UNIVERSITY OF GHANA

COLLEGE OF HUMANITIES

AN ASSESSMENT OF GIFT TAX ADMINISTRATION IN GHANA: A CASE STUDY OF
NON-ACCOUNTING POSTGRADUATE STUDENTS OF GHANA

BY

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THIS THESIS IS SUBMITTED TO DEPARTMENT OF ACCOUNTING,
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THE REQUIREMENT FOR THE AWARD OF MASTER OF SCIENCE
(MSC) IN ACCOUNTING

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DECLARATION

I, Kugbey Clemence Sepenoo, hereby declare that this study is my original piece of research conducted between August, 2018 and July 2019 under the supervision of Dr Ibrahim Bedi Accounting Department of the University Ghana Business School, University of Ghana, Legon.

Full acknowledgements have been made for all references of other people’s work that have been cited and ideas adopted. No part of this thesis has either been presented whole or in part to any other institution for any degree. I accept full responsibility for errors this research report may contain.

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SUPERVISORS CERTIFICATION

This thesis was conducted under the supervision of the undersigned, of the Department of Accounting, University of Ghana Business School, Legon.

Dr. Ibrahim Bedi
(Supervisor)

(Date)
DEDICATION

I dedicate this work to my wife, Mrs Yayra Nutakor-Kugbey and my children Emmanuella Senanoo Kugbey, Emmanuel Selorm Kugbey and Ebenezer Sedem Kugbey.
ACKNOWLEDGEMENT

I am highly indebted to my supervisor, Dr Ibrahim Bedi and wish to express my sincere gratitude to him for his invaluable contributions, review, direction and critique and especially his patience throughout the research period to ensure the successful completion of this work.

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LIST OF ABBREVIATIONS

GRA – Ghana Revenue Authority

OECD - Organisation for Economic Co-operation and Development
ABSTRACT

The study sought to first examine the levels of gift tax awareness and the level of compliance of gift tax among graduate non-accounting students in Ghana. The study also examined factors that influence gift tax compliance in Ghana and also factors that influence effectiveness of tax administration system in Ghana for gift tax. The study sampled 125 graduate non-accounting students from the University of Ghana. The study used descriptive statistics, charts and diagrams, ANOVA and well as regression analysis to achieve the objectives of the study.

The results showed low of gift tax awareness among graduate non-accounting students with none of the respondent ever paying taxes on their gifts even though majority admitted receiving gifts. Though the tax administrators perceive the awareness level to be high, the result of the study indicates otherwise.

Some of the reasons identified by the study for the low level of compliance with gift tax among Ghanaian taxpayers are: unawareness of gift tax obligations, those taxpayers who are aware do not feel obliged to pay; the non-enforcement by the tax officials; some taxpayers simply never receive taxable gifts; or the value of the gift is not above the exempt threshold.

The results also showed the gender, age and work experience affect gift tax compliance. Finally, on the effectiveness of gift tax administration system in Ghana, the study found that simplicity, equity, transparency and administrability were significant determinants of tax system effectiveness in Ghana. It is recommended based on the findings of the study that Ghana Revenue Authority intensifies tax education especially on the gifts tax obligations immediately, and puts in place measures to enforce such obligations.
CHAPTER ONE

INTRODUCTION

1.1 Research background

In many ways the raising of tax revenues is the most central activity of any state. Most fundamentally, revenue from taxation is what literally sustains the existence of the state, providing the funding for everything from social programs to infrastructure investment. Taxation also plays an important role in shaping the distribution of benefits, as it is the basis for redistribution from those with the highest incomes to those most in need, and allows government to encourage certain activities and discourage others by altering their relative prices. In the realm of capacity, taxation lies at the administrative heart of government and provides the foundation for the provision of public goods and the implementation of effective regulation. As importantly, taxation is the venue through which citizens are most intimately connected to the state and can be an important catalyst for public demands for responsiveness and accountability (Ibrahim et al., 2015).

Tax revenue has also been found to be important in the fiscal illusion debates pioneered by Puviani (1903). The theory of Fiscal illusion suggests that when government revenues are not completely transparent or are not fully perceived by taxpayers, then the cost of government is seen to be less expensive than it actually is. Mauro’s (2010) original idea was that the aim of the ruling group is to design the taxation system so that the resistance of the dominated class is minimized. This means that tax revenue also sustains governments and may be more critical in less democratic societies. As a result, the rulers seek for answers to the question, “In order to minimize taxpayer resistance or unwillingness for any given level of revenues collected, how
should the fiscal system be organized?” (Mourão, 2010). Such a question heralds the importance attached to tax administration in the tax compliance equation. Researchers such as Armah-Attoh and Awal (2013) have indicated that the capacity of a country to provide for the welfare and security to its citizens, in addition to developing and consolidating a representative democracy is determined by its ability to raise enough resources through tax. Such voices suggest that effective mobilization of tax revenues from all economic agents increases public services and facilitates the achievement of the Millennium Development Goals in developing countries (Cerqueti and Coppier, 2009). The need for tax compliance is now even more elevated as Ritsatos (2014) indicates that the importance of tax compliance has increased dramatically with sovereign debt crisis in the global economic environment. This means that all revenue authorities (or governments) world over should strive to achieve a good tax compliance outcome as possible, that is, to maximize the overall level of compliance with the tax laws (Organisation for Economic Co-operation and Development (OECD), 2004). But, taxpayers’ behaviors and perceptions complicate the achievement of a good compliance outcome (OECD, 2004). In Ghana, for example, the achievement of a good compliance outcome has been elusive with consistent strikes and demonstration by traders and other taxpayers whenever there are proposals to improve tax revenue. Moreover, Mugabe and Kulabako’s (2016) quote Uganda Revenue Authority (URA) tax register as having only 882,000 taxpayers out of a working population of more than nine million and also report that only 11.7 percent is a contribution of tax to gross domestic product which is lower than Kenya’s 19.3 percent in East Africa. The Ghanaian media also consistently reports instances of smuggling, undervaluation and miss-description of imported goods, which actions are a negative element in realizing government tax revenue targets. According to Sanya and Mulondo (2015), URA wishes
to toughen on traders involved in tax crimes such as smuggling, undervaluation and miss-description. One of the measures Ghana Revenue Authority (GRA) has instituted is arrest of tax offenders, penalties for undervalue declaration and miss-declaration (Sanya and Mulondo, 2015).

The stance from GRA suggests that there are widespread non-tax compliance behaviors among taxpayers in Ghana. Yet, quoting a URA commissioner, Sanya and Mulondo (2015) report that tax revenue in Uganda is used, among others, to build roads, schools and hospitals. Elsewhere, a study by Sikka and Willmott (2013) on the examination of the involvement of global accountancy firms in devising and selling tax avoidance schemes euphemistically marketed as tax planning suggests taxpayers’ readiness to devising schemes that reduce the tax take on business and thereby reducing the revenues required to provide and maintain public services.

1.2 Research problem

Since taxation is a compulsory levy on individuals, entities and property by a tax authority (the government of a tax jurisdiction) for the purposes of supporting its expenditure (Sally, 1999; Nakyia, 2008; Alabede, 2014; Bruce-Twum, 2014), incomes and/or gifts are usually the subject matter of taxation. Incomes are usually paid openly and directly to the beneficiaries (that is the person earning the income) and are, most of the time, documented. Hence, they are easily identified and assessed for tax. However, that is not the case of gifts received or receivable. According to Part V- Interpretation Section 110 (1) of the Internal Revenue Act, 2000 (Act 592 as amended), a gift is a receipt without consideration or inadequate consideration. In other words, a gift is something one receives without adequate compensation paid to the giver by the receiver. Further, Section 105(1) of the Internal Revenue Act, 2000 (Act 592 as amended) provides that a gift, which is taxable under the Act, shall be taxed at the specified rate on the total value of taxable gifts received by a person within a year of assessment. Although the tax
laws of Ghana, specifically Internal Revenue Act, 2000 (Act 592 as amended), provides for this, in practice compliance is almost non-existence (Terkper, 2003; Gatsi and Acquah, 2010 and BruceTwum, 2014). Interestingly, this observation was also made by Tusubira and Nkote (2013) in Uganda, suggesting that non-compliance is a problem (Andreoni et al., 1998) in taxation systems in other parts of the world (Abdul-Razak and Adafula, 2013). To the researcher, compliance with gift tax is both statutory and a civic obligation. Accordingly, non-compliance may result in liability. The purpose of this paper therefore is to educate the public on the provisions of the tax law relating to gift tax and the responsibilities of the taxpayers or the citizenry of Ghana to abide by the law, whilst recommending ways of improving the collection rate. As observed by Gatsi and Acquah (2010), Bruce-Twum (2014) and others around the world, notably McKerchar and Evans (2009), Tusubira and Nkote (2013) and Alabede (2014), lack of knowledge of tax law and its provisions account for the non-compliance with tax among tax payers. Currently, the level of compliance is almost non-existing per our prediscussions with tax officials; meanwhile it is perceived that people do receive gifts almost on daily basis ranging from cash gifts, hampers, cars and other tangible assets. The aim of the study is to assess the level of gift tax provisions compliance among post graduate non-accounting students of University of Ghana.

1.3 Research objectives

The main objective of this research is to identify and examine the factors that affect the effectiveness of gift tax administration in Ghana. Specifically, the study sought to achieve the following objectives:

- to find out the factors that impact the effectiveness of gift tax administration in Ghana
- examine the degree of compliance of gift tax using post graduates non-accounting student
1.4 Research questions

The researcher would ask the following research questions to find answers to the research objective.

RQ1. What perceived tax factors are relevant for an effective gift tax administration?

RQ2. What are the levels of non-compliance or compliance with the gift tax regime?

1.5 Proposed methodology

The study will employ the survey approach. Survey approach is chosen for this study because it provides direct evidence concerning respondents’ perceptions and experiences with implementing the tax system.

The population of the study would be the registered clients of Ghana Revenue Authority in Ghana. Stratified sampling method would be use to divide them base on the GRA tax segmentation.

After which purposive sampling method would be used to select the respondents within the various segments to make up the sample for the research.

The study would use both primary and secondary data. Primary data would be collected by the administration. Most questions would require the participant to mark the extent of their agreement or disagreement with a statement using a seven-point Likert scale (1 = Strongly Disagree, 7 = Strongly Agree). Information will also be collected from the libraries, journals and websites.

Data collected would be analysed quantitatively by the use of Ordinary least squares (OLS) multiple regression. It would be used to estimate the magnitude of the effect of the factors
identified above (the independent variables) on tax administration effectiveness (the dependent variable). The unit of analysis would be tax clients of GRA, with responses from the questionnaires.

1.6 Research significance

The research is important because it takes into consideration one of the essential areas of the economy of the globe. Tax administration has enormous benefits to governments but unless they are effective, their presence in the economy would be all but vain (Van Gansberghe, 2005). This study seeks to provide an all-inclusive analysis of factors responsible for the effectiveness of gift tax administration function and the various measures they are taking to avert adverse factors affecting them.

Ghana revenue authority would find the findings of the study very valuable as they would be enabled to gauge their systems in the light of the findings.

Although there have been previous studies in this area of tax administration the researcher’s checks reveal insignificant work in within the sub Saharan Africa. This research would therefore add to the existing literature on tax administration with emphasis on gift tax.

1.7 Scope of study

This research work constrained itself to examining the case of Ghanaian tax administration system with regards to gift tax. Though there are several regional jurisdiction of taxpayers within the jurisdiction this study was limited to only one.

Consequently, the extent to which it would be valid to extrapolate the results of the study to all other jurisdictions would be subject to error. However, the one selected would be significant
enough to mitigate the significance of the error. Participants would be expose to understand the purpose of the study and its usefulness to the tax jurisdiction. These actions, among others, were expected to improve the reliability and robustness of the findings.

1.8 Organisation of research

This study was organized into five chapters.

Chapter one provides introduction to the study as well as an outline of the study; the research problem, objectives and questions; the significance of the study; the scope of the study. This is intended to provide a frame of reference within which the findings of this research as well as the methodology used should be assessed. That is to say, it is intended to provide a sense of direction for the research work.

Chapter two reviews the extant literature on tax administration. In this chapter, varying views and opinions would be discussed as well as research work already conducted on this subject area. This is necessary for the purposes of comparison and references to established and accepted theories and acknowledged beliefs that may be employed or referenced in the course of the research.

Chapter three discusses the research approach and strategy; sampling; data collection and analysis methods; limitation of the study; and other methodological issues.

Chapter four presents the data analysis and discussion of the research findings.

Chapter five summarises the key findings and conclusions of the study and makes recommendations on building an effective tax administration system with regards to gift tax in Ghana and other areas for further research.
CHAPTER TWO

LITERATURE REVIEW

1.0 Overview of taxation in Ghana

Income tax was introduced in Ghana when the poll tax ordinance was passed within the period 1852 and 1892. It was however abolished when the poll tax became outmoded. Sir Radford Stanley, the then governor of Gold Coast proposed the imposition of income tax at the rate of six pence in pound sterling of all incomes. The new tax did not last long as a result of serious worldwide economic depression, which made life unbearable. The tax policy of the government went through series of transformation until 2009 when the GRA was established under the Ghana Revenue Authority Act, 2009 (Act 791). The Act was given presidential assent on December 31, 2009. The Act was aimed at improving tax payer service and processes in Ghana tax system and custom offices as well as ensuring a high level of compliance by the taxpayer. Education and Campaign As with all taxes, education and attention should be given to taxpayers on the rational, procedures, obligations and responsibilities related to the business license and property tax. Having the ability to link revenue collection to improved service delivery, and a better-educated taxpayer population will enhance compliance. Mobilizing the community through enhanced participatory budgeting and civic participation and also facilitates revenue collection. Among the education given to the tax payers include the following; The Right to Be Informed Taxpayers have the right to know what they need to do to comply with the tax laws. They are entitled to clear explanations of the laws and GRA procedures. in all tax forms, instructions, publications,
notices, and correspondence. They have the right to be informed of GRA decisions about their tax accounts and to receive clear explanations of the outcomes.

### 1.1 Empirical review

Since tax revenue has been accepted as the most important source of revenue for governments (Sally, 1999; Nkyeia, 2008; Martina et al., 2008; Brautigam, 2008; McKerchar and Evans, 2009; Abdul-Razak and Adafula, 2013; Bruce-Twum, 2014), every effort should be made to assist the government, not only to maintain the level of tax revenue, but also to create voluntary compliance among taxpayers or citizenry of a country like Ghana. To the researcher, this is very important in the advent of the current financial situation facing developing nations after the financial crunch from the western world leading to massive reductions in donations and grants emanating from the developed world to the developing world, mostly Africa, for which Ghana is not an exception (OECD, 2014). Many scholars and analysts assert that for Ghana to have adequate financial resources to finance its developmental programs and agenda (Moss and Majerowicz, 2012), it needs to properly develop its taxation systems in order to rake in more tax revenue (Nkyeia, 2008; Martina et al., 2008; Brautigam, 2008; McKerchar and Evans, 2009; Gatsi and Acquah, 2010; Abdul-Razak and Adafula, 2013). This accounts for the recent moves by the government of the day to introduce new taxes to raise tax revenues for development projects and financing of recurrent budget items. In assessing a taxpayer’s tax liability, incomes are usually and easily identified and assessed for tax even if the taxpayer attempts not to disclose it (Dressler, 2002; Akhand, 2012). This may be partly because income is mostly paid by one party to the other leaving a trail; also, it is paid in the open directly to the beneficiary (that is the person earning the income); in addition, most of the time, the income received is usually documented. Gifts of a certain nature are the subject matter of tax laws of Ghana specifically
Internal Revenue Act, 2000 (Act 592) as amended. According to Part V-interpretation Section 110 (1) of Act 592 (amended), a gift is a receipt without consideration or inadequate consideration. Section 105(1) of the Act, Act 592 (as amended) further provides that, a gift which is taxable under the Act, shall be taxed at the specified rate on the total value of the taxable gifts so received by a person within a year of assessment. Section 106 of the Act, (Act 592 as amended) defines “taxable gift” to mean, (a) Any of the following assets situated in Ghana:

i. Building of a permanent or temporary nature;

ii. Land;

iii. Shares, bonds and other securities;

iv. Money, including foreign currency;

v. Business and business assets;

vi. Any means of transportation (that is, by land, air or sea);

vii. Goods or chattels not included in the means of transportation; and

viii. Part of, or any right to or interest in any of the assets referred to above

(b) An asset or a benefit, whether situated in Ghana or outside Ghana, received by or for the benefit of a resident person as a gift where the asset has been or is credited in an account or has been or is invested, accumulated, capitalized or otherwise dealt with in the name of or on behalf of or at the direction of the person

(c) A favour in money or money’s worth or a consideration for an act or omission or the forbearance of an act or omission that inures for or to the benefit of a resident person. It is
worthy of note that it is immaterial whether or not the person being taxed physically received the asset, so long as the act, omission or transaction is inured to the benefit of that person (Internal Revenue (Amendment) Act, 2003 (Act 644). The provision of the tax law in respect of gift is, however, liberal requesting voluntary compliance from the taxpayer. Thus, the law provides that under procedure relating to gift tax (S.108) a person who receives a taxable gift shall, within thirty (30) days of receipt, furnish the Commissioner General of Ghana Revenue Authority with a return in writing containing the following information:

1. the description and location of the taxable gift;
2. the total value of the gift, how it is calculated and tax payable with respect to that gift;
3. the full name and address of the donor of the gift; and
4. any other information required by the Commissioner.

A skimpy and sketchy opinion is that in Ghana, although people do receive gifts on a daily basis ranging from cash (Gatsi and Acquah, 2010; Bruce-Twum, 2014) in the form of local and foreign currency to landed property as well as means of transportation to mention but few, they do not honour their gift tax obligation thereon (Bruce-Twum, 2014). Consequentially, in compliance with the provisions of the tax law, especially in respect of gifts, these should be subject to taxation. It is, however, worthy to mention that it is not every gift received that are taxable. Under section 105(2) gifts received by a person under or for the following reasons are exempt from tax:

1. by a person under a will or upon intestacy;
2. by a person from that person’s spouse, child, parent, brother, sister, aunt, uncle, nephew or niece;
3. by a religious body which uses the gift received for the benefit of the public or a section of the public; or

4. for charitable or educational purposes.

In assessing the value of the gifts subject to tax, the market value of the gift received or receivable is usually used. The few empirical studies on gift tax in Ghana attempted to provide some answers to the above questions as follows: Gatsi and Acquah (2010), in their study on information asymmetry and gift tax, concluded that gift tax is one of the conduits through which tax revenue can be enhanced for development with a call on Ghana Revenue Authority for better education on the tax. Later, Bruce-Twum (2014) tried to determine the extent of knowledge about gift tax especially in the Accra-Tema metropolis and reached the conclusion that the level of awareness is very low, resulting in non-compliance with gift tax in Ghana. Empirically, there were a series of research studies on taxation and tax compliance in general; for example: enhancing voluntary tax compliance by reducing compliance costs (Jenkins and Forlemu, 1993); tax compliance costs for the SMEs business sector (Evans et al., 2013); investigating tax compliance (Myles et al., 2013); and social norms and tax compliance (Onu and Oats, 2014), all undertaken in advanced economies. In addition to the above, there have been studies undertaken on making large corporations tax compliance in other developing economies like Bangladesh (Akhand, 2012); and income tax compliance among SMEs in Uganda (Tusubira and Nkote, 2013). In Ghana, income tax non-compliance among Ghanaian self-employed (Baba and Asante, 2012), and taxpayers’ attitude and its influence on tax compliance decisions (Abdul-Razak and Adafula,
2013) are some of the available compliance studies; however, they failed to estimate the level of non-compliance. Although some levels of research works have been done on gift tax compliance, notably Gati and Acquah’s (2010) study ‘Information Asymmetry and Gift Tax in Ghana’ and Bruce-Twum’s (2014) ‘Gift Tax Compliance in Ghana, an Empirical Study’, the researchers, in determining the level of awareness and/or compliance with gift tax, did not use a very large sample size. For example, Bruce-Twum (2014) only used one hundred and sixty-seven respondents in his analysis. Further, it was found from the literature review that most studies undertaken in the area of tax in Ghana were on income tax and not gift tax. Therefore, this research aims to fill this research gap by assessing the level of compliance with gift tax among the Ghanaian taxpayers generally and how effective gift tax administration is faring in Ghana.

1.3 Contextual review

The Ghana Revenue Authority (GRA)

The Ghana Revenue Authority (GRA) is a modern tax administration established by the Ghana Revenue Authority Act 2009 (Act 791) and charged with the task of assessing, collecting and accounting for tax revenue to the state. The core mandate of the Authority is to ensure maximum compliance with relevant laws in order to ensure a sustainable revenue stream for government as well as the controlled and safe flow of goods across the county’s borders. As part of efforts to improve compliance, the Authority is required to assist taxpayers to understand and meet their tax obligations by providing robust and comprehensive advice. In the seven years since its inception, GRA has built a solid foundation in the integration of the three erstwhile revenue institutions namely the Customs, Excise and Preventive Service (CEPS), the Internal Revenue Service (GRA), the Value Added Tax Service (VATS) and the Revenue Agencies Governing Board (RAGB).
1.4 Theoretical review

Several theories of taxation exist in public economics supporting the imposition of taxes. Governments at all levels (national, regional and local) need to raise revenue from a variety of sources to finance public-sector expenditures. Two of these theories have been discussed below.

1.4.1 Expectancy theory

The theory proposes that an individual will behave or act in a certain way because they are motivated to select a specific behavior over other behaviors due to what they expect the result of that selected behavior will be. In essence, the motivation of the behavior selection is determined by the desirability of the outcome. However, at the core of the theory is the cognitive process of how an individual processes the different motivational elements. This is done before making the ultimate choice. The outcome is not the sole determining factor in making the decision of how to behave.

According to Montana and Charnov, (2008), expectancy theory is about the mental processes regarding choice, and the effect of the choice. It explains the processes that an individual undertakes to make choices and expected effect of the choice. In the study of National Development, Amann, (1996) used Victor Vroom of the Yale School of Management expectancy theory. "He emphasized that various governments relate infrastructural development to revenues generated."
1.4.2 Benefit theory

Adam Smith in The Wealth of Nations (1776) wrote: Such things as defending the country and maintaining the institutions of good government are of general benefit to the public. Thus, it is reasonable that the population as a whole should contribute to the tax costs. It is also reasonable to demand certain other things of a tax system – for example, that the amounts of tax individuals pay should bear some relationship to their abilities to pay. Good taxes meet four major criteria. They are

(1) proportionate to incomes or abilities to pay

(2) certain rather than arbitrary

(3) payable at times and in ways convenient to the taxpayers and

(4) cheap to administer and collect.

In modern public-finance literature, there have been two main issues: who can pay and who can benefit (Benefit principle). Influential theories have been the ability theory presented by Arthur Cecil Pigou and the benefit theory developed by Erik Lindahl. There is a later version of the benefit theory known as the "voluntary exchange" theory. Under the benefit theory, tax levels are automatically determined, because taxpayers pay proportionately for the government benefits they receive. In other words, the individuals who benefit the most from public services pay the most taxes.
CHAPTER THREE

METHODOLOGY

3.1 Introduction

The research objectives for which this study seeks to answer through empirical data, relevant literature references, theories and analysis are: to find out the factors that impact the effectiveness of gift tax administration and compliance in Ghana, to investigate how taxpayers are complying with the gift tax regulations. This chapter outlines the processes that will be followed to achieve the research objectives. The chapter considers issues relating to the research philosophical framework, research methodology, research population and sample, types and sources of data, data collection and analysis, issues of validity and reliability, ethics and the limitation of the study.

3.2 Philosophical framework

Quilan, (2011) asserted that, there are several philosophical frameworks that underpin research works and each of these represents a particular framework for viewing the social world and each represents particular ontological and epistemological standpoints. The three main philosophical frameworks are the positivism, constructivism and interpretivism. Positivism holds the view that
there is one objective reality and that reality is singular and separate from consciousness. Constructivism holds the view that social phenomenon develops in social contexts and that individuals and groups create in part their own realities. Whereas the interpretivism holds that knowledge is a matter of interpretation. All other philosophical frameworks are embedded in one or other of the three epistemological positions.

This study will be grounded on positivism philosophical framework. As alluded to earlier, Positivism holds the view that there is one objective reality and that reality is singular and separate from consciousness. This paradigm “recognizes the importance of the subjective human creation of meaning, but doesn’t reject outright some notion of objectivity. Moreover, since most of the above objectives in the research are easy to define objectively; this approach will provide a fruitful method for studying the above objectives.

3.3 Research methodology

Following from above, this research study will be developed using a multiple case study methodology. Quilan, (2011) asserted that, case study research calls for in-depth study of the phenomenon under investigation. The phenomenon under investigation can be an issue, or a number of issues, an organization or a number of organisations, an individual, or a number of individuals, an event or incident, or a number of incidences. Yin (2009), states that a case study can be an event, an entity, an individual or even a unit of analysis; as he asserted “it is an empirical enquiry that investigates contemporary phenomenon within its real life context using multiple sources of evidence”.

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According to Yin (2003) a case study design should be considered when: you cannot manipulate the behavior of those involved in the study; you want to cover contextual conditions because you believe they are relevant to the phenomenon under study.

The phenomenon under investigation is the assessment of effectiveness of gift tax administration in Ghana among the tax payers group. A case study approach to this research is appropriate as the research calls for an in-depth study. The case study also allows for more meaningful and diverse response from the same issue questions to be asked and answered and can result in more extensive findings and insights that are valid, generalizable and rigorous (Meredith, 1998).

3.4 Population of the study

Population of a study refers every person who, or every entity which, could be included in the research. The name for the large general group of many cases from which a researcher draws a sample and which is usually stated in theoretical terms. The study population of the research will be made up of all non-accounting post graduate students in University of Ghana.

3.5 Sample and sampling method

Sampling according to Neumann, (2007) is the method which describes how respondents should be chosen. There are two types of sampling in research: probability sampling and non-probability sampling. Qualitative researchers rarely draw a representative sample from a huge number of cases to intensively study the sample cases whereas that is the goal of quantitative research. This research will make use of probability sampling. Probability sampling is a sampling method in which each case, individual or element has an equal probability of being selected.

A sample was drawn from the population for the case study using stratified sampling approach. This type of sampling requires that the researcher first divides the population into sub
populations (strata) on the basis of supplementary information. After dividing the population into strata the researcher draws a random sample from each subpopulation. This method will ensure that the samples are more representative of the population as compared to simple or random sampling. The tax payers were divided base on the Ghana Revenue Authority categorization of tax. This division will ensure that the sample is not skewed towards any of the big or small tax payers. The researcher conveniently then chose thirty taxpayers, from the various segments. The taxpayers that were selected were based on their willingness to allow their company or themselves to help in the data gathering.

A judgmental sampling method was used in selecting participants for the research. Using a judgmental or purposive sampling technique, the researcher decides or makes a judgment, about who to include in the research. The criterion for inclusion in the research lies in the capacity of the participant to inform the research. The participants chosen by the researcher to be included must have a contribution to make to the research in terms of the focus of the research.

### 3.6 Population and sampling technique

Target population refers to the entire group of individuals or objects to which researchers are interested in generalizing the conclusions (Martirosyn et. Al, 2010). The target population for this study is postgraduate non-accounting student in University of Ghana. The choice of the selection of a sample from this population will be based on the willingness to partake for the data collection.

### 3.7 Data collection

Data was collected through various sources. The sources of the data were grouped into two. The primary data source and the secondary data source. The primary data collection method is a
process of collecting data through questionnaires. This was helpful as it ensures information about the study is obtained at first hand and directly from respondents. Primary data enhances credulity and reliability since its collected by the researcher. The primary data collection method was questionnaire. This was accepted because it ensures the confidentiality and gives a standardized way of collecting data hence improving the objectivity of data collected. Closed ended questionnaires were used as they demanded straight forward answers hence prevent a large quantum of responses thus making interpretation easier.

The Likert scale was employed in the questionnaire administration and respondents were selected if they agreed or disagreed to questionnaire statements. Informal discussions with the respondents helped obtain answers beyond that obtained from the questionnaire.

The secondary data source includes articles, books, and other published materials found on the internet and libraries.

3.8 Data analysis and presentation

After collection of the data, data were coded and run using SPSS. Quantitative data were presented in tables, charts and graph.

In line with the key objectives, data collected were analyzed quantitatively by the use of Ordinary Least Squares (OLS) multiple regression. This was used to estimate the magnitude of the effect of the four factors identified above (the independent variables) on ETA (the dependent variable). The unit of analysis was the taxpayers, with responses from various categories of taxpayers. The basic OLS regression model was:

\[ ETGA = b_0 + b_1SIMP + b_2TRANS + b_3EQUIT + b_4ADMIN + e_i \]
Where ETGA is effectiveness of gift tax administration

SIMP is how tax payers perceive the tax administration to be simple

TRANS is how tax payers perceive the tax administration to be transparent

EQUIT is how tax payers perceive the tax administration to be equitable

ADMN is how tax payers perceive the tax administration as administrable

3.9 Issues of validity and reliability

The issue of validity is perhaps the key issue in research. A measurement of the validity of the research is the degree to which the research project measures what it set out to measure, the degree to which the research project accomplishes what it set out to accomplish. The validity of this research project is evident in the manner in which a strict focus has been maintained throughout the research project. This strict maintenance of the focus of the research project has been facilitated by the deployment throughout the design of the research project of the four frameworks approach to the design of the research project (Quinlan, 2011). The validity of the research is evident in the data collection methods used in the study includes documentary research, survey data and interview data. The data collection methods used in the study is the correct data collection methods for case study and strongly they will yield the data required.

The issue of reliability in the research project according to (Quilan, 2011) relates to the degree to which the research can be repeated while obtaining consistent results. The validity of this case study has been established above. The populations used in the study and the data gathering methods deployed in the case are appropriate to the phenomenon under investigation in the case
study. This case study could be repeated and the same results would be achieved. It would seem, therefore, that the case study is reliable.

3.10 Ethics

The ethical issues in this research are substantial. The research has been requested by a tertiary institution as part of my partial fulfillment of my Masters of Business Administration degree. The research, when complete would go to shape the work of other research works in taxation and it would also go to shape the experiences and decision making of managers of the government of Ghana and other countries within the sub region. As this is the case, the study must be properly and thoroughly conducted and must be well designed. The findings of the research, the conclusions drawn from the research the final product of the research must be meaningful and useful.

There are ethical responsibilities in the conduct of this research to the populations of the research. The participants in the research must be dealt with in a professional manner. Their contribution to the research would be acknowledged. They were made aware of the fact that their participation would make a substantial contribution to their outfit and the industry in the sub region. The participants were made fully aware of the extent of the participation in the research required of them before they agree to participate.

The individual identities of participants and their companies in the research would remain anonymous. The data gathered for the research would be held safely and securely. The names of the participants and their organizations would also remain anonymous and only the researcher and his supervisor would have access to the information. Correct data analysis method procedures were also used in the analysis of the data.
CHAPTER FOUR

ANALYSIS AND DISCUSSION OF FINDINGS

4.1 Introduction

Tax is the major source of revenue for every government throughout the world. Tax compliance levels especially voluntary compliance levels are very low among businesses and individuals in Ghana. Gift tax is one of the most unpopular tax in Ghana as majority of Ghanaian don’t appear to know they have to pay tax on gifts they receive. Every gift must come with some form of tax; that is a percentage of the actual value (price) of gift received must be paid as tax though there are exceptions. This means the government of Ghana is losing fortunes from the gift tax policy since most of the citizens do not honor the gift tax policy. This chapter presents an analysis of data collected on the level of gift tax compliance in Ghana, factors that improves the intention to pay gift tax and factors that will influence effective administration of gift tax in Ghana. the chapter relies on both qualitative approach and quantitate approach to data analysis and presented in line with the objectives of the study outlined above. The study used descriptive
statistics, graphs and charts, ANOVA and regression analysis to achieve the objectives of the study.

4.2 Respondents demographics

The study sampled 125 post-graduate students from the University of Ghana who are not pursuing Accounting program. The choice of non-accounting students was based on the fact that accounting students learn gift tax as part of their course and as such expect to have high level of awareness about gift tax. This will not help examine the efficiency of the gift tax administration in Ghana and its compliance. The first respondents demographic examined is the gender of respondents. Figure 1 below present a summary of the responses of the gender of respondents.

**Figure 1: Gender of Respondents**

![Gender of Respondents](image)

Source (Field data, 2019)

The results from Figure 1 above shows that majority of respondents (60%) were males while the remaining (40%) were females. The inclusion of gender in the analysis is to see how gender influence intention to pay gift tax in Ghana.
The study also examined the age range of respondents as part of the demographics and later used as one of the potential determinants for the intention to pay gift tax. Respondents gender plays an important role in determining the level of tax compliance as per results from previous studies (Bruce-Twum, 2014). Traditionally, females have been identified with conforming roles, moral restraints and more conservative life pattern. The results of the analysis of respondents’ gender is presented in figure 2 below

**Figure 2: Respondents Age Range**

Source (Field data, 2019)

The results from figure 2 shows that 24% old respondents age range fall between 20 and 29, 60% fall within the age range of 30 to 39 and the rest (16%) are above 40 years.

Besides the demographic characteristics discussed above, the researcher was quick to dive into the working experience of the respondents. This is partly because it was assumed that those who have worked for some time may have had some experience of paying taxes including gift tax.
Interestingly, although those who have been working between 1 to 5 years dominate with 46.83%, those who have worked for more than 5 years were in the minority. Thus, those with work experience ranging between 1 to 5 years dominated the respondents while those with work experience of 31 years and above formed the smallest part of the population; though 1.98% did not indicate their number of working years’ experience.

4.3 Level of gift tax awareness and compliance

The study sought to examine respondents level of gift tax awareness and compliance among post-graduate non-accounting students from the University of Ghana. but the study first started with payment of taxes in general. Respondents were asked if they ever paid taxes. The figure below presents a summary of the responses.

**Figure 3: Response on payment of taxes**

![Responses on payment of taxes](chart)

Source (Field data, 2019)

The response from figure 3 shows that 110 out of the 125 respondents said they have paid taxes while only 15 were not sure they have paid taxes. There were not respondents who could
categorical state that they did not pay taxes before. The results were no surprising as majority of the students are workers who paid income taxes on their salaries. Only a few regular Master of Philosophy students had not worked before and as such is possible they might have not paid direct taxes before. However, everybody pays indirect taxes because we all consume products that have sales or value added taxes on them.

Narrowing further to gift tax, the researcher attempted to find out whether the respondents have ever received gifts since if one does not receive gift, there is no likelihood of being liable to gift tax. The research revealed that while about 88% of the respondents have received gifts, 4% have not received gifts; about 5% were not sure whether they have received gifts or not, while further 3% respondents did not indicate any response. The result is similar to the findings of Gbadago & Awunyo-Vitor (2015) study on gift tax compliance by companies and business owners in the Kumasi metropolis where about 81% of their respondents have received gifts before and 11% have not received and the rest unsure. The higher percentage of respondents who have received gift could be attributed to the fact that the sample of respondents for this study are matured adults who are working and as such have high chances of receiving gifts.

The study further enquired the source of gifts as per the law regulating gift tax Ghana, the source of gifts determines whether the gift is taxable or not as well as the value. The study asked respondents to choose their sour of the gifts. The results of the analysis is presented in figure 4 below.
The results from the study showed that majority of respondents received their gifts from friends, followed by spouse, then employees and business contact. As per the Income tax provision on gift tax in Ghana, gift from family relatives are exempt from tax. As per this exemption the total responses of the source of gift shows that 44.6% of the gifts received by respondents were from family relative which are exempt from gift tax in Ghana. the rest are taxable gifts which must be declared to the Commissioner General and the needed gift tax paid.

The study further asked respondents whether they paid taxes on the gifts they received as per the Responses to the earlier question above. None of the respondents actually responded yes to the above question suggesting that they did not file and pay gift tax on their gifts received. The result is a little bit on contrast to the findings of Gbadago & Awunyo-Vitor (2015) who reported that 6.75% of respondents in their study submit returns on gifts received and pay the needed taxes. Bruce-Twum (2014) in his study also reported that only two respondents out of the over 160 respondents have paid tax of gift received in Ghana before. This result is not significantly different from the results obtained from the examination of the returns filled with the Ghana...
Revenue Authority. All the returns studies showed that none of them had ever received Gifts. The selected Ghana Revenue offices also indicated that they had not received any Gift Tax payment between financial years ending 2015 till date.

Furthermore, respondents indicated that they do not file tax returns for gift tax. None of the respondents had indicated that they had filed any form of tax returns for gift tax before. This result is consistent with the findings on the level of awareness of gift tax in general as well as the level of compliance in Ghana. Even though previous studies such as Bruce-Twum (2014) and Gbadago & Awunyo-Vitor (2015) found some level of tax compliance by some of their respondents, it was highly insignificant as less than two percent of their respondents had agreed to actually paying gift tax or filling tax returns on gift tax in Ghana.

This means non-compliance in terms of non-submission of returns on gifts is very high. This indicates, in other words, that compliance is very low.

The study further asked respondents their level of awareness of gift tax or the laws on the requirement for gift tax in Ghana. Majority of respondents (72) have were not aware of gift tax in Ghana. only 28% of the respondents were aware of gift tax in Ghana. The result is similar to the findings of Bruce-Twum (2014) study on gifts tax in Ghana who also reported that only 27% of respondents were aware of gift tax.

Furthermore, the respondents were provided with a scenario in which a Gift received of GHS1,000 was made by a friend of which a tax of GHS143 was to be paid, respondents were asked whether they would pay or not. Only eleven persons representing seven percent of the sample indicated their willingness to pay. Few of the respondents indicated their willingness to comply, on the other hand, some were strongly against the paying of any such taxes since for
them a Gift received is a “Gift” and they are not prepared to disclose for any tax purpose. For such persons in so far as the detection rate is very low, they would not comply. This gives an indication that, because the tax authorities have no way of detecting that a person had received a gift, the tax compliance rate is very low. This agrees with the findings of Massimo (1993). Some of the responses however, indicate a commitment to comply with the tax law when furnished with better tax knowledge.

The study also interviewed tax authorities on the level of awareness of gift tax in Ghana. 74 percent of the total tax administrators interviewed believe that the awareness they have created about gift tax is not satisfactory, while 25 percent believe it is good. Only 1 percent admitted that the awareness level is very poor. Therefore, majority believe that the public has gotten enough information to be able to pay gift tax to the government for national development. This view however, is in contradiction with the findings of this paper, which indicated an awareness rate of twenty-seven percent.

The administrators were asked to rely on their experiences to provide information as to the category of people who comply with Gift tax payments. 74 percent believed government employees are the category who primarily complies. This is mainly because most of them aspire to occupy public position as it is a requirement to present tax clearance certificate before assumption of political positions. Also 26 percent indicated that self-employed persons occasionally comply as well.

4.4 Differences in level of gift tax compliance in Ghana

The study used some demographic to determine the level of difference in respondents’ gift tax compliance intention based on the scenario that if they received a gift of 1000 Ghana cedis and
based on the fact that they now know the legal requirement regarding gift taxes, will they pay the required amount to the Ghana Revenue Authority. The summary of the results of ANOVA analysis is presented in table 2 below.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>StD. Deviation</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
<td>0.000</td>
</tr>
<tr>
<td>Male</td>
<td>6.67</td>
<td>3.26</td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>8.09</td>
<td>3.04</td>
<td></td>
</tr>
<tr>
<td>Age Range</td>
<td></td>
<td></td>
<td>0.000</td>
</tr>
<tr>
<td>20-29 Years</td>
<td>7.69</td>
<td>2.69</td>
<td></td>
</tr>
<tr>
<td>30-39 Years</td>
<td>9.78</td>
<td>2.74</td>
<td></td>
</tr>
<tr>
<td>40 and Above</td>
<td>11</td>
<td>2.83</td>
<td></td>
</tr>
<tr>
<td>Work Experience</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>None</td>
<td>5.93</td>
<td>3.17</td>
<td>0.000</td>
</tr>
<tr>
<td>Between 1 to 5 Year</td>
<td>7.89</td>
<td>3.16</td>
<td></td>
</tr>
<tr>
<td>Between 6 to 10 Years</td>
<td>8.57</td>
<td>3.92</td>
<td></td>
</tr>
<tr>
<td>Above 11 Years</td>
<td>8.99</td>
<td>2.95</td>
<td></td>
</tr>
</tbody>
</table>

Source (Field Data, 2019)
The results from table 2 shows that females demonstrated a higher willingness to comply with gifts tax in Ghana even though the there was no statistically significant difference between both genders. The result is consistent with the argument of Bruce-Twum (2014) and Jackson & Milliron (1986) who both argued that females are more conformist and law abiding and as such more likely to comply with laws on gift tax as compared to males.

The results also show that older people are more likely to company with gift tax as compared to younger people even though there was no significant difference in the age ranges. A common demographic variable is the taxpayers’ age. A positive link between age and taxpayer compliance is reported by Milliron 91986). In general, young taxpayers are more willing to take risk and are less sensitive to sanctions (Bruce-Twum, 2014). The results could also be consistent with the finding of Gbadago & Awunyo-Vitor (2015) who found no significant association between age and gift tax compliance in Ghana.

Finally, the ANOVA analysis from table 2 also shows that the level of work experience influence gift tax compliance even though there was no significant difference between the various years of working experience. Gbadago & Awunyo-Vitor (2015) argued that work experience could influence level of gift tax compliance even though the result from their study was statistically insignificant.

### 4.5 Factors that influence the effectiveness of Gift Tax Administration in Ghana

The final objective of the study examined factors that influence the effectiveness of gift tax administration in Ghana. It has already been established that both gift tax compliance and awareness is very low among graduate non-accounting students of the University of Ghana. Other studies on gift tax in Ghana have also reported low levels of gift tax compliance and low
level of awareness among the general populace about the need to pay taxes on gifts received except those exempted under the law. The factors that could influence the effectiveness of gift tax administration in Ghana which this study sought to evaluate include equity, simplicity, transparency and administrability of gift tax in Ghana. Various statement was used to measure these variable where respondent was asked to rate their level of disagreement or agreement with the statement that seeks to measure various element of gift tax administration effectiveness.

4.5.1 Equity principle of tax effectiveness

Studies have shown that a good tax system should exhibit high level of equity or fairness. Equity is among the principal canon of taxation as espoused by Adam Smith. A good tax system should have horizontal equity where people of the same income level at the same level of tax. It should also have vertical equity such that people with higher income bracket pays more and vice versa. This principle can also be applied to gift tax such that people who receive the same value of gift should pay the same level of tax and vice versa. Table 4 below presents descriptive statistics on equity principle of tax effectiveness.

<table>
<thead>
<tr>
<th>Statements on Equity Principle</th>
<th>N</th>
<th>Mean</th>
<th>Std.</th>
</tr>
</thead>
<tbody>
<tr>
<td>My tax increases with our income</td>
<td>125</td>
<td>3.654</td>
<td>0.0034</td>
</tr>
<tr>
<td>I understand and appreciate our tax burden</td>
<td>125</td>
<td>3.2563</td>
<td>0.0345</td>
</tr>
<tr>
<td>The tax system or bracket is fair</td>
<td>125</td>
<td>3.084</td>
<td>0.1257</td>
</tr>
</tbody>
</table>
My colleague of a higher income bracket /gifts pays more
tax  
<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>125</td>
<td>4.2563</td>
</tr>
<tr>
<td>My colleague of same income bracket/gifts pays same tax</td>
<td>125</td>
<td>4.456</td>
</tr>
<tr>
<td>Grand Mean</td>
<td></td>
<td>3.74132</td>
</tr>
</tbody>
</table>

Source (Field data, 2019)

The results from table 4 shows an overall mean of tax equity of 3.74 which is above the mid-point of 3 and as such can be deduced that respondents feel there is some level of equity in tax system especially with regards to gift tax. More specifically, respondents agreed more that people of same income bracket or in this case same gifts will pay the same as gift tax with a means score of 4.45. The result is a confirmation of horizontal equity which is actually true given that gift tax is a flat 15% rate. This was followed by higher income will pay more as gift tax which is also true in value but not proportional to their income. The statement with the least mean score was whether the tax system is fair which score an average mean of 3.1 which suggest that a significant number of respondents don’t agree to the fairness if the tax system. Gift tax does not have vertical equity and can be described as a regressive tax given that the rate is the same for all categories of people. Its impact is similar to a sale tax or a value added tax in Ghana and most parts of the world.

**4.5.2 Transparency principle and tax system effectiveness**

Transparency is one of the most important element of a good tax system. Tax authorities must ensure that there is transparency in the administration of the tax and also transparency in the utilization of tax resources to enhance public confidence in the system. The transparency of the tax system is very important in improving tax compliance which is the ultimate objective of every tax system. High level of compliance will improve government revenue which can be used
for developmental purposes. The summary of responses from transparency principle is summarized in table 5 below
### Table 3: Transparency Principle of Tax Compliance

<table>
<thead>
<tr>
<th>Statement on Transparency Principle</th>
<th>Mean Score</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>I know our tax burden</td>
<td>3.2467</td>
<td>0.0256</td>
</tr>
<tr>
<td>I can easily predict future tax liability</td>
<td>3.396</td>
<td>0.245</td>
</tr>
<tr>
<td>There is more certainty on the tax to be paid by me</td>
<td>3.0765</td>
<td>0.1546</td>
</tr>
<tr>
<td>I can calculate our own tax liability easily</td>
<td>3.1325</td>
<td>0.2567</td>
</tr>
<tr>
<td>The tax rule are transparent and are available</td>
<td>3.0154</td>
<td>0.056</td>
</tr>
<tr>
<td>Grand Mean</td>
<td>3.17342</td>
<td></td>
</tr>
</tbody>
</table>

Source (Field data, 2019)

The overall mean score of 3.17 shows that respondents are not so sure of the transparency of the tax system. In other words, the gift tax administration is Ghana appears not to be transparent which could be linked to the low level of its awareness in Ghana. Besides, the gift tax law assumes that all citizens know and understand it and can calculate their tax liability but the results from Table 5 shows otherwise. Responses on tax payers’ ability to calculate and determine their tax liability with certainty had a mean score of 3.1 and 3.4 and the case to calculate had a score of 3.13 which are all low giving the fact that neutral score is 3.0. A lot more effort is required to enhance the effectiveness of the tax administration system.

#### 4.5.3 Simplicity principle of tax compliance

Simplicity is one of the fundamental principles of a good tax system. It is not enough for the tax rules to be transparent and fair but they must be simple and easy for the tax payer to apply in determining their tax liability. One of the fundamental arguments for the enactment of the new Income Tax Act, 2015. ACT 896 to replace the old law (Internal Revenue Service Act, 2000) was to simplify the tax rules and make it easy for the tax pay as it is believed that simplicity of
tax rules is a significant determinants of tax compliance. The computation of gift tax based on the law is perhaps the simplest among all forms of tax in Ghana. Various statement was used to measure simplicity of tax rules in Ghana. Table 6 below present a summary of the responses.

<table>
<thead>
<tr>
<th>Statement on Simplicity Principle of tax Compliance</th>
<th>Mean</th>
<th>Std.</th>
</tr>
</thead>
<tbody>
<tr>
<td>I understand the logic behind that tax laws and rate</td>
<td>125</td>
<td>3.5634</td>
</tr>
<tr>
<td>I have clear understanding of the current tax administration</td>
<td>125</td>
<td>3.8967</td>
</tr>
<tr>
<td>It is not difficult the understand and apply the tax laws in Ghana</td>
<td>125</td>
<td>3.456</td>
</tr>
<tr>
<td>It is easy and simple to pay our tax liabilities</td>
<td>125</td>
<td>4.3435</td>
</tr>
<tr>
<td>Grand Mean</td>
<td></td>
<td>3.889</td>
</tr>
</tbody>
</table>

Source (Field data, 2019)

The results from table 7 shows an overall mean of 3.89 which is higher than the other principles but still shows that the tax system is Ghana is to a large extent simple especially in relation to gift tax. The statement with the least score was the ability of the individual to understand and apply the tax laws which had a mean score of 3.47. Even though the results show that the individuals sampled had has reasonable understanding of the tax laws and can apply it, it also shows a number of respondents do not understand the tax laws. This response can also be related to the responses on the ease of calculating their own tax liability in the previous principle. The variable the highest score was the ease of paying tax liability which showed a mean score of 4.34. This response is not surprising as the Ghana Revenue Authority has offices across almost all the Districts in Ghana and have partner banks where one can pay their taxes.
4.5.4 Administrability principle of tax compliance

Administrative efficiency affect tax compliance costs which have been reported to be a significant determinants of tax compliance. The effectiveness in administrating tax will enhance compliance levels and improve tax revenue. The descriptive statistics on variable that were used to measure administrability principle of tax compliance is presented in table 8 below:

Table 5: Descriptive Statistics on Administrability Principle of tax compliance

<table>
<thead>
<tr>
<th>Statements on Administrability Principle of Tax Compliance</th>
<th>Mean</th>
<th>Std.</th>
</tr>
</thead>
<tbody>
<tr>
<td>It is not expensive to comply with tax system</td>
<td>115</td>
<td>3.675</td>
</tr>
<tr>
<td>The tax system is efficient and effective</td>
<td>125</td>
<td>3.567</td>
</tr>
<tr>
<td>I have not been caught on tax evasion</td>
<td>125</td>
<td>3.9865</td>
</tr>
<tr>
<td>There is ready assistance from GRA</td>
<td>125</td>
<td>4.4577</td>
</tr>
<tr>
<td>Tax returns can easily be processed</td>
<td>125</td>
<td>3.667</td>
</tr>
</tbody>
</table>

3.87064

Source (Field data, 2019)

The results of the study from table shows that the general efficiency and effectiveness in tax administration in Ghana according the graduate non-accounting students from the nation’s premiere University is that it is largely efficient as the overall means score was 3.87. None of the variables had a means score below 3 which is the midpoint. The variable with the highest mean score was the responses to the readiness of GRA to assist companies in furnishing their tax liability and returns. Respondents also believed tax returns can easily be processed (3.67) even though some people thought otherwise. The response suggest that respondents have some level of confidence in the tax admiration system in Ghana. One thing that was also certain was the fact
that respondents indicated that tax compliance costs was high (3.68). The fact that some individuals have to rely on audit and professional tax accounting firms to help them fully comply with their tax obligations will obviously come with some additional compliance costs.

4.6 Tax Administration effectiveness

The study measured tax administration effectiveness using variables from fairness, simplicity, transparency and costs effectiveness of tax on Ghana. The effectiveness of tax administration also contributes significantly towards tax compliance in the economy. Gifts tax in particular need a more active awareness campaign to draw people attention to it but also the right system must be deployed to enhance its awareness and compliance in Ghana.

<table>
<thead>
<tr>
<th>Table 6: Tax administration effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statement of Tax Administration Effectiveness</td>
</tr>
<tr>
<td>------------------------------------------------</td>
</tr>
<tr>
<td>The tax laws are simple and easy to use</td>
</tr>
<tr>
<td>I can easily access tax information</td>
</tr>
<tr>
<td>I have convenient means of paying taxes</td>
</tr>
<tr>
<td>The cost of paying taxes in Ghana is low</td>
</tr>
<tr>
<td>The tax rules are general fair</td>
</tr>
<tr>
<td>I will voluntarily pay our taxes</td>
</tr>
<tr>
<td>Overall Mean</td>
</tr>
</tbody>
</table>

Source (Field data, 2019)

The results of the study show that respondents generally agree that tax administration system in Ghana is effective with a mean score of 4.1. The statement with the highest score is availability and accessibility of tax information and voluntary tax compliance by the sampled respondents.
The result shows that the reforms in the tax system in Ghana has improved the general tax administration system in Ghana. Voluntary tax compliance is one of the main features of an effective tax system.

4.7 Regression analysis

The study adopted a multiple regression analysis to examine the effect of the above discussed four factors on taxpayers’ gift tax administration effectiveness in Ghana. The study examined how equity, simplicity, transparency and administrability on tax system effectiveness in Ghana.

Table 7: Regression analysis

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std Errors</th>
<th>T-values</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIMP</td>
<td>0.352***</td>
<td>0.026</td>
<td>13.538</td>
</tr>
<tr>
<td>TRANS</td>
<td>0.035***</td>
<td>0.002</td>
<td>17.500</td>
</tr>
<tr>
<td>EQUIT</td>
<td>0.199***</td>
<td>0.048</td>
<td>4.146</td>
</tr>
<tr>
<td>ADMIN</td>
<td>0.066***</td>
<td>0.023</td>
<td>2.870</td>
</tr>
<tr>
<td>CONST</td>
<td>2.643***</td>
<td>0.236</td>
<td>11.199</td>
</tr>
</tbody>
</table>

R-Square 0.4895 probability 0.000

(Note *** means the result is statistically significant at 1% significance level)

Source (Field data, 2019)

The dependent variable is effectiveness of tax administration in ensuring tax compliance in Ghana. The independent variable for the study include simplicity (SIMP) of the tax system, transparency of the tax system (TRANS), equity of the tax system (EQUIT) and administrability (ADMIN) of the tax system. The R-squared from the regression analysis is 59% which suggest
that the independent variables can explain 49% of the variations in the dependent variable (effectiveness of tax administration). Also the F-Statistic is statistically significant at 1% significance level suggesting that the model is well fit.

The results from regression analysis show that simplicity in the tax system is positively associated with tax administration effectiveness in Ghana. The result is also statistically significant at 1% significance level. The results show that when a tax system is made simple, its enhances the effectiveness of tax administration which improves tax compliance.

The second variable from the regression results (TRANS) also showed a positive association with tax system effectives. The result is also statistically significant at 1% significance level. The result suggests that transparency in tax system enhances the efficiency of the tax system. The results revealed that for effective tax system, there is the need for transparent tax laws and policies to enhance compliance.

The third variable in the table (EQUIT) examines the relationship between equity in tax administration and how that affects the effectiveness of the tax system. The regression results show a sportive association between equity in tax system and the effectiveness of the tax system in Ghana. The results s also statistically significant at 1% significance level. The result is consistent with the findings of Feld & Frey (2007) who found equity as a significant determinants of a good tax system and tax compliance.

Finally, the study also examines the influence of administrative efficiency in overall tax administration system effectiveness. The result also showed a positive and significant association between administrability principle of tax compliance and tax administration effectiveness. The
result was also statistically significant at 1% significance level suggesting that administrability is a significant determinant of tax administration effectiveness in Ghana.

One of the most outstanding point regarding the results of the study is that there is statistically significant relationship between the equity perceptions of the taxpayers and the tax administration effectiveness. When literature is analyzed, it is observed that there are many studies where similar results were obtained (Vogel, 1974; Porcano, 1988; Antonides & Robben, 1995). A creditable reason for the inconsistency as suggested by various researchers is the multi-dimensional nature of tax equity as an effective tax administration variable (Jackson & Milliron, 1986; Richardson & Sawyer, 2001).
CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION, RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the entire project work from the beginning to this last chapter. The chapter begins with a little summary of the essence of the project work before focusing on the summary of the major findings of the study. The chapter also presents conclusions drawn from the study as well as recommendations from this finding of the study.

5.2 Summary of findings

A tax is a compulsory contribution from households, firms or individuals to the government. Every nation depends on taxes for its development. Though, it is a sort of contribution made by stakeholders of the economy, that contribution is backed by law. Gift taxes are taxes on gifts. Gift taxes are to be compulsory paid but voluntarily honored so the degree of such tax policy to generate revenue is very questionable. In Ghana tax system, in order to ensure the redistribution of income function of taxes, the revenue authorities have introduced gift tax which states that any gift more than fifty Ghana cedi that is not from a close relative and not given to a minor must attract a 15% tax. but several studies and articles show that people do not honor gift tax in Ghana. For instance, Gift tax non-compliance in Ghana is mainly due to the existence of asymmetric information Gatsi (2010). Bruce-Twum (2014) in his journal article concluded that about 73% of tax payers are not aware of gift tax policy. His study also revealed that though the tax administrators perceive the awareness level to be high, the result of the study indicates otherwise. Gbadago et al (2015) concluded that about 60% of tax payers are not willing to honor their gift tax obligation.
The study sought to first examine the levels of gift tax awareness and the level of compliance of gift tax among graduate non-accounting students in Ghana. The study also examined factors that influence gift tax compliance in Ghana and also factors that influence effectiveness of tax administration system in Ghana for gift tax. The study sampled graduate non-accounting students from the University of Ghana. The study used descriptive statistics, charts and diagrams, ANOVA and well as regression analysis to achieve the objectives of the study. The results of the major findings of the study are presented below.

First, majority of respondents indicated that they had paid taxes that is 110 out of the 125 respondents said they have paid taxes while only 15 were not sure they have paid taxes. There were not respondents who could categorical state that they did not pay taxes before. The results were no surprising as majority of the students are workers who paid income taxes on their salaries,

Narrowing further to gift tax, the researcher attempted to find out whether the respondents have ever received gifts since if one does not receive gift, there is no likelihood of being liable to gift tax. The research revealed that while about 88% of the respondents have received gifts, 4% have not received gifts; about 5% were not sure whether they have received gifts or not, while further 3% respondents did not indicate any response.

The results from the study also showed that majority of respondents received their gifts from friends, followed by spouse, then employees and business contact. As per the Income tax provision on gift tax in Ghana, gift from family relatives are exempt from tax. As per this exemption the total responses of the source of gift shows that 44.6% of the gifts received by respondents were from family relative which are exempt from gift tax in Ghana.
The study further asked respondents whether they paid taxes on the gifts they received as per the
Reponses to the earlier question above. None of the respondents actually responded yes to the
above question suggesting that they did not file and pay gift tax on their gifts received.

Furthermore, respondents indicated that they do not file tax returns for gift tax. None of the
respondents had indicated that they had file any form of tax returns for gift tax before. This result
is consistent with the findings on the level of awareness of gift tax in general as well as the level
of compliance in Ghana.

The study further asked respondents their level of awareness of gift tax or the laws on the
requirement for gift tax in Ghana. Majority of respondents (72) have were not aware of gift tax in
Ghana. only 28% of the respondents were aware of gift tax in Ghana.

Furthermore, the respondents were provided with a scenario in which a Gift received of
GHS1,000 was made by a friend of which a tax of GHS143 was to be paid, respondents were
asked whether they would pay or not. Only eleven persons representing seven percent of the
sample indicated their willingness to pay. Few of the respondents indicated their willingness to
comply, on the other hand, some were strongly against the paying of any such taxes since for
them a Gift received is a “Gift” and they are not prepared to disclose for any tax purpose

The study also interviewed tax authorities on the level of awareness of gift tax in Ghana. 74
percent of the total tax administrators interviewed believe that the awareness they have created
about gift tax is not satisfactory, while 25 percent believe it is good. Only 1 percent admitted that
the awareness level is very poor.

The study used some demographic to determine the level of difference in respondents’ gift tax
compliance intention based on the scenario that if they received a gift of 1000 Ghana cedis and
based on the fact that they now know the legal requirement regarding gift taxes, will they pay the required amount to the Ghana Revenue Authority.

The results from table 2 shows that females demonstrated a higher willingness to comply with gifts tax in Ghana even though the there was no statistically significant difference between both genders.

The results also show that older people are more likely to company with gift tax as compared to younger people even though there was no significant difference in the age ranges. A common demographic variable is the taxpayers’ age.

Finally, the ANOVA analysis from table 2 also shows that the level of work experience influence gift tax compliance even though there was no significant difference between the various years of working experience.

The final objective of the study examined factors that influence the effectiveness of gift tax administration in Ghana. The factors that could influence the effectiveness of gift tax administration in Ghana which this study sought to evaluate include equity, simplicity, transparency and administrability of gift tax in Ghana.

The results from regression analysis show that simplicity in the tax system is positively associated with tax administration effectiveness in Ghana. The result is also statistically significant at 1% significance level.

The second variable from the regression results (TRANS) also showed a positive association with tax system effectives. The result is also statistically significant at 1% significance level.
The third variable in the table (EQUIT) examines the relationship between equity in tax administration and how that affects the effectiveness of the tax system.

Finally, the study also examines the influence of administrative efficiency in overall tax administration system effectiveness.

5.2 Conclusion

This study revealed that, although the taxation of gifts is provided for in the tax laws of Ghana specifically the Income Tax Act, 2015 (Act 896 as amended), making compliance both statutory and civic obligations, the level of non-compliance is very high among the Ghanaian taxpayers. Some of the reasons identified by the study for the low level of compliance with gift tax among Ghanaian taxpayers are: unawareness of gift tax obligations, those taxpayers who are aware do not feel obliged to pay; the non-enforcement by the tax officials; some taxpayers simply never receive taxable gifts; or the value of the gift is not above the exempt threshold. It was obvious from the study that the low level of education provided on the gifts tax by the tax officials and non-enforcement on their part coupled with the unwillingness by the taxpayers to voluntarily comply largely account for the very low level of compliance with gift tax among taxpayers in Ghana, specifically among non-graduate accounting students. The above findings are very striking as Ghana, like all other developing countries, needs to exploit taxation as a means of sourcing revenue to finance developmental programmes and activities, as donor funds and grants are not forthcoming due to the economic challenges facing various nations after the financial meltdown in the west. The results also showed the gender, age and work experience affect gift tax compliance. Finally, on the effectiveness of gift tax administration system in Ghana, the study found that simplicity, equity, transparency and administrability were significant determinants of tax system effectiveness in Ghana.
5.4 Recommendations

It is recommended based on the findings of the study that Ghana Revenue Authority intensifies tax education especially on the gifts tax obligations immediately, and puts in place measures to enforce such obligations.

The study also recommends changes in the following aspects of gifts tax administration in Ghana;

i. Change of channel of payment

ii. Building of trust by the government

iii. Accessibility of gift tax return form

iv. Avoidance of poor reception by tax officials

The study further recommends future research to conduct a wide survey using workers in the formal sector in particular to examine the levels of gift tax compliance, determinants and how to make gift tax compliance in Ghana effective.
REFERENCES


