   Taxpayer objections (administrative appeals) – the processes offered to taxpayers to first dispute proposed additional tax assessments in forums within the tax administration's field offices;

vi.   Taxpayer appeals – the formal processes available to taxpayers under the law to protest proposed additional tax assessments or other actions by the tax administration at forums away from the direct jurisdiction of the tax

administration's compliance offices, including judicial reviews and hearings;

vii. Collection of tax arrears (as opposed to current tax payments) – the business processes used by the tax administration to collect taxes which are due, assessed, and not paid by the due date under the law, including use of enforcement measures, such as liens, levies, and seizure and sale of taxpayers' property; and

viii. Tax-fraud investigations – the processes used to investigate financial transactions declared by taxpayers on their tax returns in cases in which the tax administration has a reasonable cause to suspect that the taxpayer has committed tax fraud. Tax-fraud investigations also involve cases of tax evasion, when taxpayers subject to tax do not register, file, and pay their taxes.

According to Jacobs et al., (2012), the support functions provide the resources, support, and guidance to the staff that perform the core functions. These support functions are:

ix. Information technology – computerization of systems and business processes of the tax administration, and data networking;

x. Legal services – services provided to technical and management personnel by a cadre of attorneys of the tax administration, including legal interpretation of tax laws and regulations, and representation of the tax administration in all judicial forums, including tax appeals;

xi. Human resources – personnel management, training, and development functions;

xii.   Budget planning and resource management (physical space, facilities, and other property management);

xiii.   Strategic and operations planning – the formulation of long-term strategic plans of the tax administration and the drafting, implementation, and monitoring of annual work plans for all its departments consistent with the objectives of the strategic plan;

xiv.   Internal audits – the processes of conducting periodic reviews to ensure that selected regulations, operations, and administrative procedures and programs conform to specified standards and are being implemented efficiently and effectively, including the analysis and verification of accounts, financial transactions, and reports; and

xv.   Integrity investigations – investigations about the conduct, such as alleged or suspected corruption, of any member of the tax administration's staff.

The core and support functions are staffed with three general categories of staffing – management, technical, and administrative. In large countries with large taxpayer populations and large numbers of tax administration staff, the tax administration is organized around a headquarters office, two or more regional offices, and multiple district/field offices. In smaller countries, with fewer taxpayers and tax administration staff, regional offices are not established, and their usual roles are performed by the headquarters office(Jacobs et al., 2012).

2.7.2 Main Mission and Responsibilities of the Tax Administration

All national governments must have the revenue necessary to fund the operations of their various departments, to provide infrastructure and services for the population, to invest in economic development, and to advance various other

priorities (Jacobs et al., 2012). The main mission of the tax administration is to collect the tax revenue due and needed by their governments from taxpayers, under the country's tax laws, without hindering private sector development (Jacobs et al., 2012). The main responsibilities include:

i. Facilitate and encourage voluntary compliance by taxpayers with the country's tax laws;

ii. Administer the tax laws fairly and impartially;

iii. Minimize the cost and burden on taxpayers to comply with their tax obligations;

iv. Monitor compliance;

v. Enforce the country's tax laws in cases of non-compliance;

vi. Use its resources efficiently and effectively; and

vii. Ensure tax officials perform their functions with integrity and honesty.

In pursuing their mission, all tax administrations confront similar challenges, such as how to: broaden the tax base by continually bringing non-registrants and non-filers into compliance, strengthen organization and management, control tax evasion, improve tax collection, and facilitate voluntary compliance, (Jacobs et al. 2012). The greatest challenge for any tax administration is achieving and maintaining a high degree of voluntary compliance, which can be facilitated by vigorous taxpayer service and education programs and creative measures to minimize the burden on taxpayers in complying with their tax obligations, (Jacobs et al., 2012).

2.7.3Overview of Tax Administration in Ghana

Prior to the establishment of GRA in December 2009, three main tax collecting agencies namely the Internal Revenue Service (IRS), Customs Excise and Preventive Service (CEPS) and the Value Added Tax Service (VATS) were the institutions responsible for the mobilization of tax revenues. These revenue mobilization institutions have gone through several changes since their establishments.

The IRS was charged with the responsibilities of collection and administration of direct taxes in Ghana. The service started with the name Income Tax Administration Department in the then Gold Coast in September 1943, with the passing into law of the Income Tax Ordinance No. 27 of 1943 (Daah, 2010). Initially, the Department collected tax from only a few limited liability companies and a very small number of individuals. Over the years, other taxes and duties were added to the income tax. These were Mineral Duty (1952), Betting Tax (1952) and Casino Revenue Tax (1955). Between 1961 and 1963, additional taxes and duties were introduced. Among these were Property Tax (1961), Entertainment duty Tax (1962), Airport Tax, Hotel Customers Tax, Standard Assessment and Excess Profits Tax, all in 1963. In July 1963, with addition of more taxes, the Income Tax Department was renamed Central Revenue Department to reflect the broad scope of taxes collected. From 1943 to 1985, the Department became a civil service department. In July 1986, government took a decision on structural changes in the Department and IRS Law 1986 (PNDC Law 143) was passed, (Daah, 2010). This law transformed the hitherto Central Revenue Department into a public service organization, the IRS with its own

Board of Directors. This principal enactment was replaced with the Internal Revenue Act 2000 (Act 592) as amended.

The Custom Excise and Preventive Service (CEPS), a tax revenue institution contributes to the government's consolidated fund. It was established in 1839 and has performed several functions through the years as a Civil Service Department. However, in 1986 it became an autonomous institution under PNDC Law 144 of 1986 (Daah, 2010). Before the integration of the tax institutions, CEPS was operating under the CEPS Management Law, 1993, PNDC Law 330. Under the CEPS management Law, the Service was tasked to among other things collect the understated taxes: Import Duty, Export Duty, Petroleum Tax, Import Excise, Excise Duty and any other taxes levied on imported and exported goods.

CEPS also have the tasks of performing duties on behalf of a number of government agencies. The most significant of these duties was the collection of import VAT and NHIL on behalf of the VAT Service (Daah, 2010). The Service also enforces laws and regulations on imports and exports. As part of its functions, CEPS collected other important government levies including: ECOWAS Levy for the ECOWAS Secretariat, Export Development and Investment Fund (EDIF) for the EDIF Secretariat, Exploration Levy on behalf of Ghana National Petroleum Corporation (GNPC), Energy Fund for Energy Commission and Road Fund for the Road Fund Secretariat. Also, as part of its preventive and security functions, CEPS was tasked to ensure protection of the revenue it collects by preventing smuggling. This is done through examination of documents and goods imported and exported from the country and also patrolling the frontiers and other strategic points to prevent smuggling.

The Value Added Tax Service (VATS), the youngest of the three tax agencies was first introduced in Ghana on 1st March, 1995 by the *VAT Act, 1994* (Act 486) as part of the Tax Reform Programme which began in 1993 (Daah, 2010). It was withdrawn by the government on 14th June, 1995 and reintroduced in 1998 under the Value Added Tax Act, 1998 (Act 546), and the Value Added Tax Regulations, 1998 (L.I 1646). Its primary aim was the administration and collection of the VAT that replaced the Sales and Service Taxes previously administered by Customs, Excise and Preventive Service (CEPS) and the Internal Revenue Service (IRS), respectively.

The VAT Service was mandated to collect indirect taxes. The rate from its inception was ten percent (10%). However, in 2000, an Act of Parliament, (Act 579) was passed to amend the rate to twelve and a half percent (12.5%). In 2004, another Act of Parliament, (Act 650) was promulgated to add a further two and a half percent (2.5%) to support the National Health Insurance Scheme. The service in its quest to mobilize more revenue, from 1st September, 2007 introduced a special method of collecting and accounting for VAT known as the VAT Flat Rate Scheme (VFRS). It was designed for traders operating in the retail sector only who charged a marginal rate of 3% on the value of each taxable item sold (Daah, 2010).

As part of the tax reforms strategies in moving with the modern trend of tax revenue mobilization in the global world, the GRA was established. This was to integrate the three main tax revenue institutions for improve revenue mobilization (Daah, 2010). The Authority is a semi-autonomous public institution which was established as a corporate body by the Ghana Revenue Authority Act, 2009 (Act 791) passed on 31st December, 2009. This was passed to replace the

Revenue Agencies Governing Board (RAGB) and also the Customs, Excise and Preventive Service, Internal Revenue Service and Value Added Tax Service in the administration of taxes and customs duties in Ghana.

The passage of the GRA Law in December, 2009 and the subsequent appointment of a Commissioner General in March, 2010 are significant landmarks and attest to the quest of government for improve revenue collection. Under the GRA Act 791, the commissioner General is the Chief Executive Officer of the Authority who reports to the board. The GRA has three divisions namely the Domestic Tax Revenue Division (DTRD), the Customs Division and the Support Services Division. Each of the Divisions is to be headed by a Commissioner who will report to the Commissioner General. In Ghana, the integration of the three main tax institutions is a major step of modernizing tax administration on domestic revenue mobilization.

2.8 Transformation of Tax Administration

The transformation of tax administration process has its key elements namely; tasks, people, the formal organizational and informal organizational arrangements. The real tax administration design hitch is to choose from the array of options the most suitable manner to put together the tax administration elements to generate the output needed by the strategy. In turn to do this, it would be imperative to appreciate each tax administration element and its association to the others. Sections following this discuss these tax administration elements.

2.8.1 The Formal Organizational Arrangements

According to Wyman (2003), the formal organization consists of the structures, systems as well as processes, thus each organization fashions to cluster people and the work they do and to co-ordinate their activity in ways designed to achieve strategic objectives. Suggestively, very important formal organizational arrangement portion is the strategic planning system. According to Bryson (1995), strategic planning refers to as a "disciplined effort to turn out basic decisions and actions that outline and direct what an organization is, what it does and why it does it." A strategic plan is critical in tax administration. Given that the future is vague, management will always require planning in turn to build up the procedures and operations essential to cope with the changing requirements. By means of sound-visualized strategic plan, managers of tax would think extra ahead in their procedure in times of uncertainty. Strategic plan ideally is an essential document to steer any tax department on the way forward. It offers a device to pool ideas from each organizational level. Such teamwork and co-operation can only promote the entire organization. Adequate planning will aid management to find the most excellent manner in attaining a particular objective. On top, it permits tax administration to scrutinize areas which are able to enhanced, including superior utilization of available resources. Appropriate planning provides for itself en route for further integration and synergies within the tax administration. Revenue collection is the foremost function of all tax departments.

Consequently, any resolution that will enhance that process should be scrutinized. The strategic planning about performance objectives and operational strategies for a tax administration could be in the preferred effects form,

(Australian Taxation Office, 2007). Dhillon and Bouwer (2005) recommended that these strategies comprise the preferred outcomes of collecting more tax revenue, improving services to taxpayers, improving compliance and risk management and improving operational effectiveness. Bird (2004) added that tax administration have to also choose strategies and embark administrative rules to counter each type of non-compliance by diverse groups of taxpayers.

The additional key issue, however, concerns putting plans into action purposely for the tax administration. Strategic planning is an action-oriented kind of planning that is helpful only if it is cautiously connected to implementation, and this is often where the process breaks down (Poister and Streib, 2005). Tax administrators may be unsuccessful to link their strategic planning efforts to other critical decision-making processes. Mintzberg (1994) one of the most vocal critics of strategic planning is specifically because organizations' planning activities are frequently entirely divorced from measurement of performance and allocation of resource. Although tax administrations worldwide have embraced strategic planning, it is implausible to produce the predictable benefits except they drive it through budgeting, measurement, and processes of performance management. It is thus imperative to ensure that the tax administration strategic plan is appropriately connected to other vital strategic planning processes for instance stakeholders' involvement, practices of strategic management, allocation of resources, performance management and processes of performance measurement.

Other than the formal organization arrangements, an organization has informal organizational arrangements. Even as the strategic planning system is a formal arrangement, strategic planning processes and implementation could be in

the informal organizational arrangements appearance, which are any informal, unwritten guidelines that wield a powerful control on people's collective and individual behavior. It is significant that arrangements of informal organizational include the culture of an organization. Still, this issue was not given appropriate consideration within the context of tax administration due to the dearth of literature on the topic. Subsequent section below discusses the organizational culture substance in relation to organizational performance.

2.8.2 The Arrangements of Informal Organizational

Organizational culture has been referred to "complex set of values, beliefs, assumptions and symbols that define the way where business are carried out by organizations" (Barney, 1986). Flamholtz (1983) proposed that "culture of organization is the set of values, beliefs and social norms which is likely to be shared by its members and, in order, is subject to persuade their opinion and actions". Moreover culture can be fundamentally appreciated akin to set of central assumptions about how the world is also ought to be that a group of people share and that settles on their views, thinking, feelings and to a certain extent their overt behavior (Schein, 1996). According to Peterson and Smith (2000),organizational culture mirrors interpretations of individuals of events and situations in organizations.

The relationship between organizational culture as well as performance has had irregular although growing interest from a range of disciplines (Garnett et al, 2008).In reality, universal links between an organization's culture and its performance have been made since the initial phases of management and

organization theory (Mayo, 1933). One of the main reasons for the prevalent popularity and curiosity in organizational culture shoots from the argument that certain organizational cultures lead to higher organizational performance, (Ogbonna and Harris, 2000). Equally in the academics along with practitioners argue that the organization performance is reliant on a degree which the positive and strong values of the culture are widely shared (Addison-Wesley, 1982).

The statement that culture of organization is connected to performance is founded on the perceived role that culture plays in creating competitive advantage (Scholz, 1987). Krefting and Frost (1985) recommended that culture of organization can generate competitive advantage by defining the organization's borders in a manner that assists individual interaction by limiting the scope of information processing to appropriate levels. It is also argued extensively that shared and strongly held values enable management to foretell employee reactions to certain strategic options thereby reducing the level for not desired consequences (Ogbonna, 1993). Sustainable organizations' competitive advantage which stems from a greater culture leads to superior organizational performance. In fact, many commentators have recommended organizations and researchers to utilize the manifold advantages that could be presented by culture rather than concentrating on the additional physical side of the organization, (Johnson, 1992). In management and organizational research, culture is considered as offering a rapid fix for managers seeking to get better productivity or organizational performance more generally (Parker and Bradley, 2000). It is thus fascinating to examine the organizational culture type that exists in a tax authority and how this culture influences the way it conducts the tax

administration tasks, therefore influencing the overall tax administration performance.

2.8.3 Tasks

Task is the defining activity of any organization, that is, the fundamental and intrinsic tasks to be carried out by the organization and its parts. The performance of this task is among the primary motives for the organization's existence and any analysis from a design viewpoint has to commence with a consideration of the nature of tasks to be performed, anticipated work flow patterns, and an appraisal of the extra complicated characteristics of the work (Weichenrieder, 2007).Gill (2004) numbered the major tasks of a tax administration that need analysis when evaluating if tax administration requires being reformed (Table 2.2). The tasks are consists of organization management and operational tasks.

Table 2.2 Analysis of Main Tasks of the Revenue Administration

Organization and Management	Operational Tasks
Strategy and policy formulation	Registration of taxpayers
Planning, budgeting, Allotment of Resource	Taxpayer services: i. Taxpayer education ii. Taxpayer assistance iii. Facilitation of voluntary compliance
Monitoring and evaluation	Processing of declarations and payment
Co-ordination	Monitoring of tax withholders' and collecting agents
Financial management	Information collection regarding taxable transactions i. Information collection as of third parties ii. Intelligence operations iii. Search, seizure and study process to obtain incriminating evidence
Personnel management	Risk examination and cases selection for audit in addition to investigation
Information technology management	Audit and investigation
Internal control	Legal and judicial matters:

	i. Legislation
	ii. Appeals
	iii. Prosecution
Anti-corruption	Code of ethics, disciplinary rules, vigilance and co-operation with external anti-corruption agencies
External relations	Effective interaction with important environmental factors to promote the tax administration objectives, meet external challenges and exploit emerging opportunities offered by the environment

Source: Gill (2003)

Concerning the issue of the tasks of tax administration, Silvani and Baer (1997) recommended that, in turn for an efficient tax administration, the broad strategy of the tax authority should have an integrated approach to the process of tax collection as a guiding principle, where each facet in the process of tax collection is vital to the strategy of tax administration. Silvani and Baer (Ibid)also stressed that to attain a considerable step up in the general tax administration performance each facet in the process of tax collection requires improvement. They detailed that process of tax collection involves: (1) taxpayer registration, (2) tax returns and payments processing, (3) computer operations, (4) detection of stop filers and collection of arrears, (5) delinquent taxpayers, (6) audit, (7) the sanctions and penalty system, (8) taxpayer services and publicity, (9) management and organization, and (10) personnel.

Baurer (2005) recommended that all modern tax administrations do similar types of activities or business processes. Some of these activities (core business practices) openly relate to the tax administration mission as others offer the support framework to appropriately perform this mission. Core business processes are interconnected and continuing communications and harmonization connecting these processes is indispensable. For instance, appreciably escalating the amount of audits in a given year will influence services of taxpayer and

enforced collection resource requirements. Likewise, improved attention to non-filers will have influence on audit and collection resource needs. Legislative changes will have comparable impacts. The combination of the entire features into the growth of the yearly operating plan for a tax administration becomes a complex and demanding job. It is then imperative to assess the tasks of tax administration as planned in the framework of performance management to ensure that the tasks are harmonious with the remaining elements in the tax administration transformation process.

2.8.4 People

A revenue mobilization system is an interactive makeup of people, equipment, methods and controls, formulated to make information flows and records that support the repetitive work routines of the revenue collection departments (Gelinas, 1990).It is significant to recognize the prominent distinctiveness of the people in charge of the array of tasks involved in the nucleus work of an organization. These distinctiveness is made up of knowledge and skills they bring to their work, their desires and preferences, regarding the individual and financial rewards they anticipate to flow from their work, views and expectations about their relationship with the organization, demographics and how these dynamics relate to their work (Nadler and Tushman, 1980).

The people who perform the main tasks are in fact a vital aspect in tax administration. The essential of the tax employee in the environment of tax administration is displayed by Mikesell (1974) in his statement:

> *"Whether any tax system accomplishes the objectives set by society depends in large part on the tax administrative process achievement and tax administrators (or personnel) in executing the procedure. While several tax legislations can be so dreadful as to render it impracticable to administer proficiently, unskilled administration can make any tax system bad".*

The above opinion stated that the tax employee is a vital factor since the employee carries out tax administrative procedures such as tax collection to guarantee that the system of tax administration is moving in the manner of efficiency and effectiveness. Revenue mobilization should center on personnel better than particular technical initiatives for the reason that what matters most are the blend of the institutional environment and the character of the tax administration personnel. Once the correct experts are positioned in settings conducive to training and skill transfer, they have a considerable impact, and if these conditions are not met then the tax administration is unsuccessful, regardless of the instrument.

Schlemenson (1992) shares this opinion, suggesting that the human resources administration is tax administration elementary pillar which will influence its efficiency and effectiveness. According to Bird and Zolt (2008), they claimed that an effective tax administration needs competent tax officials.

As said by Silvani and Baer (1997), they proposed the tax personnel value in reformation of tax administration when signifying that giving fewer considerations to personnel matters as compared to technical matters may possibly handicap other tax administration reforms. On top, Jenkins, Kelly and Khadka (2000) recommended that the availability and preservation of trained

human resources are undoubtedly the most essential factors to find out the tax administration efficiency.

Notwithstanding the significant role of tax employees, not many surveys are done on them particularly concerning their attitudes and behaviors. Bird and deJantscher (1990)emphasized that there have been nearly no studies in any country of tax officials, of why and how they do what they do, and governments in number of developing countries have little daily control over tax officials, slight comprehension of what they do, and no simple way to get such knowledge. Most performance of tax administration research did not center on human factor involve in the process of tax collection. For some of those researches which included tax employees, the dimensions were narrow to tangible portions such as efficiency of employee as well as productivity ratios. Nevertheless, there are few studies on tax employees' attitudes regarding their job and workplace.

Exploring the attitudes of employees is vital since it is capable of having influence on customer contentment and consequently sways an organization performance. Along with Heskett et al., (1990) and Parasuraman et al., (1991),a major customer satisfaction determinant in the service industry is the customer contact personnel attitude. This link is briefly summarized by John Smith(1997), a former CEO of Marriott Corporation, in the phrase, 'you can't have happy customers served by unhappy employees'. Schneider and Bowen (1985)and Marshall (2001)account that service cultures with the uppermost organizational commitment and lowest employee turnover consistently responsible for the highest levels of customer satisfaction. Additionally, Bowen and Schneider (1988) acknowledged that a high percentage of the time when customers report hostile observations of service quality, they also report having handouts with

appalling attitudes or overhearing employees grumble regarding their jobs and surroundings.

In a meta-analysis, Harter et al., (2002) establish that in general employee attitudes at the business-unit level are positively connected with several business-unit performance measures including customer satisfaction, profitability and productivity. Schneider et al., (1980; 1998) and Schneider and Bowen (1992) applied data from commercial banks to illustrate that employee views on the service climate are appreciably connected to service quality customer perceptions at the branch level. The findings are also supported by Johnson (1996).

In the study of Liao and Chuang (2004), they established that the service environment in a chain of restaurants is connected with employees' evaluations of their own service performance. This observation is backed by a study concerning 200 retail stores carry out by Wiley (1991) on the relations among employee attitudes, satisfaction of customer and organizational performance. The study showed that the stores the mass satisfactorily rated by employees were as well rated satisfactorily by customers. In effect, customer-satisfaction ratings were strongly and positively correlated to employees' descriptions of major portions of their working environment, particularly working conditions, lowest impediments to accomplishing their work, and a good judgment that supervisors and co-workers stress on customer service.

In the tax administration perspective, all the above results could propose that if the attitudes of tax employees towards the tax administration are positive, it could have constructive outcome on taxpayer satisfaction and the general performance of tax authority. It is therefore projected that the assessment of tax

employee attitudes is an important part in the framework of performance management for a tax administration.

2.9 Small and Medium Enterprises and Tax in Ghana

Businesses need adequate tax knowledge in order to enable them file tax returns particularly in the informal economy where most small and medium enterprises (SMEs) operate. Small and medium enterprises (SMEs) are an integral part of the economy of Ghana. The contributions of SMEs to the growth and development of economies of Ghana's economy is seen in the substantial roles they play in production, distribution, employment generation, wealth creation and distribution (Mbuta and Nkandela, 1998). There are various taxes which SMEs in Ghana pay based on their classification and categories.

2.9.1 Tax Stamp

The TAX STAMP was introduced by the Internal Revenue Service (IRS) Amendment Regulations, 2004. The system came into effect on Tuesday the 1st of February, 2005. It allows for easy identification of small scale self-employed persons in the informal sector e.g. persons operating in kiosks, on table tops, identifiable groups such as hairdressers, dressmakers and tailors, butchers, market traders, chop bar and cooked food sellers, artisans such as masons, carpenters, welders, mechanics etc. Under the tax stamp system, business operators in the informal sector are grouped according to business type and volume. The tax is paid quarterly in advance i.e. 15th January, 15th April, 15th July, and 15thOctober. The classification of traders is done in Table 2.3.

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Table 2.3: Classifications of Traders

Class of Person	Sub-class of person		Rate
Type 2	**DRESSMAKER/TAILOR**		
	Category A	Large kiosk	15
	Category B	Medium Kiosk	10
	Category C	Small Kiosk	5
Type 3	**SUSU COLLECTOR**		
	Category A	Cities	15
	Category B	Urban	10
	Category C	Rural	5
Type 4	**CHOP BAR OWNER/COOKED FOOD SELLER**		
	Category A	Large Kiosk	15
	Category B	Medium Kiosk	10
	Category C	Small Kiosk	5
	Category D	Table Top	3
Type 5	**BUTCHER**	Large Kiosk	
	Category A	Medium Kiosk	15
	Category B	Small Kiosk	10
	Category C	Table Top	5
	Category D		3
Type 6	**HAIRDRESSERS/BEAUTICIANS & BARBERS**		
	Category A	Large Kiosk	15
	Category B	Medium Kiosk	10
	Category C	Small Kiosk	5
Type 7	**GARAGE OWNERS**		
	Category A	Cities	15
	Category B	Urban	10
	Category C	Rural	5
Type 8	**DIAMOND/GOLD WINNERS & BUYERS**		
	Category A	Licensee Sub-agent	15
A	Category B	40 footer container/large kiosk	10
B		20 footer container/medium	15
C		kiosk	10
D		Small kiosk/container	5
		Table top operation/Hawkers	3

Source: GRA (2014)

In an effort to bring small traders into the tax net, the Government of Ghana introduced the VAT Flat Rate Scheme (VFRS) in September, 2007 at a flat rate of 3 percent turnover. In principle, every trader is meant to be registered, irrespective of the VAT threshold, though the VAT Service estimates that only about 26.4% of potential informal sector traders are currently registered (Ghana Report, 2009). The VAT Flat Rate Scheme applies a marginal tax rate of 3%, representing the net VAT payable, on the value of taxable goods supplied. It is an alternative to the invoice credit method (or standard VAT system). The VAT Flat Rate Scheme which charges a given percentage on sales (in this case 3%) for each transaction without recourse to input tax deduction. The scheme is restricted to all retailers of taxable goods, except those authorized by the Commissioner of the VAT Service to operate the invoice credit scheme (an authorization which will be given in the interest of safeguarding national revenue) and will operate concurrently with the current invoice credit method. In addition, there is a National Health Insurance levy (NHIL) of 2.5% which is applied to expenditures and transactions as a contribution to the National Health Insurance Scheme. The threshold then was Ghc10, 000.00.

However, with effect from April 1, 2011, the threshold of the 3 percent flat rate was increased to Ghc90, 000.00 with the Amendments of the VAT Act 810. In this regard, retailers, wholesalers, service providers and manufacturers that fall within this category would be required to pay the monthly flat rate of 3 percent to the VAT Service (GRA, 2011).

2.10 Tax compliance

Roth, Scholtz and Witte (1989) defined tax compliance as filing all required tax returns at the proper time and that returns accurately report tax liability in accordance with the tax law applicable at the time the return is filed. James and Alley (2002: 32) defined tax compliance refers to the willingness of individuals to act in accordance with in both the 'spirit' and the 'letter' of the tax law and administration without the application of enforcement activity. Tax compliance is the ability and willingness of taxpayers to comply with tax laws, declare their exact incomes in each year and pay the right amount of taxes on time (IRS, 2009). Tax compliance requires a degree of honesty, adequate tax knowledge and capability to use this knowledge, timeliness, accuracy, and adequate records in order to complete the tax returns and associated tax documentation (Singh and Bhupalan, 2001).

A key component of any tax system is the manner in which it is administered. No tax is better than its administration, so tax administration matters a lot (Bahland Bird, 2008). An essential objective of tax administration is to ensure the maximum possible compliance by taxpayers of all types with their tax obligations. Unfortunately, in many developing countries, tax administration is usually weak and characterized by extensive evasion, corruption and coercion. In many cases, overall tax compliance levels are low and a large proportion of the informal sector of the economy escapes the tax net entirely (Bautigam, Fjeldstad, and Moore, 2005). An unduly complex regulatory system and tax regime enforcement makes tax compliance unduly burdensome and often have a distortionary effect on the development of small and medium scale enterprises (SMEs) as they are tempted to change into forms that offer a lower tax burden or

no tax burden at all (Masato, 2009).Tax complexity arises due to the increased sophistication in the tax law (Richardson and Sawyer, 2001).

2.10.1 Self-Assessment and Voluntary Compliance

According to Jacobs et al., (2012) there are three principal methods to determine and assess the amount of tax liability due from each taxpayer: (1) one-on-one assessment on taxpayers by staff of the tax administration, usually in a tax administration office, upon presentation of taxable information by the taxpayer at designated times, (2) self-assessment and declaration by the taxpayer, and (3) tax withholding by third parties at the source. The first method has been used in countries in early development of their tax administrations, where very few taxpayers are registered in the tax administration's registration database (Jacobs et al., 2012). Given limited resources this method is inadequate, ineffective, and inefficient to handle tax computation and assessment for more than a very small percentage of any country's taxpayer population. Furthermore, the one-on-one approach has proven to be a gateway for collusion and corruption between taxpayers and tax administration staff and should be avoided.

The second method, self-assessment and declaration by the taxpayer, coupled with effective risk-based audit programs and other verification mechanisms by the tax administration, is the preferred method to determine and collect the amount of tax liability due from each taxpayer (Jacobs et al., 2012). For a self-assessment system, the country's tax laws must include provisions to the effect that taxpayers will: provide to the tax administration the facts on which their tax liability can be computed; compute the tax liability themselves; file a tax return on specified due dates showing and declaring the result of the computation and the tax due; and pay the amount of tax owed at the time of filing. In effect,

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taxpayers are expected to comply on their own with the country's tax laws (i.e., to exercise voluntary compliance, under the self-assessment/declaration method). Of course, the usual complexity of tax laws in most countries, coupled with low literacy rates in many developing countries, cause taxpayers to rely on vigorous and extensive taxpayer service programs from the tax administration and/or assistance from professional tax practitioners in order to meet their tax obligations (Jacobs et al., 2012).

The third method is the withholding of tax at the source. Examples include the legal requirement for employers to determine, withhold, and pay to the government income tax from employees' wages and for retailers to collect from consumers and pay to the government value added or general sales taxes.

The paramount objective of any tax administration is to encourage, facilitate, attain, and maintain a high degree of self-assessment and voluntary compliance by taxpayers with their tax obligations. A high degree of voluntary compliance in any country allows the tax administration to concentrate its resources on identifying and dealing effectively with those taxpayers who fail to fully comply with their tax obligations (Jacobs et al. 2012). In effect, extensive self-assessment and voluntary compliance by taxpayers, combined with targeted compliance and enforcement programs that are based on risk assessment strategies, allows the tax administration to administer the tax system effectively and efficiently by lowering administrative expenses and raising revenues. Without a doubt, the most successful tax administrations around the world continuously encourage, attain, and maintain a high degree of voluntary compliance.

Tax compliance costs of SMEs are higher than the larger businesses (Weichenrieder, 2007). Eich felder and Schorn (2008) observed that small businesses bear a higher compliance burden due to the reason that they face 'inverse economies of scale' caused by tedious compliance procedures required by tax authorities.

Tax compliance requires a degree of honesty, adequate tax know-ledge and capability to use this knowledge, timeliness, accuracy, and adequate records in order to complete the tax returns and associated tax documentation (Singh and Bhupalan, 2001). In developing countries, overall tax compliance levels are low and large proportion of the informal sector of the economy escapes the tax net entirely (Bautigam, Fjeldstad and Moore, 2005). Many factors affect the low level of tax compliance in developing countries, such as attitudes, penalty, income, education, knowledge, gender and age of the taxpayers, corruption, high marginal tax rates, lack of availability of information and accounting systems, a large informal sector, weak regulatory systems, ambiguity in the tax law, the existence of non-adherent culture, and the ineffectiveness of tax administration (James and Alley, 2004).

2.11 Tax knowledge

One possible way of ensuring tax compliance, as suggested by previous studies is to enhance taxpayers' tax knowledge (Loo, McKerchar, and Hansford, 2008; 2009). Tax knowledge is the level of awareness or sensitivity of the taxpayers to tax legislation. It is refers to a set of processes by which taxpayers become aware of tax legislation and other tax-related information (Hasseldine, Holland and Rijt, 2009). Madi and Amrizah (2003) defined functional tax literacy

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as the ability of a taxpayer to file tax returns and calculate his or her own tax liability independently and this encompasses the comprehension of some tax jargons and having basic tax knowledge on what constitute taxable income, allowable deductions, reliefs and rebates. In order to pay appropriate taxes, business individuals must have knowledge about the different compliance measures and requirements. According to Chen Loo and Keng Ho, (2005), an appropriate compliance can only be realized when taxpayer's liability is correctly computed, after taking into account all factors that have a bearing on the tax liability. The taxpayer has to be competent to comprehend the income tax law and the administrative procedures, given the complexities, uncertainties and ambiguities of tax laws, rules and administrative procedures. Taxpayers who are tax illiterate or inadequately informed may either be under-paying or over-paying taxes. Kasipillai and Jabbar (2003) found that tax knowledge leads to higher compliance rates.

The level of formal general education received by taxpayers is an important factor that contributes to the understanding of tax requirements, especially regarding registration and filling requirements. High awareness by the society would encourage people to fulfill their obligations to register as taxpayer reporting and paying taxes properly are forms of national and civic responsibility. Most citizens have very little understanding of what tax laws mean and why the tax system is structured and administered as it is (Braithwaite, 2007).Palil (2010),states that tax knowledge reveals that there is a relationship with taxpayers' ability to understand the laws and regulation of taxation and their ability to comply.

Tax knowledge is a specific part of the general human potential of entrepreneurs, which increases the chances of business success (Haber and Reichel, 2007). The extent of non-compliance arising from knowledge deficits because of the complexity of reporting and returning requirements might be substantial. In the UK, VAT non-compliance mostly results from errors that do not stem from evasion intent [only 3 per cent are attributed to tax-evasion (Webley, 2004)]. Similarly, differential taxation, that is, the need to apply differential taxation rules depending on the amount of income or the characteristics of the taxpayer, is an important explanation for non-compliance among small business owners (Joulfaian and Rider, 1998): excluding source misreporting (that is, looking at the overall reported income independent of the reported source) decreases non-compliance rates substantially.

In Ghana, government tax policies are mostly positively skewed in favour of small business enterprises. However, there are concerns that poor tax knowledge of small business owners in some districts in Ghana influences the filing of their tax returns. Although it is thought that an increase in opportunity will often be accompanied by increased knowledge requirements, this is not necessarily the case. For example, if the proportion of differentially taxable incomes changes, evading opportunities may be affected while knowledge requirements remain constant. Knowledge requirements are separate from opportunities. Navigating through the legal and procedural issues related to taxation is often taxing in itself.

Complicated forms need to be completed and detailed records need to be kept (Maingot and Zeghal, 2006). Substantial knowledge about the procedural aspects of tax laws is required. This is challenging since tax laws tend to be

changed frequently (Chittenden et al., 2003) and to be more complex and ambiguous than laws in general (Cuccia, 1996).

2.11.1 Tax Knowledge of Small Business Owners

Tax laws are often too complex to be understood by laymen (Kirchler, 2007), as is the case by many small business owners. In a study by Ahmed and Braithwaite (2005), small business taxpayers admitted to having lower levels of competence and independence in dealing with tax matters, and this has forced many of them to have tax agents who are creative and knowledgeable about aggressive tax planning. Contrary to this, Baldon and Wearing (2003), suggested that small and medium enterprises are constrained by resources and cannot afford the services of the tax agents which are expensive. Possibly, it is the lack of expertise and knowledge about the tax laws and procedures that is responsible for the low income tax compliance (Ayoki, Obwama and Ogwapus, 2005). Thus, tax administrations in developing and transitional countries which are generally severely constrained in terms of resources and skills have often chosen to go after the larger firms already in the tax net, where the potential tax revenue payback may be higher, instead of the less lucrative small and medium taxpayers who are largely outside that net (Bird and Wallace 2003).

SMEs are shown to have less tax knowledge than business students in an Austrian study (Kirchler et al., 2003) and felt less competent in making their tax filings than employed persons with even less tax knowledge in an Australian study (Ahmed & Braithwaite, 2005). Though small business owner-managers often deal with (perceived) knowledge deficiencies by seeking the help of tax practitioners, they tend to handle part of the taxpaying process themselves (Coolidge et al., 2009) and will, at least, have to keep the necessary records.

Acquiring taxation knowledge is expensive in terms of time (to become informed, to keep the records, to fill out the forms) and money (tax literature, tax practitioners).

The potential of small business taxation is considered often overlooked in developing countries. This is because the benefits of a wider tax base in the medium to long term may not seem to offset the comparatively high cost of administering small contributors (ITD, 2007). However, small business taxation should be seen as an entry point to formality. A good tax regime for small firms is a key policy tool to pave their way out of the "informality trap" of low growth, limited access to markets, and exclusion from formal financial services (Kenyon, Thomas, and Kapaz Emerson, 2005).

Low compliance costs are essential to encourage filing of tax returns. However, the time and financial burden of complying with tax reporting is relatively higher for small firms (FIAS, 2007). Across jurisdictions, compliance costs have been consistently shown to be highest for small businesses (Pope and Abdul-Jabbar, 2008) in particular if incomes are low. For example, in a mail survey, holding all else equal, self-employed business people spent an extra 35 hours and 69 dollars on tax handling compared with employees (Slemrod and Sorum, 1984).

Since an unduly complex regulatory system and tax regime enforcement makes tax compliance unduly burdensome and often have a distortionary effect on the development of small and medium scale enterprises (SMEs) (Masato, 2009), it is important to simplify procedures for taxpayers, for example, by eliminating demands for unnecessary information in tax returns and payment

invoices. However this may be difficult in developing countries with large informal sector, low levels of literacy and public morality, poor communication, malfunctioning judicial systems and entrenched interests against radical reform (Auriol and Walters, 2002). Although there has been a trend towards simplification of tax laws and, more importantly, tax administration procedures (Braithwaite, 2009), compliance costs tend to remain high (Chittenden et al., 2003) and a sufficient level of knowledge necessary to ensure procedural compliance is more difficult to reach for small than for large businesses (Gaetan, 2008). Also, tax practitioners acknowledge that the complexity of taxation is making compliance especially difficult to achieve for many small businesses (Berkery and Knell, 1992). It can be assumed that, sometimes, small business taxpayers are not even sure about whether they are fully compliant or not. For example, in several countries the distinction between the earnings/income from labour and capital is particularly hard to draw in the case of small businesses (Van Den Noord, 2000) and self-reported evasion within small businesses did not match actually documented non-compliance (Webley, 2004). This finding could result from a lack of taxation knowledge.

2.12 Theoretical Framework

A theory is a conceptual framework for organizing knowledge and providing a blue print for action (Griffin, 2004). Many factors contribute to tax knowledge of small business owners. Underpinning these factors are many and varied theories that have been developed over time to explain these factors. The study employed the Deterrence theory as main theory and the Psychology theory of taxation as supporting theory.

2.12.1 Deterrence Theory

This theory places emphasis on incentives. The theory suggests that taxpayers are moral utility maximizers who are influenced by economic motives such as profit maximization and probability of detection. Hence, the tax payers analyze alternative compliance paths for instance whether or not to evade tax, the likelihood of being detected and the resulting repercussions and then select the alternative way that maximizes their expected after tax returns after adjusting for risk. Therefore according to the theory, in order to improve compliance, penalties for non-compliance should be increased. Thus, there is a theoretical positive relationship between tax penalty and tax compliance. Increase in tax penalty would lead to increase in tax compliance and *vice versa*.

2.12.2 Psychology Theory

The Psychology theory was employed in this study to provide support to the deterrence theory in explaining tax knowledge and the filing of tax returns. The theory posits that taxpayers are influenced to comply with their tax obligations by psychological factors. It focuses on the taxpayers' morals and ethics. The theory suggests that a taxpayer may comply even when the probability of detection is low. As opposed to the deterrence theory that emphasizes increased penalty as solution to compliance issues, psychology theory lays emphasis on changing individual attitudes towards tax systems. Thus, one instrument of changing taxpayers' attitude to tax matters is tax education. It is assumed that improved tax education would increase tax compliance and *vice versa*.

According to Cuccia (1994), taxpayer compliance has been primarily viewed from three theoretical perspectives: the general deterrence theory, economic deterrence models and fiscal psychology. Deterrence theory is concerned with the

effects of sanction threats on criminal and undesirable behavior, however this had problems of identifying sanctions, determining how much effect and specifying the mechanism by which the effect occurs. On the other hand, the economic deterrence model smoothened out the problems of deterrence theory for instance by use of utilitarian approach to measure sanction threats. From the personal consequence perspective, income tax compliance is viewed as an income maximizing decision balancing the net gain of underreporting income or over claiming against the added risk of detection and penalization (McGraw and Scholz 1991). According to Plumley (1996), voluntary tax compliance is explained by dimensions like timely filing of any required return, accurate reporting of income and tax liability and timely payment of all tax obligations. However according to Terkper(2003), many small and medium taxpayers do not register voluntarily, while those who do register often fail to keep adequate records, file tax returns, and settle their tax liabilities promptly. Hence in the small business context, opportunities for evasion are high and resources are often scarce for field auditing. Even when high investments are made in auditing, uncovering "hidden cash" is never going to be an easy task without an adequate audit trail (Ahmed and Braithwaite, 2005).

In developing countries the income tax compliance has been constrained by the significant number of changes to the tax laws, that are now so complex and only a handful of tax experts can understand them. This creates additional problems for compliance by taxpayers who do not have access to sophisticated tax specialists (Oberholzer, 2008). Moreover enforcement of these laws cannot reduce noncompliance among taxpayers because some tax measures put Small and Medium Taxpayers under severe liquidity pressure, forcing many to fold in

the informal sector (Terkper, 2003). To enhance compliance the tax system of Uganda has undergone fundamental reforms since 1987, but the tax collections are still very low leading to large fiscal deficits (UBOS and PSFU, 2007). As a share of GDP, tax revenue performance for 2006/07 represents a 0.28 percentage point increase over the FY2005/06 level, far less than the Government objective of increasing revenue by 0.5 percentage point of GDP per annum (Ayoki, 2007). Nevertheless direct domestic taxes for the year 2006/07 accounted for 51.76% of the total domestic revenue, there were shortfalls registered under some business income taxes like corporate taxes (13.59 billion), Presumptive tax (2.07billion) and casino taxes (0.01 billion) (Annual Revenue bulletin, 2006/7).

2.13 Empirical Studies

Findings on the relation between knowledge and tax compliance are mixed. On the one hand, highly educated groups were shown to agree more with existing fiscal policies than less educated groups (Schmo"lders, 1960). Indeed, a low perceived complexity of tax laws (Kirchler et al., 2006); education concerning taxation (Kasipillai et al., 2003) as well as subjective (Kirchler et al., 2006) and actual tax knowledge (Kirchler and Maciejovsky, 2001) were shown to relate positively to (hypothetical or intended) compliance. On the other hand, some researchers found that education was negatively related to compliance (Antonides and Robben, 1995) also for small business owners (Hite et al., 1992), whereas again others found no clear pattern of non-compliance across levels of education among the self-employed (Schuetze, 2002). Further adding to the contradictory pattern, Chan et al. (2000) found a small positive effect (via tax attitudes) of education on tax compliance in a US sample, whereas in a Hong Kong sample, education and compliance were unrelated.

Although these cumulative findings are contradictory at first sight, a closer inspection indicates that the type of knowledge matters; both general knowledge in term of education as well as tax-specific knowledge influence the ability and willingness to comply or evade. General knowledge seems to be used to evade as often as it is used to comply. In contrast, tax-specific knowledge tends to lead to an increase in compliance; presumably because to learn about taxes also means to learn about their necessity in society or because this specific knowledge is a greater deterrent. The pre- and post-tests of two groups of Norwegian students, who took part in either a tax law course or a marketing course, suggest that specific tax knowledge renders tax attitudes more favorable; increases a fair perceptions of the tax system; and leads people to perceive tax evasion as very serious (Eriksen and Fallan, 1996).

McKerchar (1995) who studied small business taxpayers in Australia, that small business taxpayers have inadequate knowledge about tax laws to meet their obligations and could not efficiently minimize their tax liabilities. She found that the absence of tax knowledge may lead to non-compliance behavior among taxpayers, either intentionally or unintentionally. She found that some small business taxpayers are not even aware of their tax knowledge shortfall and this may lead to unintentional non-compliance behavior.

Loo, E. C., McKerchar, M., & Hansford, A. (2008) in a study, using a mixed method design, on tax compliance behavior in Malaysia found that individual unintentionally committed mistakes in their taxreturn forms between November 2005 and July 2005.

Lumumba, Migwi and Magutu (2010), found that SMEs did not honor their tax obligations because of their inability to understand tax law requirements. Increased awareness and knowledge of a tax initiative is essential to gain public acceptance and confidence (Saira, Zariyawati and Yoke-May, 2010). Awareness has to be spread in order to inform all consumers about the direction and objectives the authorities wish to achieve by administering taxation policy (Yan, Arokiasamy and Suat (2010). Palil and Mustapha (2011) conclude that tax knowledge has a significant impact on tax compliance in meeting their tax obligations. Mukasa (2011) also opines that knowledge of taxation can affect the perceived fairness of tax by the taxpayers. For taxpayers to accurately compute his tax liability reasonable tax knowledge is required (Lai, Zalilawati, Amran and Choong, 2013).

2.14 Conceptual Framework

Based upon empirical evidence and theoretical literature reviewed a conceptual framework is developed to show how tax knowledge helps in the filing of tax returns. The conceptual framework for the study is shown in Fig. 1.

Figure 1:

Adequate tax knowledge of SMEs derived from proper education by the GRA

PROPER AND TIMELY FILING OF TAX RETURNS BY SMES
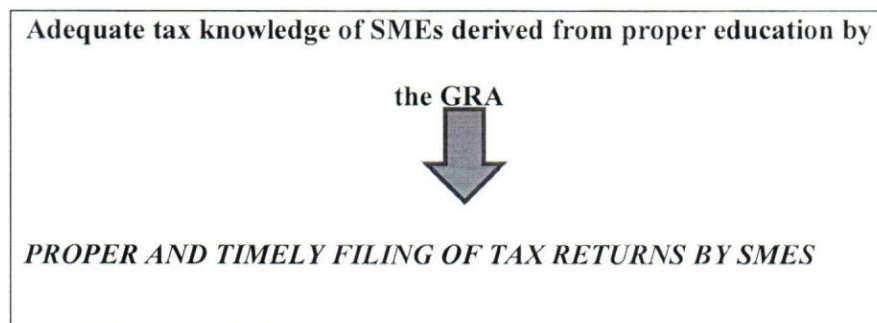
Source: Researcher's Construct

The conceptual framework explains the interrelationship between tax knowledge and filing of tax returns. Adequate tax knowledge derived from proper tax education results in proper and timely filing of tax returns by SMEs.

2.15 Conclusion

This chapter reviewed literature related to the problem of the study. It reviewed concepts to shape the understanding of the problem. Theories were reviewed to give a theoretical backbone to the study. Prospect theory, mental accounting and reactance theory together provided a solid starting point for understanding tax knowledge and filing of tax returns. Empirical studies were also reviewed to show findings of studies on tax knowledge and filing of tax returns. In Ghana the influence of poor tax knowledge on filing of tax returns by SMEs is yet to be known. This study investigates the tax knowledge of SMEs within Tamale Metropolis whether it is helping to ensure proper filing of taxes as part of the overall effort of driving greater revenue mobilization. This study will help fill that knowledge gap.

CHAPTER THREE

METHODOLOGY OF THE STUDY

3.0 Introduction

This chapter presents the methodology of the study. The researcher discusses in detail the research design, study area, population and sampling, techniques and procedures of data collection and analysis as well as the ethical considerations of the study.

3.1 Research Design

A research design is an overall plan of a researcher's investigation (Brown, 2006). A research design provides a framework for the collection and analysis of data. It is the glue that holds the research together (Trochim, 2000). The purpose of the research design is to establish the connection that exists between the research questions, the data gathered and the conclusion to be established (Yin, 1994). A research design serves as a guide in the conduct of the research and helps the researcher use ideas in related literature in order to draw inferences and conclusions based on the findings of the study in a way that answers the research questions.

A descriptive design was used in this study. The complexity and context of the research area are among the other concerns for choosing the design. This type of study design can be described as a study which involves systematic collection and presentation of data to give a clear picture of a particular situation. It constitutes the blue print for the collection, measurement, and analysis of data (Saunders, Lewis and Thornhill, 2007). This, according to Gay (1987: 89): "involves collecting data in order to test hypothesis or to answer questions

concerning the current status of the subject of the study". The descriptive sample survey was chosen because of the purpose of the study, the research questions and the nature of data used in the analysis.

Anol (2012) argued that regardless of the specific research design chosen, the researcher should strive to collect quantitative and qualitative data using a combination of techniques such as questionnaires, interviews, observations, documents, or secondary data. 'For instance, even in a highly structured survey questionnaire, intended to collect quantitative data, the researcher may leave some room for a few open-ended questions to collect qualitative data that may generate unexpected insights not otherwise available from structured quantitative data alone. Likewise, while case research employ mostly face-to-face interviews to collect most qualitative data, the potential and value of collecting quantitative data should not be ignored. Thus with a mixed method approach, the researcher could achieve the purpose of the research through obtaining multiple perspectives as answers to varied research questions meant to meet the objectives of the study.

3.2 Study Area

The Tamale Metropolis is located in the central part of the Northern region and shares boundaries with the Sagnarigu District to the west and north, Mion District to the east, East Gonja to the south and Central Gonja to the south-west. The population according to the 2010 Population and Housing Census is 233,252 representing 9.4 percent of the region's population (Ghana Statistical Service, 2014). Tamale is mostly populated by Dagomba people who speak Dagbani and are predominantly Muslims. Located in the northern part of the

country, the city can be described as conglomerate of villages where one can find an architectural blend of traditional mud houses and modern buildings.

Due to its central location, Tamale serves as a hub for all administrative and commercial activities in the region, doubling as a political, economic and financial capital of the region. Tamale hosts regional branches of Ghana's financial institutions and a considerable number of international Non-Governmental Organizations (NGOs).Tamale is developing very fast and is reputed to be the fastest growing city in West Africa.

Tamale metropolis was chosen because it is large, heavily populated and has a good number of small businesses which mirror the small business sector in Ghana. A sample small business was taken from the population to provide the data necessary to draw a valid conclusion about tax knowledge and filing of tax returns in this metropolis of Ghana.

3.3 Population of the Study

Kusi (2012) defines population as a group of individuals or people with the same characteristics and in whom the research is interested. The population of the study was all small business (SMEs) owners in the Tamale Metropolis. SMEs registered with the National Board for Small Scale Industries (NBSSI) in Tamale comprised the target population. The National Board of Small Scale Industries (NBSSI) uses 'fixed asset and number of employees' as criteria in its classifications and definitions of SMEs. Thus, by these criteria small enterprises are defined as businesses that employ between 6 and 29 employees with fixed assets of $100,000 while medium enterprises are defined as business entities that employ between 30 and 99 employees with fixed assets of up to $1 million. On

the NBBSI database, 400 small businesses fall under the SMEs category and therefore became part of the target population of the study. However, it must be stated that since most SMEs in Ghana do not register with the NBSSI, it turns to affect the exact number of SMEs actually in operations on the ground. All the agencies of the Ghana Revenue Authority (IRS, VATS and CEPS) in Tamale Metropolis formed part of the population.

3.4 Sampling and sampling procedure

Best and Kahn (1998) argued that the sample size of a study is subject to the nature of the population, the kind of data to be collected, the type of analysis to be carried out and the availability of funds for the study. Sampling is "observing a part in order to glean information about the whole is an almost instinctive human act"(Corbetta, 2003: 210).Both stratified sampling and simple random sampling were used. SMEs were first of all stratified to give a fair representation of various types of small businesses in the metropolis and then randomly selected so that each small business had an equal chance of being selected.

SMEs were stratified initially from the target population. SMEs on the NBBSI data base fall into two business categories or sectors of the economy; manufacturing and services sectors. Of the total of 400 SMEs on the database, 171 were services SMEs while the remaining 129 fell into the manufacturing sector. Ten percent (10%) of SMEs were randomly selected from both categories. In total 30 SMEs were chosen for empirical analysis in this study. Of this 30, 17 SMEs selected were into service provision while 13 were into manufacturing. Kusi (2012) opines that one of the factors that influence the selection of a

reasonable sample size for studies located within the interpretive qualitative framework is manageability. Since the researcher's aim was to describe the problem for a better understanding and it was necessary to select an appropriate sample size to achieve this purpose. In selecting the sample from each stratum, the researcher followed the 10% condition for the Central Limit Theorem which states that: "When the sample is drawn without replacement (as is usually the case), the sample size, n, should be not more than 10% of the population" (Berry & Lindgren, 1990). Also, according to Rubben and Babbie (1997), 10% is appropriate where a study is being conducted with inadequate resources.

The "10% condition" arises because of sampling without replacement (which is a usual practice in surveys and many other situations) from a finite population. The explanation of the condition is as follows. Suppose there are N SMEs and M of them are Services SME, the rest Manufacturing. If all the SMEs are mixed up in a container and an SME is randomly drawn out, the probability that it is a Services SME is $p = M/N$. In sampling without replacement if we draw the first SME and do not replace it before mixing and drawing again, and if the first SME is a Services SME, the second SME is now drawn from a population with N-1 SMEs, of which M-1 are Services SME, so the probability that it is a Services SME is $(M-1)/(N-1)$, which is different from the probability $p = M/N$ that the first SME drawn would have been a Services SME. If the first ball drawn is a Manufacturing SME, the probability that the second SME is a Services SME is $M/(N-1)$, which is also not the same as p. If the first two SMEs drawn are Services SMEs, the probability that the third SME drawn is a Services SME is $(M-2)/(N-2)$ (that is assuming the first two SMEs are not replaced, but the rest are mixed and randomly drawn), and so forth. From the foregoing analysis it is clear

that the successive draws of SMEs are not independent, because the probabilities of drawing a Services SME on the next draw changes depending on what we have previously drawn. The 10% condition arises from this sustained and repeated process. The sample of 30 SMEs satisfies the "10% condition" and does constitute a representative sample. Among the 30 SMEs selected, 17 were into service provision while 13 were into manufacturing. The distribution of the sample is shown in Table 2.

Table 1 Distribution of Population and Sample by Business Category for the Study

Business Category	Population	Sample
Services	171	17
Manufacturing	129	13
Total	400	30

Source: National Board for Small Scale Industries (NBSSI) (2015).

From the 30 SMEs in the Tamale Metropolis selected, all their owner-managers were selected based on purposive sampling to ensure that only small business owners are selected. The small business owners could provide information on their tax knowledge and filing of tax returns. Thus purposive, stratified and simple random sampling techniques were all used. The purposive sampling technique was used to select the three Revenue Agencies in the metropolis. Three key staff of each agency was targeted as respondents. They included the Regional Director, the Deputy Regional Director and the Operations Officer of the Revenue Agency. These were chosen because of the roles they play in their respective establishments. All three staff were identified and interviewed.

Thus the total sample was 39 comprising 30 small business owners and nine key staff of each GRA (IRS, VATS, and CEPS).

3.5 Sources of Data

The researcher used both primary and secondary data. Primary data was obtained using the questionnaires and semi-structured interviews. Secondary data was obtained from GRA, NBSSI, journals, publications and other records of Tamale Metropolitan Assembly. Secondary data helped improve the study by expanding the scope of information and evidence. This helped reinforce and increase the validity and reliability of primary data gathered from the field. Primary was gathered through interviews and questionnaires.

3.5.1 Data Collection Instruments and Procedures

Interview and questionnaires were the major research instruments used to collect primary data for the study. Interviews were designed for staff of GRA. Nine staff of Ghana Revenue Agencies was interviewed to solicit their views about SMEs filing of tax returns. The interview schedule for was divided into three (3) sections (A to C). Section A was structured to collect data about the background of the staff. Section B elicited their views on small business owners' tax knowledge. Section C elicited their views on the effects of small business owners' knowledge on filing of tax returns and penalties for not filing tax returns.

Questionnaires were administered to small business owners. The respondents (small business owners) were approached personally at their various shops and the researcher administered the questionnaire. The questionnaires contained a combination of closed and open ended questions. Wegner (2001)

contends that the design of the questionnaire is critical to ensure that the correct research questions are addressed and that accurate and appropriate data are collected. The questionnaire was divided into two sections. Section A was structured to collect data about the background of the respondents. Section B, on the other hand, elicited information on small business owners' tax knowledge. Section C extracted information on the effects of small business owners' knowledge on the filing of tax returns.

Data collection took about one month. As a field research, the research approached respondents of the sample SMEs at their business premises and administered the questionnaires. The researcher faced many challenges. One major challenge was the timing of the field work and the availability of certain category of the targeted respondents. The data collection period coincided with their business activities. This made it difficult for the researcher to get respondents to answer the questions. The researcher faced similar challenges in the conduct of the interviews with selected staff of the GRA. However, the researcher persevered to ensure that the questionnaires were answered and submitted in good time and the interviews were done.

3.6 Data Analysis

Data analysis is a process of inspecting, cleaning, transforming and modeling data with the goal of discovering useful information, suggesting conclusions and supporting decision making (Puopiel, 2014). Data collected was verified, cleaned and edited to ensure consistency with the research objectives underpinning the study. Responses were then coded and entered into Predictive

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Analytic Software (PASW) for analysis. Verbal or descriptive account from interviews was also used to enrich the discussion. Data was presented in tables, charts, and graphs depicting the results or outcome of the survey conducted for discussions. Qualitative data from interviews with focal persons or key informants were presented through summaries in support of quantitative data collected.

3.7 Validity and Reliability

Cresswell (2007), suggests eight strategies for validity including 'prolonged engagement and persistent observation in the field': 'triangulation': 'peer review or debriefing'; 'refining hypotheses as the inquiry advances'; 'clarifying researcher bias from the outset of the study'; 'the researcher solicits participants' views of the credibility of the findings and interpretations': 'rich and thick description' and ' external audits'. He advises that one should stick to two of them at least in any given study. Since interviews and questionnaires were combined in data collection validity was guaranteed.

Somekh and Lewin (2007), defined reliability from a qualitative point of view to mean: The truth of the findings has been established by ensuring that they are supported by sufficient and compelling evidence. In quantitative research, it refers specifically to measurement repeatedly giving the same result (being consistent).According to Yin (1994), the role of reliability is to minimize errors and biases in a case study. Since case study researches are a type of empirical research, Somekh and Lewin (2007) point to three main aspects to achieve reliability, namely: 'sufficient', 'compelling evidence', 'rigour of data collection

and analyses. Thus in this study sufficient and compelling evidence was achieved by using mixed methods of data collection and analysis.

3.8 Ethical Considerations of the Research

Blumberg et al., (2005) describes ethics as referring to the appropriateness of one's behavior in relation to the rights of those who become the subject of a research project. Babbie (2008) argues that "ethics of social research deals mostly with the methods employed". Based on this, the ethical implications of this research concerned the "methods" it employed in the process of the work. Ethical issues arising at each key stage of the research process were also addressed to ensure a balance between participants' rights and eliminate risk of harm to participants. The conduct of interviews and administration of questionnaires involved interaction with people. Thus questions of confidentiality, privacy and anonymity among others arose. To guarantee ethical quality, the researcher ensured that all contacts with persons took place within public spaces and proper times. The researcher also upheld confidentiality and anonymity of participants.

Also the researcher obtained the consent of all subjects involved and disclosed the essential nature of the research to the subjects. The researcher tried as much as possible to be honest about the purpose of the study. Each participant was given a verbal explanation of a letter outlining the purpose of the research. In addition we ensured that SME owners understood the implications of their involvement before giving their consent to participate (Babbie, 2010). Respect and accountability was interpreted to mean obtaining consent of respondents.

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Hence, GRA staff and SME owner/managers involved in the study were recruited after an informed consent was obtained. According to Hill (2012) informed consent means that individuals to be sampled in a study are first informed about the study to comprehend its aims and benefits to them before consenting to take part. Hence, this study was based on voluntary participation among the target population, but they were encouraged to take part in the study by explaining to them the benefits of the study to add to limited literature and implications for management (Johnson and Christensen, 2012).

Ethical consideration was also achieved by asking permission to conduct the study. Moreover, the study participants could withdraw at their own will and convenient time from the study. Additionally the questionnaire and interviews were designed in such a way that it did not offend, harm, provoke or stress any of the participants in any way (Roulston, 2010). Questions asked were non-intrusive as no personal information about names was requested. The questionnaires fully stated that it is an academic research and in no way constitutes a study conducted by the organizations.

3.9 Chapter Summary

This chapter discussed the methodology of the study. The descriptive research design is reflected in the entire research methodology including the instruments and procedures employed in data collection and analysis. Starting with basic background information about the study, the chapter discussed the process of defining and operationalizing the relationships between the methodological and contextual issues of the study. These include an understanding of the context of the study; deciding on the sources of data and

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justification for whatever choices are made; developing, testing and refining the study instruments to ensure that the questions posed address the research objectives; explaining the procedures used in analyzing the field data and the ethical challenges of the research process. The multiple methodologies applied in this study complemented each other, minimized errors and improved the trustworthiness of the research. Ethical considerations of the study were also discussed.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter presents the discussion of the results of the study. The Socio-demographic characteristics of respondents as well as characteristics of the SMEs sampled are presented and discussed to set the background for discussion of main results. These results are presented as frequencies and percentages in tables. The results of data analyzed from interviews are discussed in line with the study objectives. Extracts of interviews are incorporated as evidence of actual perspectives. The objectives shape each presentation while responses to questions guide the discussions in each case. The discussions include interpretations of findings with reference to previous studies and theories which serve to confirm or contradict the results of the present study. The chapter summary comes last.

4.2 Socio-demographic Characteristics of Respondents

Research by Kuratko and Hodgetts (1995) and LeBrasseur, Zanibbi and Zinger (2003) indicated the importance of socio-demographic information on the tax knowledge and the filing of taxes by Small and Medium Enterprises (SMEs). Hence, it was necessary to solicit information on the socio-demographic characteristics of respondents in the Tamale Metropolis. The socio-demographic characteristic captured the educational levels of respondents to help gain an overview of the literacy levels of owners/managers of SMEs from which the sample for the study was drawn. This variable was surveyed to bring out the intricacies of the issues that shape their knowledge and ability to file tax returns.

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Education offers people opportunities to grow beyond their narrow perspectives and to understand what is required of them. It is assumed that a person with a high level of education will understand tax laws and their interpretations regarding filing of tax returns. Results of data analyzed on respondents' level of education are presented in Table 3.

Table 2: Level of Education of Respondents

Level of Education	No. of Resp.	Percent
No Formal Education	1	3.30%
MSLC/JSS/JHS	10	33.3%
SSSCE/WASSCE	11	36.7%
Tertiary	6	20.0%
Other	2	6.70%
Total	**30**	**100**

Source: Field work (2016)

From Table 3, the results show that a majority of the respondents, 11, representing 36.7% of the total number have up to Senior High School level education, advanced level (A-level) or Senior Secondary School level education. Having a majority of respondents with this level of education implies that those responsible for running SMEs are not well educated and this could have negative effects on filing of tax returns as their general knowledge about tax will likely be low. The second highest number of respondents, 10, representing 33.3% had up to junior high school, Middle School Living Certificate (MSLC) or Junior Secondary School level education. About 6% had up to tertiary level education. This result indicates that respondents have varying levels of educational attainment. Only one respondent was non-literate (has no formal education). The

differences in levels of educational attainment mean that the opinions of owner/mangers of SMEs will also be different.

In-spite of SMEs contributions to the growth of Ghana's economy their knowledge of filing of tax returns is hampered by a number of factors The level of general education of taxpayers is an important factor that contributes to the understanding of tax requirements, regarding registration and filling requirements. The researcher asked whether the level of education of respondents affect filing of tax returns. The results, in Figure 2, clearly show that high level of education will encourage owners of SMEs to fulfill their tax obligations.
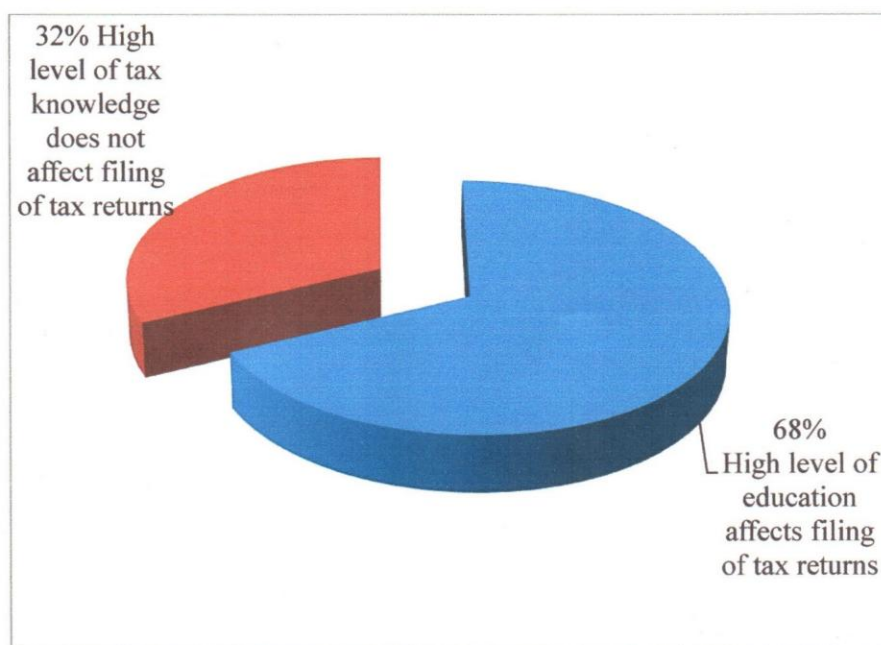
Figure 1 : Level of Education and Filing of Tax Returns

Source: Field work (2016)

4.3.1 SMEs' Broad Business Category and Filing of tax returns

From the data analyzed on the characteristics of SMEs, the researcher observed that SMEs sampled for the study fall into two major business categories or sectors of the economy; manufacturing and services sectors. Out of the

totalof30 SMEs surveyed, 13 were services SMEs while the remaining 17 fell into the manufacturing category. Regarding whether their business category, whether being in the manufacturing or services sectors, affects their filing of tax returns, majority of the business owners strongly agreed that their business category affects their filing of tax return. Results show that majority of the SME owners, 56.7% believed that being in a sector, whether manufacturing or services, affected their filing of tax returns while 43.3% of SME owners thought otherwise as shown in Figure 3.
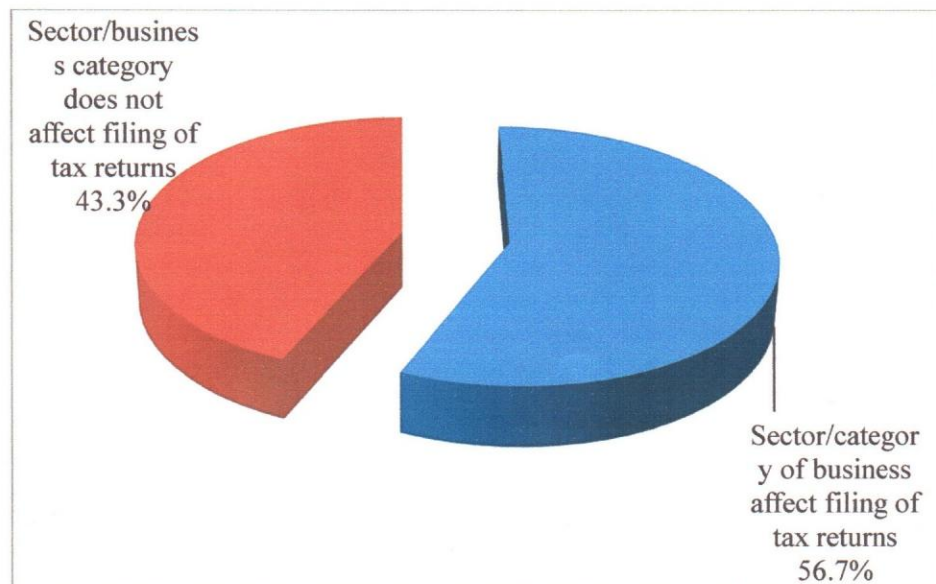
Figure 2 : SMEs' Broad Business Category and Filing of tax returns
Source: Field work (2016)

The breakdown of the sampled SMEs into various activities include; petty traders, artisans, designers/dressmakers/tailors, poultry farmers, restaurateurs/food vendors, small scale manufacturers/processors and hairdressers/beauticians. Table 4 shows respondents from each type of SME category. Petty traders were the majority, 14, representing 46.7%. This is followed by fashion

designers/seamstresses/tailors, 5, representing 16.7%. This was followed by small scale manufactures, 4, representing 13.3% of the total number of respondents from the SMEs. Beauticians/hairdressers as well as poultry farmers who were 2 respondents each represent 6.7% respectively. The breakdown shows the diverse range of SMEs operations.

Table 3: Types of SMEs and the Number of Respondents in the Sample

Type of SME	No. of Resp.	Percent
Petty Traders	14	46.7%
Small Scale Manufacturers/processing	4	13.3%
Poultry Farmers	2	6.70%
Restaurateurs/Food Vendors	3	10.0%
Beauticians/Hairdressers	2	2.70%
Fashion designer/Seamstress/tailors	5	16.7%
Total	**30**	**100**

Source: Field work (2016)

4.3.2 Ownership and Registration status of SMEs

The study sought to know whether SMEs registered their business with either the Registrar General Department (RGD) or with the Tamale Metropolitan Assembly. The importance of business registration is that it gives the business the legal entity to enable the business sue or be sued. The responses to the issue of business registration or the legal status of the enterprises were analyzed and the analysis shows that the SMEs were registered or functioned legally as sole proprietorships, partnerships or cooperatives established by groups of people. Majority (53.3%) of the SMEs that participated in the study were sole

proprietorships. This was followed by partnerships (26.7%). Those that indicated they were cooperatives were 19.4%. No SME was a public limited company. The results reflect what other studies found. In Ghana several studies found that sole proprietorship as the dominant from of business. Partnership is the next type of business organization. This is followed by cooperative and limited liability companies. Figure 4 shows the results.
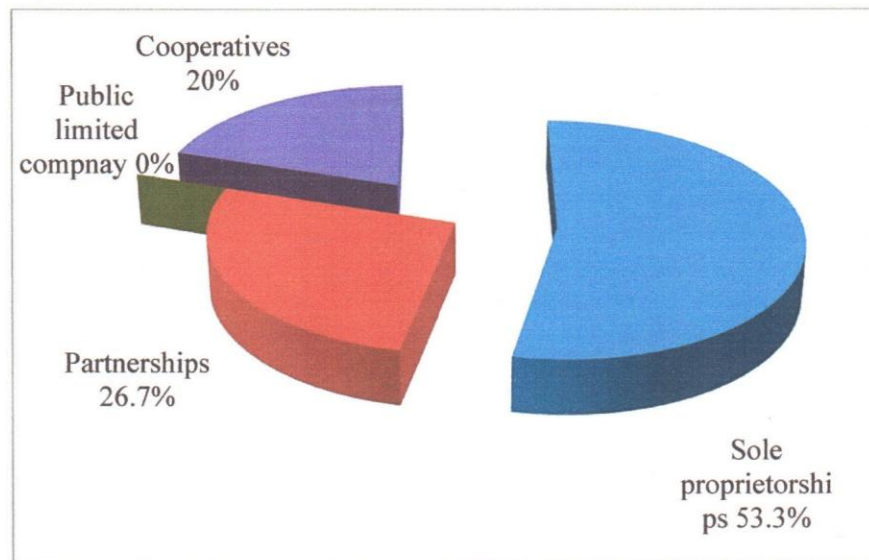
Figure 3: Legal status of SMEs

Source: Field work (2016)

4.3.3 Number of employees by SMEs

The Ghana Statistical Services (GSS) considers firms with fewer than ten employees as small-scale enterprises. The GSS in its national accounts considered companies with up to 9 employees as SMEs (kayanula & Quartey, 2000). From the analysis of the number of employees per SMEs, majority (33.3%) of SMEs had 1 full-time employee who is the owner. This is the case because small businesses in Tamale are essentially one person's operation. About 30% of the SMEs employed 2-5 full-time people including the owner/s, 26.6% of the SMEs

employed between 6 and 8 people including the owner/s, with 10% of the respondents employing up to 9 people including the owner/s. It was gathered that majority of the SMEs' employees were relatives of the owner. It was also confirmed that most of these employees were not formally employed or had contracts which do not have any legal backing. The results are shown in Table 5.

Table 4 : Number of employees by SMEs

Number of employees by SMEs	No. of Resp.	Percent
1 employee	10	33.3%
2-5employees	9	30.0%
6-8 employees	8	26.6%
9employees	3	10.0%
Total	**30**	**100**

Source: Field work (2016)

4.4 Discussion of Results in line with the Specific Research Objectives

This section deals with the presentation of results and discussion in line with the study objectives. The data was analyzed both quantitatively and qualitatively. Thus the presentation of results and discussions takes into cognizance the descriptive statistics presented in the tables above. The interview data was analyzed based on these objectives of the study.

4.4.1Knowledge of tax laws including filing tax returns by SME owners

From the interviews with personnel of GRA, it was gathered that taxation of both individuals and corporations is mainly governed by the Income Tax Act. Taxpayers who received income from trade, regardless of their size or legal form and status, are required by law to: register for tax, keep and maintain sufficient records for tax purposes, carry out tax assessments, pay taxes (as due), file all tax

returns on time, and carry out other tax-related duties like accounting for withholding taxes and paying employment tax on behalf of their employees. This means that owners of SMEs need to have knowledge of: registration in the system; timely filing or lodgment of requisite taxation information; reporting of complete and accurate information (incorporating good record keeping); and payment of taxation obligations on time. If SMEs fail to meet these obligations then they are non-compliant.

From analysis of data on knowledge of tax laws including knowledge of taxable income, types of taxes their businesses are supposed to pay and payment dates and filing of tax returns. Majority (46.7%) of the SMEs indicated that they had no knowledge of tax laws, followed by 33.3%who had fair knowledge of tax laws and filing tax returns and lastly by those (20%) who had adequate knowledge of tax laws and filing tax returns. This finding is consistent with the purpose of the Psychology theory on taxation that emphasizes on enhancing awareness through tax education. It is only through this that the knowledge level of SME owners on tax payments would be enlightened. Results on knowledge of tax laws including filing tax returns by SME owners are shown in Table 6.

Table 5 : Knowledge of tax laws including filing tax returns by SME owners

Knowledge of tax laws including filing tax	No. of Resp.	Percent
No knowledge	14	46.7%
Fair knowledge	10	33.3%
Adequate knowledge	6	20.0%
Total	30	100

Source: Field work (2016)

4.4.2 Tax Registration Status of SMEs for Payment of Tax

With regard to whether SMEs registered for tax or did not, the analysis showed that about 45% of SMEs were registered for PAYE. About 36% were registered for income tax. About 17% were registered for VAT. Only 6% were paying presumptive tax. The implication of this was that majority were not paying the presumptive tax in the Tamale Metropolis. Table 7 shows the results.

Table 6 : Tax Registration Status of SMEs for Payment of Tax

Registration Status of SMEs for Payment of tax	No. of Resp.	Percent
Registered for PAYE	13	43.3%
Registered for VAT	9	30.0%
Registered for income tax	5	17.0%
Paying presumptive tax	3	10.0%
Total	**30**	**100**

Source: Field work (2016)

4.4.3 Maintaining sufficient records for tax purposes

Records management by SMEs is important since it plays significant role in ensuring efficiency and profitability. With regard to maintaining sufficient records for tax purposes, and carrying out other tax-related duties such as accounting for withholding taxes and paying employment tax on behalf of their employees, owners of sole proprietorships who had basic accounting knowledge and tried to prepare and maintain records as 33% indicated whilst the remaining 67% indicated they did not have tax records or carry out other tax-related duties such as accounting duties. For partnerships, 50% of them maintained sufficient tax records themselves while the other half indicated they did not maintain tax records. For cooperatives, 43% indicated that accountants or consultants were

hired to maintain tax records while 57% indicated that they maintained their own tax records. The results are shown in Table 8.

Table 7 : Maintaining sufficient records for tax purposes

Category of SMEs	Maintains records	Do not maintain records	TOTAL
Sole proprietorships	33%	67%	100%
Partnerships	50%	50%	100%
Cooperatives	43%	57%	100%
Total			100%

Source: Field work (2016)

4.4.4 Effects of Tax knowledge on the filing of Tax Returns by SMEs

The Ghana Revenue Authority (GRA) stresses the obligation of individuals and entities whose accounting date falls on 31st December to file returns of their incomes for assessment under the Income Tax Law. The essence of filing tax returns is to submit to final assessment of tax obligations. This requires them to indicate the incomes taxed and any other source of income earned in the period which has not been taxed for consolidation. It was gathered that SMEs may under report income for either direct or indirect taxes. This may affect any claims they put in for allowable tax reliefs. At the end of the assessment, it may turn out that SMEs have either over-paid or under-paid taxes. Depending on the final assessment, SMEs may receive tax refunds due to overpayment or made to pay additional taxes due to under payment of taxes.

With regard to filing of tax records, majority of the SMEs, about 70% indicated they did not file tax returns. About 16.7% indicated that they file their tax returns. However 13.3% did not have any idea of what filing of tax returns is. Table 9 shows the results. From the results, it is clear that a tiny proportion of

SMEs owners actually go through the process and procedure of filing tax returns. As most of the SMEs owners are not very well educated and do not have proper accounting records they try to avoid the payment of tax. Beyond that, most SME owners do not bother or even know they are required to actually file their tax returns for final assessment. This means that it is equally true that majority of SME owners not only evade payment of taxes but also do not submit to any tax assessment. Hence, as espoused by the deterrence theory, more punitive measures need to be implemented to ensure that SMEs pay taxes as expected.

Table 8 : Filing of tax returns by SME owners in the Tamale Metropolis

Filing of tax returns by SMEs	No. of Resp.	Percent
Do not file tax returns	21	70%
Do file tax returns	5	16.7%
No idea	4	13.3%
Total	**30**	**100**

Source: Field work (2016)

4.5 Challenges faced by SMEs owners in filing of tax returns in the Tamale Metropolis

Research by Jacobs et al. (2012), Klun, 2004 and the World Bank (2003) acknowledged the presence of critical challenges faced by SME owners in filing tax returns. Therefore, it was imperative to examine the challenges that SMEs owners in the Tamale Metropolis face in filing their tax returns. The results indicate that the actions of taxpayers whether due to ignorance, carelessness, recklessness, or deliberate evasion as well as weaknesses in a tax administration mean that instances of failure to comply with the tax laws including inability to

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file tax returns. Ignorance of laws was found to be the major challenge as about 43.3% of SME owners motioned that they had never heard of the phrase 'filing of tax returns'. This constitutes a significant number of SME tax payers who are not aware of filing of tax returns. Secondly, about 23.3% of respondents mentioned weaknesses in a tax administration as the major challenge in filing of tax returns. About 13.3% of SMEs indicated that their lack well developed structures for record keeping; independent audit of accounts and cash handling that help to minimize risks of under-reporting was a major challenge. This means that majority of those who are aware fail to file due to long unwillingness and other frustrations. About 16.7% indicated that revenue authorities not ensuring that taxpayers understand their obligations under tax laws was a major challenge in the filing of tax returns. About 3.3% mentioned other factors.

From the results, ignorance of the tax law is the major challenge in the filing of tax returns. The level of general education received by taxpayers is an important factor that contributes to the understanding of tax requirements, especially regarding registration and filling requirements. High tax awareness will encourage people to fulfill their obligations to register as taxpayers and pay taxes promptly and file tax returns properly. Most citizens do not have much understanding of what tax laws mean and why the tax system is structured and administered as it is (Braithwaite, 2007). Palil (2010) states that tax knowledge reveal that there is a relationship with taxpayers' ability to understand the laws and regulation of taxation and their ability to comply. The results are shown in Table 10.

Table 9 : Challenges faced by SMEs in filing of tax returns in the Tamale Metropolis

Challenges faced by SMEs in filing of tax returns	No. of Resp.	%
Ignorance of tax laws including filing of tax returns	13	43.3%
Weaknesses in tax administration	7	23.3%
Revenue authorities not ensuring that taxpayers understand their obligations under tax laws	5	16.7%
SMEs lack well developed structures for record keeping, independent audit of accounts and cash handling that help to minimize risks of under-reporting	4	13.3%
Other factors	1	3.3%
Total	**30**	**100**

Source: Field work (2016)

Lumumba, Migwi and Magutu(2010) found that SMEs did not pay their tax obligations because of their inability to understand tax law requirements. Increase awareness and knowledge of a tax initiative is essential to gain public acceptance and confidence (Saira, Zariyawati and Yoke-May, 2010). Awareness has to be spread in order to inform all consumers about the direction and objectives the authorities wish to achieve by administering taxation policy (Yan, Arokiasamy and Suat (2010). Palil and Mustapha (2011) conclude that tax knowledge has a significant impact on tax compliance in meeting their tax obligations. Mukasa (2011) also opines that knowledge of taxation can affect the perceived fairness of tax by the taxpayers. For taxpayers to accurately compute his tax liability reasonable tax knowledge is required (Lai, Zalilawati, Amran and Choong, 2013).

The lack of proper business records and especially tax-related accounting records makes most small and medium scale businesses become practically constrained in filing their tax returns very well. Also navigating through the legal and procedural issues related to taxation is often taxing in itself. SMEs that cannot employ accounting professionals to help them properly file for tax returns face a great challenge. Several complicated forms need to be completed, and detailed records need to be kept (Maingot and Zeghal, 2006). Substantial knowledge about the procedural aspects of tax laws is required. This is particularly challenging since tax laws tend to be changed frequently (Chittenden et al., 2003) and to be more complex and ambiguous than laws in general (Cuccia, 1996). SMEs do not often meet excessively burdensome and unrealistic bookkeeping requirements and fail to file their tax returns. Thus majority of SME owners in the Tamale Metropolis therefore stand in breach of failing to file their tax returns and are liable to prosecution and a hefty fine for all the years that they have failed to file the appropriate return as opine by the Deterrence theory on tax payment.

4.6 Chapter Summary

This chapter presented results and discussions of the study. Results were presented in tables and graphs and verbatim quotations. In cross-discussing the results, it was clear that responses answered the research questions. Weighed against previous findings, the results were helpful in assessing SME filing of tax returns in Tamale Metropolis.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary, conclusions and recommendations of the study. It begins with, an overview and summary of the study. Conclusions are drawn based on the findings of the study, and the study objectives followed by recommendations to help improve SMEs' filing of tax returns.

5.2 Summary of Findings

SMEs are at the heart of the business community in the Tamale Metropolis; they are local businesses and therefore are ideally placed to influence the lives of people in this study area. SMEs are engaged in various activities including petty trading, dressmaking, hairdressing, small scale manufacturing, and food vending among other things. This study assessed the tax knowledge of SMEs, including the adequacy and currency of their tax, and how this is influencing their filing of tax returns in Tamale Metropolis. The study made a number of findings.

5.2.1 Tax knowledge of small business owners in the Tamale Metropolis

The first objective sought to assess tax knowledge of small business owners in the Tamale Metropolis and how this affects filing of tax returns. From the results, it was found that SME owners lack adequate tax knowledge about levels of taxable income, types of taxes their businesses are supposed to pay and payment dates. SME taxpayers' view on their level of tax knowledge was that it

is inadequate to help them properly file their tax returns. Thus only a small segment of the SME community in the Tamale Metropolis files tax returns.

5.2.2 Effects of tax knowledge on the filling of tax returns by SME's

The low level of education of taxpayers contributes to their lack of understanding of tax responsibilities, especially regarding registration and filing requirements. Hence, the study found that mostly, tax returns are not filed.

5.2.3 Challenges faced by small business owners in filing of tax returns in the Tamale Metropolis

On the challenges faced by SMEs owners in filing of tax returns in the Tamale Metropolis, compliance costs, in the form of fees charged by tax consultants, ignorance of tax laws and regulations and weaknesses in tax administration were found to be the major challenges. GRA does not adequately educate SMEs on how to file for tax returns and how to use tax credit judiciously to promote the development of the SMEs.

5.3 Conclusion

An evaluation of the findings reveals that tax knowledge has impact on SMEs' filing of tax returns. The current practice of filing of tax returns within the Tamale Metropolis by SMEs reveals that filing of tax returns is not a usual activity of SMEs. Majority of SME owners' low level of education constrains their ability to file tax returns. The huge amount of paperwork to be completed in filing of tax returns compounds the problem of illiteracy and low level of education and prevents effective filing of tax returns by owners of SMEs. Stringent procedures SMEs go through discourage them and lead to boycott of the

process. Only a small segment of the SME community in Tamale Metropolis files tax returns. This has negative implications for the generation of tax revenue for development processes in the Metropolis. The absence of a small business tax regime in Ghana causes SME taxpayers to bear disproportionate tax compliance burdens. SME operators' perceptions on tax fairness and tax service quality have the power to influence their tax compliance decisions.

5.4 Recommendations

Based on the conclusions the following recommendations are made:
GRA needs to carry out very intensive education on filing of tax returns. If SMEs appreciate the advantage, they will be encouraged them to file tax returns. The advantage to GRA is that as more returns are filed, it becomes easier for GRA to identify tax payers and their various sources of income which were hitherto unknown. This will eventually bring more income earners into the tax net'. A conscious and deliberate educational programme should therefore be designed.

SME owners should as a matter of necessity learn how to prepare and file tax returns as this is a requirement for them in the successful running of their businesses.

There is the need for SME owners to network or form partnership. This is because as they interact they will benefit from common business practices and collaborations. SMEs manager/owners could benefit from group training and counseling on areas of challenge. Peer-to-peer mentoring can help some learn from others who are experts in filing tax returns.

SMEs should be motivated to file tax returns from GRA to enhance their growth and development through access to tax credit as well as other tax relief.

The tax law should be amended to give tax incentives like lower tax rates and less stringent filing requirements for small business taxpayers.

GRA needs to consider SMEs by their business categories to be able to develop tailor-made tax returns filing information to help improve their tax knowledge and filing of tax returns.

GRA needs to facilitate education of SMEs to ensure that they can construct a plan for filing of tax returns. This will help SMEs to invest the resources they receive.

Finally, it should be made possible for income tax payers to enjoy all their reliefs upfront in line with the principle of 'Enjoy as You Pay'. The study recommends that the government through the Tamale Metropolitan Assembly and GRA should review current regulations governing SMEs tax schemes to increase awareness on the importance of tax and the penalty for non-compliance (enforcement). GRA should build a good relationship with small and medium enterprise taxpayers in seeking to improve general tax compliance levels as well as total tax revenue. Government should therefore do everything possible to increase public knowledge on tax matters and tax education should be included in school curricula at all times or levels.

There is the need for tax simplification to ensure tax knowledge that will improve filing of tax returns and compliance behavior by owners of SMEs. Simplified tax laws that lead to their tax knowledge and is for the mutual benefits of the governments and tax payers. It is recommended that GRA provide adequate resources to meet the needs of enhancing SME taxpayer functional literacy elements in terms of skills and knowledge required to deal with tax matters.

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Tax penalties can positively influence timely filing of tax returns by SME taxpayers.

5.5 Suggested Areas for Future Research

The current study has laid the foundation for future research. This study has met its objectives and provided a wider picture of knowledge of tax and the filing of tax returns by SMEs within the Tamale Metropolis of Ghana. Although it achieved its objectives, it is limited in many ways. It is limited particularly by methods and data used. The study on filing of tax returns by SMEs was limited by a number of issues which do not arise in other areas of research.

First, the GRA is legally prohibited from releasing any return information that could be tied to an individual SME. Thus, researchers can only expect to receive information for designated groups in a form that prevents any individual being identified.

Second, the GRA is legally required to "treat all taxpayers equally". However, the equal treatment issue may well have effected on SMEs.

Another major limitation of this research was in gaining access to a wider segment of SME owners and GRA Staff members to ensure a wider coverage of the study.

Finally, the GRA is an arm of the government and as such is sensitive to political sentiment.

These limitations are opportunities for future research. Thus the study's limitations are openings future research can address. Increased research and empirical evidence will help to further understand the tax knowledge of owners of SMEs and filing of tax returns in the Tamale Metropolis. Additional research will

be helpful to know the overall picture of SME owners' knowledge of tax and filling of tax returns. Future research should address the impact of knowledge of tax and filling of tax returns on finance of and growth of SMEs, and the optimal roles and responsibilities for tax authorities. The researcher hopes that this study will serve to inspire and serve as an impetus to others to undertake further research.

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APPENDIX A:

QUESTIONNAIRE FOR SME OWNER/MANAGERS

Serial Number...........................

This study is to assess the tax knowledge of owners of SMEs and filing of tax returns in the Tamale Metropolis. For this purpose, I would be grateful if you could spend a little time to complete this questionnaire for me. Please tick [ ] the appropriate response where option have been provided, where there are no options, kindly give your view on the question. This questionnaire is purely for academic purposes. You are kindly assured of anonymity and confidentiality.

Thank you.

A. Socio-demographic Background

2. Gender: Male [ ]   Female [ ]

3. Age of respondent...

a. Marital status: a. Single [ ] b. Married [ ] c. Divorced [ ] Separated [ ]

b. What is your highest level of educational qualification?

(a) Below diploma   (b) Diploma/HND (c) First degree(d) Second degree (e) PHD

c. What is your Religion?

(a) Traditionalist [   ]   (b) Christian [   ]   (c) Muslim [   ]

(d) Other, specify ....

B. Small business owners' tax knowledge

d. For how long have you being in business?

i.	1 – 5 years	[ ]
ii.	6 – 10 years	[ ]
iii.	11 – 15 years	[ ]

iv.   16 – 20 years   [   ]

v.   21 years and above   [   ]

e.   Do you know that you are supposed to file tax returns? a) ☐   b) ☐

f.   If Yes, explain how you this?

....

....

g.   Do you file tax returns? a) Yes ☐   b) No ☐

h.   If Yes, how frequent do you file tax returns? a) Yearly ☐   b) bi-annually ☐

c) Monthly ☐   d) Weekly ☐

i.   If No, give reasons why you do not file tax returns?

....

....

Section C: Effects of small business owners' knowledge on the filing of tax returns

j.   Are you penalized in case you do not file or delay in filing tax returns? a) Yes ☐

b) No ☐

k.   If Yes, explain the penalty?

....

....

l.   Do you have the required knowledge on filing tax returns as an SME? Yes ☐

No ☐

m.   Have you ever been educated on the importance of paying tax? a)Yes ☐   b).No ☐

n.   If Yes, who did the education and when?

....

....

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o. How did the knowledge you acquired affect your attitude towards filing tax returns?

....

....

p. What are the effects of avoiding filing

taxreturns?..

....

....

...

q. Does avoiding filing tax returns affect your business? a) Yes ☐ b) No ☐

r. What are the challenges you a small business owner face in filing tax returns in the Tamale Metropolis?

....

....

....

s. What can be done to reduce the challenges of small business owners in filing of tax returns in the Tamale Metropolis?

....

....

....

Thank you very much for your kind cooperation.

APPENDIX B:

INTERVIEW GUIDE FOR STAFF OF GHANA REVENUE AUTHORITY (GRA)

The purpose of this interview is to gather expert opinion on the tax knowledge of owners of SMEs and filing of tax returns in the Tamale Metropolis. For this purpose, I would be grateful if you could spare some little time for this interview. This interview will last approximately no longer than 30 minutes. There a range of issues I would like to speak to you about. We would like to cover the following areas:

- Your understanding of SME tax knowledge

- Your experience of SME filing of tax returns

- Causes of poor filing of tax return by SMEs in the Tamale Metropolis

- Effects of low filing of tax returns

- Possible recommendations for solving problems associated with SMEs filing of tax returns.

I would therefore be grateful if you could supply responses candidly. Your participation is completely voluntary and you do not have to answer any questions you do not want to. What you say is confidential. It is purely for academic purposes. I would like to record the interview and data will be stored securely. Recordings are only accessible to the researcher and are destroyed after the research is finished.

Do you have any questions before we start?

Thank you.

QUESTIONS

1. What are your roles and responsibilities of at GRA?

2. Do SMEs file tax returns?

3. If Yes, explain?

4. How frequent do SMEs file tax returns?

5. Do you penalize SMEs in case they do not file or delay in filing tax returns?

6. Do SMEs have the required knowledge on filing tax returns?

7. Do you organize any education programme on the importance of paying tax?

8. How does the knowledge SMEs acquire affect filing of tax returns?

9. What challenges do small business owner face in filing tax returns in the

Tamale Metropolis?

10. What can be done to reduce the challenges of small business owners in filing

of tax returns in the Tamale Metropolis?

Thank you very much for your kind cooperation.