Integration of Tax Administration to Curb Import and Domestic Tax Evasions in Ghana

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ABSTRACT

As part of the Government of Ghana's plans to maximize tax mobilization, it recently integrated its Revenue Collection Agencies (RCA) namely; the Internal Revenue Service (IRS), Customs Excise and Preventive service (CEPS) and the Value Added Tax (VAT) Services into the Ghana Revenue Authority (GRA). This research aims to find out whether Ghana's tax administration reform of integrating the RCA into GRA has dealt with the inefficiencies in tax administration with respect to personal income tax, company tax, value added tax (VAT), import duties and self-employed tax collection. To that end, questionnaires, interviews, observation and the Ministry of Finance and Economic Planning's (MoFEP) data on tax revenues were analyzed to establish whether there has been some level of efficiency in the mobilization of these taxes. From the field observation, it was discovered that many taxpayers in Ghana are not being issued receipts which could ensure proper accounting. Surprisingly, tax collectors from the RCAs were aware of this but refuse to act. Even though most of the taxes were not being collected, analysis of data from MoFEP showed an increase in revenue collection in the last four years and this has been attributed to the tax administration integration. The effect of tax evasion on the Ghanaian economy has also been thoroughly discussed

1.1 INTRODUCTION

A tax is a compulsory payment levied on an individual or a corporate entity to be paid once or periodically when it is due and can be enforced by law.

One of the main purposes governments do impose these taxes is that, they need monies also known as revenues to expend, in other words to run the state by providing economic, social and safety needs of their people. In many countries, such as United Kingdom, revenue is referred to as turnover. Some companies receive revenue from interest, royalties or other fees. In general usage, revenue is income received by an organization in the form of cash or cash equivalent. However, tax revenue is income that a government receives from taxpayers. Because of its importance, various governments have their agencies responsible for the collection of these taxes and intermittently reform these agencies to their expectations and demands of the economy.

Ghana, being a developing country has revenue structures that have not helped efficient mobilization of the revenues. As a result, the government's spending pressures has always overweighed the growth in revenue, creating huge imbalances between the demand and supply of public budgetary resources. Upon these reasons, therefore the country has to reform its tax structures, with the general objectives of revenue adequacy, equity and economic efficiency (Osoro, 1993).

It therefore implies that, monies to be expended by governments are supposed to be largely mobilized and or collected from taxes. However, tax evasions hinder the effort of various governments world over. Which, such acts are being perpetuated by the taxpayers in connivance with the collectors and their subsidiary institutions. The level of evasion depends on a number of factors among which is the efficiency of the tax administration. Corruption by the tax officials often renders control of evasion difficult.

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In appreciating the role taxes play in governance, one can undoubtedly understand why governments pay particular attention to such institutions and would do anything to make sure such agencies are well positioned and structured. To that effect, the government of Ghana has always wished to get the best administration for her tax revenues. It is upon these facts that, in recent times, government has merged the three main revenue collection agencies to, among many other objectives, operate efficiently and effectively to maximize revenue mobilization and collection to try and mitigate the fiscal imbalances.

1.2 Review of related works

Tax is defined as "the levying of compulsory contributions by public authorities having tax jurisdiction, to defray the cost of their activities" (Danquah, 2007). According to Danquah, the purpose of taxation is to raise revenue to defray the cost of services provided by the State. In accepting the notion implies that, because of the compulsory nature of taxation compliance cannot be guaranteed to be smooth. It therefore needs tax collectors who would not compromise their work ethics for personal gains. And again taxpayers are to be sincere in their tax obligations which sometimes become a difficulty leading to many tax laws and regulations to govern them. It is upon these and many others which have resulted in various tax reforms in Ghana's revenue mobilization.

A direct tax is a tax that is paid directly by an individual or organization to the imposing entity. A taxpayer pays a direct tax to a government for different purposes, including real property tax, personal property tax, income tax or taxes on assets (Rossotti, 2005). This further explains that it is a tax that cannot be shifted to another individual or entity. The individual or organization upon which the tax is levied is responsible for the fulfillment of the tax payment.

Indirect tax however is another source of revenue for governments to compliment the direct tax revenue. According to (Danquah , 2007), indirect taxes are levied on persons in the expectation that the taxes will be shifted or passed on to others. An indirect tax is the one that increases the price of a good so that consumers are actually paying the tax by paying more for the products (Danquah, 2007).

The bulk of Ghana's central government revenue is administered by three revenue agencies. They include; Internal Revenue Service (IRS), VAT Service and Customs, Excises and Preventive Services (CEPS). IRS is responsible for administering the Income Tax Act which comprises Individual Income Tax, Corporate Tax and other minor taxes. VAT Service is commissioned to collect inland VAT, while CEPS is tasked to collect excises and trade taxes, including customs duties and VAT on imports.

According to Kloeden, (2011), despite positive but mixed progress over two decades, most lower income African countries need to enhance their low tax-to-GDP ratios by mobilizing domestic resources to complement debt relief, donor aid and to achieve the Millennium Development Goals (MDG) and poverty reduction objectives. With these goals in mind, most African countries have undertaken revenue administration reforms. In understanding Kloeden's assertion means that the revenue administration reforms being undertaking by various African countries are aimed at enhancing revenue mobilization to improve on their tax-to-GDP ratio and the achievement of MDGs.

Taxation, as a concept, in no doubt is a craftsman for the development of a nation. It therefore means that inadequate revenue affects tremendously on the country's ability to improve upon the citizens' welfare. It is however imperative that mobilization of domestic resources are enhanced to sustain growth and development more especially when the current global financial crisis has resulted in the erosion of trade credit and a reduction in foreign direct investment inflows, exports, remittances and earnings from tourism. Indeed, as a result of the dwindling external resources, (Zaney, 2012) underscored the need for efficient taxation systems to boost domestic revenue mobilization.

Heller (1997) agrees with the assertion that an adequate noninflationary revenue mobilization effort is critical for the financing of a government's necessary social and economic expenditure obligations. Unfortunately, he indicates that in Sub-Saharan Africa, the tax effort in two thirds of the countries has been disappointingly low, with tax revenue as a percentage of GDP at or below 15% of which he asserts that about one third have ratios below 10% of GDP. Based on these revelations, it is not out of place to categorize, monitor and reform the various revenue collection agencies for the purpose of efficient and effective tax administration.

As part of administering efficient and effective tax administration, various governments institutes an autonomous tax administrative agencies which IRS is one of them. According to Terkper (1995), the IRS has the longest tradition of launching campaigns for improving taxpayer self-assessment in Ghana, but it appears to have failed in its efforts to promote regular annual filing of tax returns. The relatively large number of IRS district offices located all over the country has not helped in improving the situation. The lack of progress, according to Seth Terkper, in this direction may be attributed to the overwhelming reliance of both officers and taxpayers on the Standard Assessment and Tax Clearance Certificate (TCC) systems. Other factors include a large informal sector that accommodates the "hard-to-tax" category of taxpayers and the paucity of accounting and business records kept in the country.

However, (Terkper, 1999) indicated that if the agency mandated to collect such taxes is faced with inaccessibility of proper accounting and business records of tax payers leading to inextricably low income tax revenue-to-GDP, then the importance of reforms in the tax laws and administration cannot be overemphasized.

The IRS is empowered to audit taxpayers' personal financial records and can slash penalties if documentation does not meet their requirements. However (Rossoti, 2005) indicated that, in March 1995, it was reported that the agency tasked to scrutinize taxpayers' finances could not properly keep track of $1.4 trillion of taxpayers' money it was collecting each year in the USA, which (Rossoti , 2005) likened it to a doctor who is a chain-smoker of cigarettes who is advising you on how to stop smoking because it is not good to your health. Understandably, it suggests that the agency that is so strict on the way Americans keep their books cannot itself pass financial audit, then congress is to appoint an outside control board to run the IRS. Agreeably trusting IRS by the public is a major concern the agency must deal with.

CEPS in Sub-Saharan Africa may be placed into three forms:
(a) Those belonging to the mainstream civil service
(b) Those with partial autonomy
(c) The integrated ones with tax departments in revenue authorities.

The current organizational design of CEPS and the way it functions is much in line with the new public administration paradigm that started in the 1980s, which in the case of Customs and tax administration, led to the emergence of integrated semi-autonomous revenue agencies. While some customs services in Africa have been merged with their tax administration in revenue authorities, countries such as Ghana and Ethiopia, in responding to organizational autonomy in the new paradigm, have been granted autonomy from the mainstream civil service. However, in both cases, Customs is required to carry out its mandate, which goes beyond revenue collection, in an environment that emphasizes the revenue function over any other function (World Customs Journal, 2008).

According to Ghana Business Finance (2010), Customs authorities traditionally fulfill a three-fold mission - a fiscal mission by collecting revenue for the State; an economic mission by helping businesses to be more competitive and compiling foreign trade statistics; and a mission of protecting society and combating fraud and other related cross-border crimes that are engulfed the porous borders in Africa. However, the paper admits that in the case of Ghana, most people associate CEPS with revenue collection, and very few businessmen have looked up to the CEPS as a source of valuable advice on competition or a critical outfit for obtaining business statistics.

Because of the high premium responsibility successive governments place on CEPS within the Sub-Saharan Africa and Ghana in particular, where they collect more than 50% of Ghana's tax revenue as declared by Ghana Business Finance, Customs Administration undergo vigorous regulatory changes. Heller (1997), in his paper: Strengthening Revenue Mobilization Efforts in Sub-Saharan Africa also agrees that Customs administrations are hampered by an excessive number of regulations and deficient valuation procedures which invigorates both under and over invoicing. Heller (1997) in seeing the enormity of the situation reiterated the earlier assertion he made and said, tax policy in African countries also tend to have certain features that both erode the potential for revenue mobilization and distort their impact on the efficiency of resource allocation and incentive for growth. Such features, according to him, include; customs duty structures characterized by an excessive number of multiple nominal tariff rates, significant dispersion in the rates of effective protection and numerous exemptions. It is obviously clear that there are multiple situations that lead to low levels of revenue mobilization and collection. In a situation where there are so many deficiencies in tax policies and authority over granting exemptions are dispersed within ministries and departments, it encourages tax evasion and a fertile ground for rent-seeking among unscrupulous tax officials. All these activities are parasites that hamper the effort of revenue generation in the Sub-Saharan African countries.

VAT was introduced in Ghana in 1996 and has become what is considered to be, among others, efficient revenue 'milch cow' but regressive tax (Steenekamp 2012). A recent paper argues persuasively that the two basic pillars of taxation in most countries are the income tax and the VAT (Bird 2009).

Foreign Investment Advisory Service (FIAS) declared in 2007 that, Ghana had used its direct and indirect mechanisms to collect tax from the informal sector. Direct taxing through formal systems of accounting and income calculation and formal payment channels according to FIAS has not worked effectively because collection costs tended to be high in relation to the amounts collected and are discretionary. To overcome these problems, the less distortion VAT was initially withdrawn and later reintroduced.

Barreix and Roca, (2007) argued that VAT was excellent as a revenue raiser and works best if it is applied in the simplest and most neutral fashion possible—that is, broaden the base as possible and preferably at a uniform rate. In spite of its introduction in Ghana, VAT has not been able to penetrate informal sector activities as desired. It is upon this fact that the government has tried to categorize the VAT rates such that it can broaden its base. Accordingly, (PKF, 2012) stated that VAT is indirect tax paid by consumers on some goods and services to the State through registered individuals or businesses. The rate is 12.5% for businesses and individuals whose turnover for a 12 month period is $60,000 or above on the value of goods and services. This excludes the National Health Insurance Levy of 2.5%. Businesses and individuals whose turnover for a 12 month period falls below $60,000 are to pay a presumptive tax of 6% of their turnover. Although the introduction of VAT and presumptive income taxes has eased the assessment and collection processes, there is still a need for effective tax administration for monitoring and enforcement.

According to Fjeldstad and Moore (2007) VAT was said to be in more than 130 countries. During the 1990s, the number of African countries levying VAT increased from 2 to 30. VAT accounts for around a quarter of the world's tax revenue (Ebrill, et al., 2002). Since its efficiency in revenue collection is able to make up with the shortfall from trade liberalization, replacing import and export taxes, it is said to be dealing with any negative effect but rather contributing positively to governments' revenues.

The twist to the new paradigm in tax administration lays strong emphasis on 'simplification', thus trying to make taxes clearer, more transparent, predictable, easier and cheaper to administer and less vulnerable to extortion and corruption.

To curb corruption and maximize revenue, many African countries have implemented comprehensive reforms in their tax administrations over the past years (Devas et al., 2001). Fjeldstad and Moore (2009) said, these reforms have almost certainly helped enhance the potential of African governments to increase tax revenues by facilitating a range of sensible reforms in tax administration that have proved their worth elsewhere.

Over the last two or three decades, a strong international consensus about tax reform has emerged. The key elements are the introduction of broad-based value-added taxes on consumption, simplified tax design and improved tax administration (Fjeldstad & Moore 2008, in 2009). An independent assessment of the World Bank's support to public sector reform indicates that 'The Bank's entry point for tax administration reform has typically been the need to increase revenues' (Independent Evaluation Group (IEG) 2008). A deduction from more than forty DFID-funded revenue projects, mainly in Sub-Saharan Africa, shows clearly, that increasing the ratio of tax collection to GDP was a primary objective and achievement measurement (DFID, 2002).

2.1 Methodology

The methodology used for the work covers research design, data sources, population and sampling, data collection procedure or techniques and data analysis tools.

The study adopted descriptive and explanatory forms of research design because of the intent and the direction of this work. It used descriptive because it intended to take verbal responses as well as observed events as they happened within various areas of concern. The explanatory strategy of the work sought to use a published data from various groupings. Again, upon this revelation, quantitative and qualitative data techniques were employed. The quantitative sought to deal with how post tax administration reforms have affected Ghana's revenue mobilization and collection to its subsequent improvement or otherwise of the tax revenue figures. The qualitative data was used to explain the information gathered during the verbal discourse with some selected personalities in relation to the objectives of this work and the observations that were undertaken.

A multiple method research choice was adopted which stemmed down to a mixed method approach. By adopting this method, this research needed to use both quantitative and qualitative data collection techniques and analysis procedures concurrently. One major benefit the choice of the multiple research method provided was how different data collection techniques in this study helped related each of the data categories.

The data used for this work was from both primary and secondary sources. Primary data were collected with answering of questionnaires by respondents, face-to-face interview and observation. These instruments were used such that every bit of information in relation to the research could be gathered and addressed without prejudice. Secondary data were also taken from the annual report on taxes collected by the three revenue collection agencies as prepared by Ministry of Finance and Economic Planning (MoFEP).
The set of cases from which a sample is taken is known as population. It is therefore agreed that the term 'population' is not used in its normal sense, indicating that a set of cases need not automatically be people (Saunders et al, 2007). Based on this revelation, the population considered for this work was Ghana Revenue Authority-Customs Division (GRA-CD), Ghana Revenue Authority-Domestic Tax Revenue Division (GRA-DTRD), Ghana Revenue Authority-Support Services Division (GRA-SSD), Destination Inspection Companies (DICs), Ghana Community Network (GCNet) and some Small Taxpayer Unit (STU) outlets in Ghana.

Sampling is a technique used to save time and also a valid alternative to a census for this work, since it was impracticable to survey the whole population of the organizations mentioned and was therefore important to have selected a sub-set of the entire population for a higher overall accuracy which this work sought to achieve. Non-probability sampling was chosen in order to answer the research questions and meet the objectives adequately. Upon this reason, the paper used an extreme case strategy of a purposive sampling technique which inadvertently dealt with the situation and became relevant in explaining this work (Saunders et al, 2007).

The sample size of the paper is shown in Table 3.1.

Table 3.1 Respondents of Questionnaires, Interviewees and Observed Outlets

CATEGORIES OF RESPONDENTS AND OUTLETS	**NO. OF QUESTIONNAIRE RESPONDENTS**	**NO. OF OBSERVED OUTLETS**	**NO. OF INTERVIEWEES**
GRA-CD & SSD HQ	15		4
GRA-CD & SSD ENTRY POINTS	15	3	4
GRA-DTRD & SSD HQ	10		2
GRA-DTRD COLLECTION POINTS	24	3	4
DICs HQ & SOME ENTRY POINTS			5
GCNet HQ & SOME ENTRY POINTS			4
SMALL TAXPAYER UNIT (STU)		10	
TOTAL	**64**	**16**	**23**

Kelvin, (1999) defines questionnaire as where persons answering the questions actually record their own answers. However, questionnaire for this work was used in more general term to include techniques such as interviews that were administered face to face, by telephone and the ones that were answered without the present of the interviewer (Bell, 2005 and deVaus, 2002). The types of interview adopted for the work were semi-structured and in-depth interviews. These were chosen as a result of the different organizations the questionnaires and the interview guides dealt with and the tendency of ignoring some questions at some point in time. The in-depth was also chosen to get some further explanation from certain respondents in a more conversational manner to ascertain certain facts.

The sensitive nature of this work required some degree of insider information as to what people actually do as they embark on their daily activities in their workplaces. The fact that it is not easy for taxpayers and governmental agencies to openly admit any unofficial payments and receipts, it behooved on us to adopt a participatory observation instrument that led to a sizeable revelations in this work.

A secondary data therefore involve the gathering and or use of existing data for the purpose for which they were collected. Based on this revelation the work examined the reports on revenues or taxes collected by the RCAs before and after the integration of the revenue collection agencies in the country.

The data were analyzed using Statistical Package for Social Sciences (SPSS) version 16, utilizing the Frequencies and Graphs. These were adopted because the work was to find out whether the necessary taxes are collected, various loopholes are sealed. Excel was employed as another analysis tool to explain the secondary data from MoFEP budget data. The qualitative data collected were also analyzed thematically by describing and interpreting themes of raw data of words or responses and actions by the respondents.
The next section focuses on the component parts of the study which included data generated from responses and observations on the field during the study.

2.2 Results and Discussion

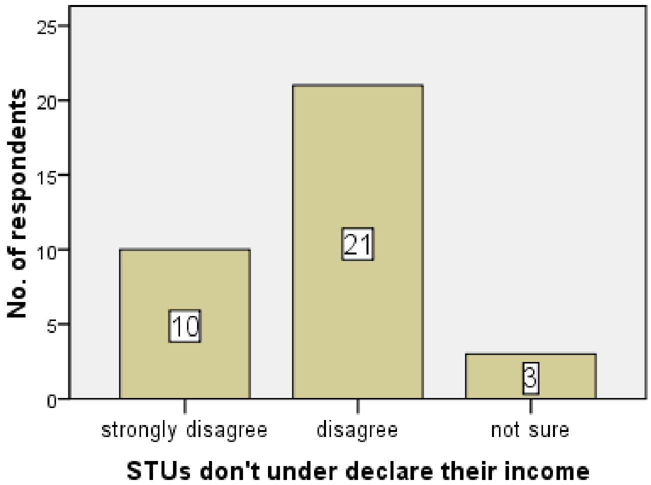
The section presents the results and discusses the data collected with the various tools and techniques. Sixty-four (64) questionnaires were administered to GRA members. All the sixty-four questionnaires were completed and submitted giving the rate of response to be 100%. Based on the responses to the questionnaires, further interviews were conducted selectively for some people identified to have extra information that they could not give because of the closed-ended nature of the questionnaire. To further beef up the data and the content, a participatory observation was conducted and reported as events unfolded. This particular technique was used because of the sensitive nature of some of the issues this paper wanted to find out. It was classified as sensitive because it bordered on the integrity of the organizations being studied. Supportively, another tool was employed to look at the actual effect of the integration into GRA on tax revenue using excel as a tool for analysis.

In order to deal with a situation of tax evasion and collection issues, it is important that, things that bring into perspective the standard approach to collecting and mobilizing taxes as adhered to by both the collection agencies and the taxpayers. This approach used by both the collection agencies and taxpayers have been reviewed and analyzed during the course of this research. It was by so doing that various revelations showed up for consideration in this study.

2.2.1 Under Declaration of Income

Filing of tax returns by individuals and corporate entities is a major step towards achieving voluntary honoring of tax obligations. In filing tax returns, one of the cardinal issues the act borders on is full declaration of incomes by taxpayers. Full declaration is important in tax administration because it is upon such information that taxes are levied on the payer. When tax returns are under declared, it affects self-employed income tax, company tax, Pay As You Earn (PAYE) tax and many others. Arguably, since full declaration of income is so critical in tax administration, the research intended inquiring about taxpayers' attitude in this direction from the tax collectors. Thirty four (34) questionnaires were administered. The results have been summarized in Fig. 4.46. From the results, 61.8% disagreed that STUs fully declare their incomes and 29.4% asserted that, the degree to which taxpayers under declare their incomes is alarming. Unexpectedly, none of the respondents agreed that STUs don't under declare their incomes. 8.8% of respondent were not sure of the situation.

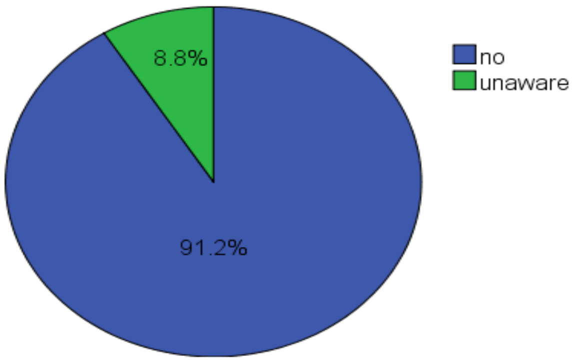
Figure 4.46: STUs don't under declare their income



Source: Author Field Survey, 2013

This issue of under declaration of income by taxpayers and especially STUs who are known to be hard-to-tax among the tax units, as had been explicitly confirmed by respondents in Fig. 4.46 above. The questionnaire sought to know from the respondents whether DTRD has an intelligence team to ascertain if official receipts are issued by STU Operators in dealing with or attending to their customers. Amazingly, officials were aware that STU Operators do not file their returns in relation to their incomes. However according to Fig. 4.51 below, 91.2% of respondents from tax administrative offices admitted that they did nothing to compel such STU Operators to issue official receipts which could have been accounted for and available at their disposal by putting them on the spot light. Thus by using their men under-cover to buy from them or transact business with them. The most important aspect of this particular issue is that, taxes are levied on taxpayers based on the returns they file. Undoubtedly these returns are filed using official receipts such as VAT receipt issued out as basis. Therefore in the event where these receipts are not used per each transaction it then means that taxes on those transactions are evaded.

Figure 4.51: Intelligence Team for DTRD

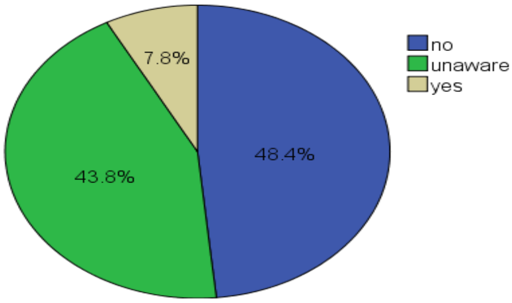


Source: Author Field Survey, 2013

2.2.2 Under-Invoicing

One major issue associated with tax evasion is under-invoicing, especially on the corridors of international trade. It is a general notion that, under-invoicing in international trade is as old as Adam the first human being on earth. It was upon this fact that the research sought to probe into such an unavoidable area of tax administration.

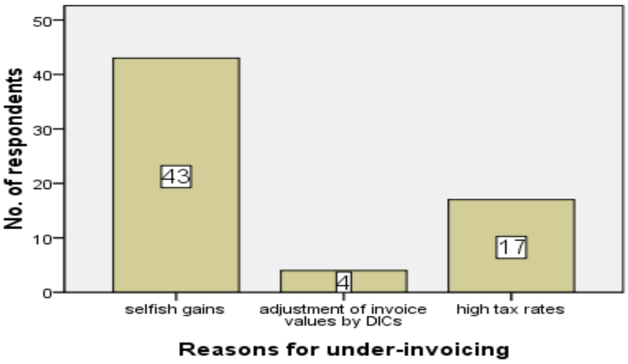
Figure 4.13: GRA under –Invoicing practices



Source: Author Field Survey, 2013

In fig. 4.13, the research wanted to know whether the menace of under-invoicing has been curbed under the tax administration reform that has brought all the RCAs under one umbrella of GRA. It was believed that the reform was going to deal with evasion of taxes which under-invoicing is a major factor. However, three years after the integration, as depicted in fig. 4.13, 48.4% of respondents stated that under-invoicing has not yet been curbed. 43.8% of the respondents said that they are not aware of any reduction in the menace while only 7.8% of the respondents disagreed with their colleagues, and have indicated that the integration has reduced the canker. Worrying as it were, the research wanted to understand the reasons behind the issue. The findings have been summarized in fig. 4.14.

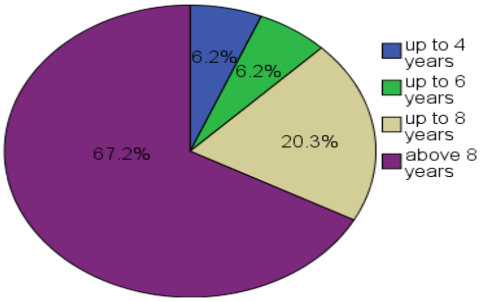
Figure:4.14: Reasons for Under-Invoicing



Source: Author Field Survey, 2013

In this figure, 67.2% of the respondents attributed the menace to selfish gains by the importers or the business community, 26.6% of the respondents attributed this to high tax rate in Ghana. The other 6.2% believed that the act is perpetuated as a result of importers transaction values being adjusted by the DICs when presented. In such a revelation, it was expedient to understand why with all these knowledge, importers still find their way through, even with the vast experience and insight into the activities of such perpetrators by officials of the tax administration. In trying to conduct a review into the matter, there was a stunning revelation. It was realized that administrative lapse contributed to some, if not many, of the tax evasive activities across the country's collection points. It is an identified lapse within GRA-CD, GRA-DTRD and GRA-SSD, hence, familiarity breeds compromise that leads to corruptible practices. We therefore sought to know how long officers are supposed to stay at a duty station before re-posting, which respondents stated that ideally no officer should be permitted to stay at a duty post or station for more than 4years. However, from figure 4.18, 67.2% of respondents indicated that there are officers who have stayed at one particular duty post for more than 8years. They went on and indicated that there are others who have stayed more than 6years which was asserted by 20.3% of the respondents. Rationally, those who have stayed over such a longer period are susceptible to all sorts or manner of approaches which could lead to tax evasive activities.

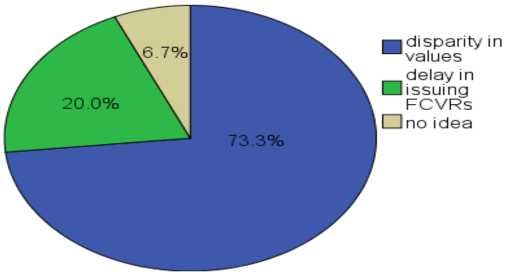
Figure 4.18: Number of Years for Officer(s) at a Duty Post



Source: Author Field Survey, 2013

One gray area that was identified to have been practiced by importers is applying for two Final Classification and Valuation Reports (FCVR) from different DICs on a single transaction. The idea is that, these unscrupulous importers would try to use an invoice with a low value to apply for the FCVR in "Company A" to clear their goods. However, when it happens that the company upwardly adjusts the values on the invoice, they try to ignore that FCVR and go to "Company B" to maneuver their way through for another FCVR with the same invoice value. When they succeed in doing so, then they present the one with lower value to process for their tax obligation. This scenario is depicted in fig. 4.31. Accordingly, 73.3% of respondents agreed that application for two FCVRs on one transaction is about disparity in values as has already been stated. Others attributed the situation to delays in the preparation and issuing of the FCVRs.

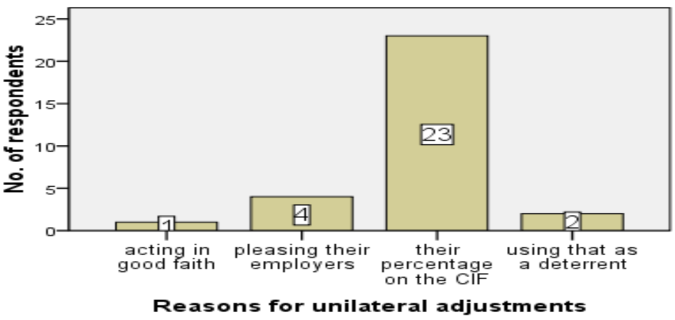
Figure 4.31: Applying for FCVR more than once



Source: Author Field Survey, 2013

By this revelation, it was understood that the behavior of some of the DICs contribute to a large extent some of these menace. Fig. 4.38 shows why some importers decide to do away with an FCVR prepared by one DIC and go in for the other. According to the respondents in this category, 76.7% believe that some of the DICs do adjust importers invoices just to increase the total CIF value of the invoice for self-interest. It was told that DICs are paid a percentage on CIF by the importers on every transaction processed, hence the motivation to adjust invoice values. Ironically, only 3% of the respondents think that the adjustments are done in good faith.

Figure 4.38: Reason for Unilateral Adjustments



Source: Author Field Survey, 2013

On the other hand why should another company try to issue FCVR which has lower values than the other? It is believed that valuation process is scientific and therefore there should not be disparity in valuation when using the same source document being the invoice. However, since this disparity exists, and that some DICs can issue FCVR with values far below an acceptable point, there was the need to know whether any sort of collusion could come about. In trying to know, fig. 4.39 has shown that 73.3% of respondents agreed that sometimes some of the importers collude with the DICs and use low invoice values. But, this assertion was refuted by 10% of the respondents who argued that there was no way collusion between DICs and importers could take place. Again 16.7% are said to be unaware of the situation.

Figure 4.39: collusion between DICS and Importers

Source: Author Field Survey, 2013

2.2.3 Under-declaration of Incomes by STU Operators

Furtherance to the questionnaires the following interviews and observations were conducted to deal with the concerned matters decisively. This area bothers on GRA-DTRD and that this question was answered by them alone. They were asked whether they were aware of under-declaration of incomes by STU operators and what they were doing to curb the practice. From all the six (6) interviewees, it was gathered that, they were aware of the situation but were handicapped with logistics and low motivation. One of them said “we are not police detectives to try to know incomes of people accrued from their activities”. The person continued to infer that, even if they do all those things they will finally go home as paupers because their retirement package is nothing but mere ‘try with this and survive’ syndrome. On the issue of curbing it, some said they were on vigorous education to appeal to the conscience of the STU operators whiles others explained that they are currently taking figures from the STUs day books to ascertain the true nature of their filed returns.

In trying to know much about the activities of the STU operators, another observation was conducted. This time, 10 STU outlets in Kumasi, Accra and Tema were observed to ascertain what type of invoice/receipts they issue to their customers. Ridiculously, it was found out that, in all the shops that the research considered, customers who collected VAT invoice/receipt were below 30%, even on demand. Therefore, it is assumed that, since taxes are levied on incomes that are verifiable, about 70% of actual incomes are not taxed.

2.2.4 MoFEP’s Data on Tax Revenue

The research wanted to find the actual taxes as collected and reported from 2008 to 2012. The category of taxes purported for this work were within the areas of personal income, self employed, company, import duty, external VAT and Internal VAT, taxes. These data were analyzed using excel for onward interpretation to compare the actual outcomes of pre and post integration into GRA in relation to how the integration has affected Ghana’s tax revenue as has been revealed in responses from the questionnaire, interviews and observations.

Table 4.01was the actual tax figures collected by the revenue collection agencies within the period 2008 to 2012 and of the categories of taxes purported for this work as reported by MoFEP.

In this data, the actual taxes for all the categories have been tabulated in yearly basis to know the contribution of each category to the tax revenue in the economy. These are portrayed in this form to know how each category responded to the integration and how it has been able to sustain the initial response.

Table 4.01 MoFEP Income Data (2008 to 2012)

TAX TYPE	2008 ($)	2009 ($)	2010 ($)	2011 ($)	2012 ($)
Personal Income Tax	526,521,086	773,465,002	1,014,613,480	1,360,917,127	2,204,365,318
Self Employed Tax	68,411,313	72,787,556	100,167,463	132,415,416	163,913,980
Company Tax	539,079,147	661,894,087	987,718,866	1,567,963,693	2,361,523,057
Import Duty	679,370,245	745,908,688	1,051,490,521	1,510,962,211	1,886,910,528
External VAT Tax	670,767,555	795,924,012	969,683,679	1,388,648,386	1,716,038,090
Domestic VAT Tax	417,194,612	472,503,880	648,585,150	987,412,518	1,061,233,664
Total Actuals	2,901,343,958	3,522,483,225	4,772,259,159	6,948,319,351	9,393,984,637
Import Exemptions	475,681,675	318,459,605	386,424,204	634,572,369	778,921,746

In trying to make meaning of the data, the research sought to know the nominal difference in total taxes collected from 2008 to 2012. Nominal figures are important in all activities that deal with figures because it gives one a quick idea of the issue at stake. Hence, Table 4.02 shows that, a total tax of the categories the research is carried on has indicated that, there was $621,139,267 increase in tax revenue in 2009 over the 2008 figures. It went on to indicate that tax revenue increase in 2010 over 2009 was $1,249,775,934 which at a glance would show a little over a 100% above the 2008 and 2009 increase. The Table goes on to give figures of the various years' increases. In as much as nominal figures are said to be important, it is worth understanding that such figures sometimes may be misleading and may not be able to give a true picture of state of affairs. For the research to understand and know the significance of the increases that have occurred, a percentage change in those taxes were calculated as reported in Table 4.02, column three. Percentage changes in these figures give a vivid picture that can be relied upon to indicate how the tax revenue is actually faring. Clearly they show that prior to the integration into GRA, thus from 2008 to 2009 there was a significant increase in tax revenue of 21.41%. The issue of unreliability on nominal figures showed up in the percentage increase from 2011 and 2012 the expected increase rather fell from 45.60% to 35.20% contrary to the nominal figure that shows an increase.

Table 4.02 Nominal and Percentage differences in Total Taxes and Exemptions

YEAR	NOMINAL DIFFERENCE IN TOTAL TAXES	PERCENTAGE (%) CHANGE IN TAXES	IMPORT EXEMPTIONS NOMINAL DIFFERENCE	PERCENTAGE (%) CHANGE IN EXEMPTIONS
2009-2008	621,139,267	21.41	-157,222,070	-33.05
2010-2009	1,249,775,934	35.48	67,964,599	21.34
2011-2010	2,176,060,192	45.60	248,148,165	64.22
2012-2011	2,445,665,286	35.20	144,349,377	22.75

Source: Author Field Survey, 2013

The Effect of Individual Tax Contribution on the Total Tax under Study

To appreciate the total contribution of the six selected taxes, tax contributions of individual categories needed to be studied to ascertain their effects on the total selected tax areas. It was important to take a critical look of these individual taxes because the total tax seems to be doing well and therefore would suggest that all the various taxes are doing well. Unfortunately, it could turn out that a few of them are doing well whilst many others might have badly performed that needs attention.

Table 4.03a shows that, personal income tax in 2009 performed very well by an increase of 46.9% over 2008. However, the percentage increase in 2010 over 2009 dropped significantly from the previous 46.9% to 31.18% which showed an increase though, in a decreasing rate. In 2012, the rate of increase rose from 34.13% in 2011 to 62%. Self Employed Tax showed a picture of initial percentage increase from 6.4% to 37.62% in the first year of the integration but continued to fall to 2012. Company Tax on the other hand, saw relatively steady increase to 2011and increased in a decreasing rate in 2012. Table 4.03b continue to show that import duty proved consistency in its increase but for 2012 where performance was unwarranted by dropping from previous 43.7% to 22.9%. In the same manner, external and domestic VATs were consistent in their percentage increase but dropped so low in 2012.

In analyzing all these figures, it was realized that all the tax categories except personal income tax, experienced a significant increase in the first year of the integration. They all continued to increase in a slow pace in 2011 but sharply reduced in 2012, also with the exception of personal income tax which saw an increase in 2012 which is said to be associated with increased in the Ghana's new pay structure.

Table 4.03a Changes in individual taxes

YEAR	PERSONAL INCOME TAX ($)		SELF EMPLOYED TAX ($)		COMPANY TAX ($)	
	NORMINAL DIFFERENCE	PERCENTAGE DIFFERENCE	NORMINAL DIFFERENCE	PERCENTAGE DIFFERENCE	NORMINAL DIFFERENCE	PERCENTAGE DIFFERENCE
2008 – 2009	246,943,916	46.90%	4,376,243	6.4%	122,814,940	22.78%
2009 - 2010	241,148,478	31.18%	27,379,907	37.62%	325,824,779	49.23%
2010 - 2011	346,303,647	34.13%	32,247,953	32.2%	580,244,827	58.75%
2011 - 2012	843,448,101	62.00%	31,498,564	23.79%	793,559,364	50.61%

Source: Author Field Survey, 2013

Table 4.03b Changes in individual taxes

YEAR	IMPORT DUTY TAX ($)		EXTERNAL VAT TAX ($)		DOMESTIC VAT TAX ($)	
	NORMINAL DIFFERENCE	PERCENTAGE DIFFERENCE	NORMINAL DIFFERENCE	PERCENTAGE DIFFERENCE	NORMINAL DIFFERENCE	PERCENTAGE DIFFERENCE
2008 – 2009	66,538,443	9.8%	125,156,457	18.66%	55,309,268	13.26 %
2009 - 2010	305,581,833	40.97%	173,759,667	21.83%	176,081,270	32.27 %
2010 - 2011	459,471,690	43.7%	418,964,707	43.21%	338,827,368	52.24 %
2011 - 2012	375,948,317	24.9%	327,389,704	23.58%	73,821,146	7.48 %

Source: Author Field Survey, 2013

3.1 Conclusion and Recommendations

The main objectives of the study were to reveal lapses and loopholes in Ghana's tax administration and evaluate the effect of the tax reform on the overall tax system and on individual tax handles. It therefore revealed that there have been under declaration of income by taxpayers. It was noted that many taxpayers fail to keep proper records in the pre and post era of the GRA. Under invoicing also became one of the issues that were strongly pointed out as had been eaten into tax revenue in Ghana. Accordingly, it was pointed out that the act has actually been perpetuated by some importers but sometimes with collective efforts with some DIC officials.

Finally, devoid of all the negative findings, it was revealed that the integration has brought some improvement in total tax revenue on all the six tax categories that are being studied. However, a vivid picture of massive calculated tax evasive activities are shown to be going on unchecked.

The above information have given some insight into whether reforms are the best way of dealing with the malfeasance in tax administrations or total commitments of tax collection agencies who should put pragmatic efforts in their endeavors or a combination of these efforts. It was realized that, although the integration has helped increased tax revenue, the fact still remains that there were so many evasive activities before the integration which is still occurring in the era of the integration. It is upon these revelations that the following recommendations are made.

GRA-DTRD should device means of ensuring that STUs and all others issue receipts that could be accounted for in their daily activities. Again they should be committed to find means of controlling for strict compliance, failure for which should attract a severe penalty.

In addition, actions of some DICs must be scrutinized very strictly and the way they are paid for their work done must also be looked at and reviewed. This is recommended because the research has revealed that the manner in which arbitral adjustments are made on transaction values have some influence on under-invoicing perpetuated by some importers. It was also showed that collusion between importers and DICs are happening and therefore the third force being GRA-CD must be on the watch out to deal with the menace of under-invoicing.

Again, officers should not be allowed to stay over 4 years at one station or duty post to avert familiarity syndrome that could breed corruption.

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