

**UNIVERSITY OF CAPE COAST**

**KNOWLEDGE AND ATTITUDES OF NGOs TOWARDS  
THEIR TAX OBLIGATIONS – A STUDY OF SELECTED NGOs IN THE  
SEKONDI-TAKORADI METROPOLITAN AREA, WESTERN REGION,  
GHANA.**

**SAMUEL AFRIFA DUODU**

**A DISSERTATION SUBMITTED TO THE DEPARTMENT OF  
AGRICULTURAL ECONOMICS AND EXTENSION, SCHOOL OF  
AGRICULTURE, UNIVERSITY OF CAPE COAST, IN PARTIAL  
FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF  
MASTER OF SCIENCE (MSC) DEGREE IN NGO STUDIES AND  
MANAGEMENT.**

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**JUNE, 2009**

## DECLARATION

### Candidate's Declaration

*I hereby declare that this dissertation is the result of my own original work and that no part of it has been presented for another degree in this university or elsewhere.*

Candidate's signature:..... Date:.....

Name: Samuel Afrifa Duodu

### Supervisor's Declaration

*I hereby declare that the preparation and presentation of the dissertation were supervised in accordance with the guidelines on supervision of dissertation laid down by the University of Cape Coast.*

Supervisor's signature:..... Date:.....

Name: Prof. J. A. Kwarteng

## ABSTRACT

In a developing country like Ghana, the pivotal role that taxation plays in Government's efforts at raising revenue required for development cannot be over-emphasised.

For an effective and efficient tax system to prevail, the people must exhibit voluntary tax compliance. This can only be achieved when the people know their rights and responsibilities under the tax laws.

This work attempts to study the knowledge and attitudes of Non-Governmental Organisations (NGOs) towards their tax obligations. The study focuses on NGOs in the Sekondi-Takoradi Metropolitan Area of the Western Region of Ghana.

Among the study's objectives were to: assess the knowledge of NGOs of their tax obligations; examine their understanding of the tax laws; and also to examine the extent of NGOs' sensitization on their tax obligations.

Two sets of questionnaire were used to solicit the views of sampled NGOs and officials of the Internal Revenue Service. Among findings of the study were that: most NGOs have poor knowledge and understanding of their tax obligations; and that no programme exists for sensitizing NGOs on their rights and obligations.

Recommendations are made towards the improvement of tax compliance level of NGOs. These include: the need for NGOs to be educated on their rights and responsibilities; effective collaboration between the Internal Revenue Service and institutions like the Department of Social Welfare to boost this education; the need for the Internal Revenue Service to modernize its system of operations and also to make effective use of the sanctions provided under the tax laws for non-compliance.

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My greatest debt is to my wife, Alice and the children; this work is appropriately dedicated to them.

## DEDICATION

This work is dedicated to my wife and children.

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## LIST OF ACRONYMS

ADRA -	Adventist Development and Relief Agency
CBOS -	Community Based Organisation
CEPS -	Customs, Excise and Preventive Service
CIDA -	Canadian International Development Agency
CRS -	Catholic Relief Services
DANIDA -	Danish International Development Agency
FAO -	Food and Agriculture Organization
GAC-	Ghana Aids Commission
IRS -	Internal Revenue Service
ISSER -	Institute of Statistical, Social and Economic Research
JICA -	Japanese International Corporate Agency
NGO -	Non Governmental Organisation
ODA -	Overseas Development Agency
SMC -	Supreme Military Council
SMSE -	Small and Medium Scale Enterprise
STMA -	Sekondi-Takoradi Metropolitan Authority

UNICEF - United Nations Children Fund

USAID - United State Agency for International Development

VAT - Value Added Tax

WHO - World Health Organization

## CHAPTER ONE

### INTRODUCTION

#### **Background**

All Governments today have an enormous task to raise revenue to enable them to perform certain vital functions that the private sector cannot and must not perform such as national defense, security, the maintenance of peace etc. The surest way by which governments can effectively raise the revenue required for these important purposes is through the imposition of taxes. Even though there are other sources of revenue open to governments, including the use of non-tax revenue, loans and grants etc., taxation has been found to be the most reliable, dependable and sustainable in achieving economic independence and development (Adomako-Bonsu, & Hemeng-Ntiamoah, 2005).

Following from the above it can be said that while in the short-run, governments can borrow, print money or sell assets, in the long-run there has to be a properly run tax system to raise sufficient revenues to meet ever-increasing government expenditure needs. Much as governments find the need to maximize tax revenue, looking at the importance attached to the role played by other development partners, notably, Non-Governmental Organisations (NGOs) governments have various ways of supporting them. Under the laws of many countries, some forms of Income Tax relief are granted to corporate individuals and organisations that make donations to charities which generally include religious, benevolent, educational, scientific, social welfare or public

entities which have been registered as such under the laws of the countries concerned. In Ghana there are exemptions under the various tax laws covering NGOs.

In the administration of tax in Ghana, there are three main organizations that are involved. Whereas the Customs, Excise and Preventive Service (CEPS) and the Value Added Tax Service (VAT Service) are in charge of the administration of Indirect Taxation, the Internal Revenue Service (IRS) takes charge of the administration of Direct Taxation.

In administering Direct Taxation, the Internal Revenue Service currently uses as its main legal document, the Internal Revenue Act 2000, Act 592 which came into effect on the 1<sup>st</sup> of January, 2001 with other subsequent amendments and other related complimentary legislations.

As part of the requirements for all businesses in Ghana, the Internal Revenue (Registration of Business) Act 2005, Act 684, provides that “A person shall not carry on any business unless that person has registered the business with the Commissioner....” Sections 10 and 11 of the Internal Revenue Act 2000, Act 592 state that, “Income accruing to or derived by an exempt organization other than Income from any business” shall be exempted from tax. To make the provision more operational Section 94 also states that an “exempt organization” means a person who or that is and functions as a religious, charitable or educational institution of a public character”.

In Section 94(b) it is stated that “exempt organization” means a person who or that has been issued with a written ruling by the Commissioner currently in force stating that it is an exempt organization; and (c) “none of whose income or assets confers, or may confer, a private benefit, other than in



pursuit of the organisation's functions referred to in paragraph (a). Looking at the above provisions of the Income Tax Laws, the first condition that has to be satisfied before an organization can be exempted from tax is that the person is and functions as an organization of one of the types as provided in Paragraph (a) (i) – (v). It is not sufficient that the organization be classified as of the relevant type; it must also function in that manner. So an organization which was established for a relevant purpose will not be an exempt organization until it functions in a manner consistent with the purpose.

Under paragraph (c), an organization is not an exempt organization unless none of the income or assets of the organisation confers, or may confer, a private benefit on any person. The exception is that a benefit may be conferred on a person where it is conferred in pursuit of the function with respect to which the organization qualifies as an exempt organization under paragraph (a).

In Section 12 of the Internal Revenue Act 2000, Act 592, it is provided that nothing in the sections dealing with Exempt organizations “shall be construed as exempting in the hands of the recipient, any amount, including dividends, interest, or employment income, paid wholly or partly out of income exempt from tax”.

From the above it can be inferred that the exempt organization, and for that matter an NGO, is duty bound to respect the provisions of the Act as in Section 81 of the Income Tax Laws which provide among other things that “An Employer shall withhold tax from the payment of an amount to be included in ascertaining the income of an employee from the employment ....” In Section 87(1) it is provided that a withholding agent including an NGO shall

pay to the Commissioner a tax that has been withheld or that should have been withheld under the Act within fifteen days after the end of the month in which the payment subject to withholding tax is made by the withholding agent.

Sections 84, 85 and 86 of the Internal Revenue Act, 2000, Act 592 provide similar provisions which enjoin withholding tax agents including NGOs to withhold taxes on payments made to individuals and other bodies of persons for services rendered and goods supplied. The sections also cover payments made to non-resident Ghanaians. Section 72(1) also enjoins all persons including exempt organizations to furnish returns of income for a year of assessment of that person not later than four months after the end of a basis period of that person ending within the year.

### **Statement of the Problem**

The Administrative institution that is responsible for the implementation of the Direct Tax Laws of Ghana, the Internal Revenue Service has as its main legal document, the Internal Revenue Act 2000, Act 592 and other related subsidiary legislations.

These Income Tax laws provide extensive sections that seek to promote the interests of NGOs due to the invaluable role they play in the provision of development projects especially to better the lives of both the rural and urban poor. For example, NGOs that fulfill the requirements of the land are exempt from tax with the exception of their income from business. Apart from the above donations in both cash and kind made by persons to exempt NGOs are treated as allowable expense in determining their taxable income. For example

under the Gift Tax provisions of the Internal Revenue Act 2000, Act 592, gifts received “for charitable or educational purposes” are exempt from tax.

In spite of the lofty provisions in the Ghana Income Tax Laws to encourage NGOs, the belief is that either because of lack of knowledge about these laws or the apathetic nature of the NGOs to issues of taxation, only a few NGOs know that they are even required to register with the Internal Revenue Service in consonance with Act 684 of 2005. For the few who even register with the Internal Revenue Service, only a handful of them find the need to submit Annual Audited Accounts which is a prerequisite under Section 72(1) of Act 592.

It is also the belief of this writer that most operators of NGOs in Ghana also find their tax exempt status as automatic in that it is erroneously believed that this privilege is bestowed immediately an NGO successfully goes through the requisite registration formalities with the Registrar General’s Department and the Department of Social Welfare.

This writer also believes that since most of the NGOs in Ghana do not register their operations with the Internal Revenue Service, their responsibility to withhold taxes from salaries and allowances paid to staff and also payments made for services rendered and goods supplied to them by other individuals and organisations is not adhered to. The fact that this leads to serious revenue leakages to Government cannot be overemphasized.

This study examined these shortcomings of NGOs operating in Ghana to determine whether their poor perception of and attitudes towards tax stem from ignorance or sheer disregard and apathy.

### **Purpose of the Study**

The main objective of the study was to explore the level of knowledge of NGOs in Ghana of their tax obligations and also to study their attitudes towards these obligations.

### **Specific Objectives of the Study**

The specific objectives of the study were to:

1. identify the perceived problems encountered by NGOs in obtaining tax exemptions.
2. ascertain the extent to which NGOs are sensitized on tax obligations by the tax authorities
3. describe the attitudes of NGOs towards their tax obligations.
4. provide the perceptions of NGOs on the current tax administration regime.
5. examine NGOs' understanding of the tax laws.
6. assess NGOs' knowledge of their tax obligations and;
7. make recommendations on how to improve the current tax administration regime.

### **Justification of the Study**

In a developing economy like Ghana, in which taxation of the people plays a pivotal role in Government's efforts at raising the needed revenue required for the development of the Country this study becomes very important. For example, in his presentation of the 2007 Budget Statement the Minister of Finance, the late Honourable Kwadwo Baah-Wiredu, stated that:

“During the period, Government spending target will be ₵54.3 trillion, a targeted domestic revenue of ₵37.5 trillion, thus creating financing gap of ₵16.9 trillion.” It must be stated that the domestic revenue target above was to be from taxes and this shows the importance of taxes to the Ghanaian economy.

This study would provide the required information to the Internal Revenue Service, (IRS) and for that matter, the Ministry of Finance and Economic Planning, as to what extent corporate organizations including Non-Governmental Organizations (NGOs) know the tax laws and what is required of them as corporate citizens.

The study would in no small way offer the opportunity to the Ministry of Finance and Economic Planning and for that matter the Internal Revenue Service, to set up and initiate the relevant strategies to educate all and sundry on their tax responsibilities under the Ghana Income Tax laws.

The study would ascertain whether there are any peculiar problems faced by Non-Governmental Organizations in their relationship with the Internal Revenue Service (IRS), that promote the kind of attitude NGOs have towards their tax obligations.

Above all, the study is justified on the grounds that it would draw the attention of NGOs in Ghana to the fact that automatic tax exemption does not follow after registering with the Department of Social Welfare and the Registrar Generals Department but it is a privilege that has to be applied for.

### **Delimitation of the Study**

The study covers NGOs in the Sekondi-Takoradi Metropolitan Area in the Western Region of Ghana. This is because of the researcher's familiarity with the area and also due to financial and logistical constraints. Out of the fifty-eight (58) registered NGOs in the area as per a register at the offices of the Department of Social Welfare, a reconnaissance study showed that only forty(40) have reliable addresses (i.e. contact telephone numbers and location)and hence, were covered. For purposes of sampling, twenty (20) were selected. This was so because of constraints by way of time and finances.

### **Limitations of the Study**

The study is limited to selected NGOs in the Sekondi-Takoradi Metropolitan Area of the Western Region of Ghana; it therefore, constitutes a very small proportion of the NGOs in Ghana. The views expressed by the NGOs and other respondents covered may not necessarily be what generally pertain to all NGOs in Ghana.

Also, the fact that the study confines itself to only one district in the Western Region of Ghana shows how limited in coverage the study is.

Another limitation envisaged is the extent to which the NGOs selected for the study would co-operate as the study deals with the sensitive issue of whether or not they are up to their civic responsibilities concerning tax issues.

## CHAPTER TWO

### LITERATURE REVIEW

#### Introduction

This chapter provides a review of various literatures on the topic under discussion. It also provides a review of the concept of “attitudes”. It provides insights into the subject of Taxation putting the subject in the right historical perspective. The exemptions under the Ghana Income Tax Laws are also provided whilst the issues of Tax Evasion and Tax avoidance are also covered. There is also an exposition on NGOs and their contributions to national development.

Problems of taxation in developing countries have been receiving special and increasing attention in recent years in the context of world concern for accelerating the pace of their economic growth under conditions of stability.

Much of the theoretical and applied work has been related to the task of constructing productive and equitable tax systems suited to the peculiar economic and social conditions prevailing in various less developed countries. Given the comparatively limited amounts of resources that it is ordinarily possible and prudent to obtain from abroad and from domestic borrowing and non- tax revenues, most of the developing countries including Ghana, have felt the need to increase tax revenues.

In this light policy planning has been directed towards widening the scope of tax in developing countries including Ghana. However, in looking at how developing economies can maximize tax revenue, researchers, academics and policy makers alike seem to have relegated to the background, the attitudes of the taxpayer and the extent of his knowledge of his responsibilities and obligations under the tax laws or regime vis-à-vis his rights.

As a result of this apparent negligence, only marginal efforts have been made in the form of academic research or work into this all embracing and important area particularly in Ghana. As can be seen from most academic endeavors, research works on taxation mainly focus on the tax structure and how it can lead to nation building other than focusing attention on the people's attitude towards tax and even the extent to which they know what is expected of them under the various tax regimes.

In some notes distributed for a seminar series presented at the University of Ibadan during November 1966, Professor W. Arthur Lewis, the distinguished authority on the economics of development, made the observation that "the direct taxes on individuals (in Nigeria) can be doubled by better administration, reducing evasions, even without increases in rates". For those in the profession of offering tax advice to governments, this assertion that improved tax administration would bring high reward is by no means new. Usually however, the statement takes the form of a grumbling complaint from business-men and legislators, who are painfully aware of the degree of the income tax evasion, and insist that the government should strengthen up its tax administration machinery rather than enact new taxes or increase the rates of existing ones. Quite understandably, they ask: "why should the government



penalize honest taxpayers by raising income tax rates when so much revenue is forgone by evasion?” Lewis, (1966)

In the Editorial of the Daily Graphic of Thursday, September, 13 2007, it was reported that the verdict of the Institute of Statistical, Social and Economic Research (ISSER) of the University of Ghana is that the huge government expenditure could undermine the attainment of set targets. According to the ISSER, “revenue generation has not moved in tandem with expenditure, although production levels have not declined considerably.” In the view of the Daily Graphic it was “criminal for any Ghanaian to evade the payment of taxes and worse for public officials, paid to ensure the proper husbanding and harnessing of tax revenue, to conspire with others to deny the state the due revenue.

From the above it can be seen that much as the need to maximize tax revenue of government is seen as an important subject, rather than looking at why people refuse to do the right thing by honouring their tax obligations, it is rather the quantum that is lost to the state through tax evasion that is looked at and emphasized.

In his research work on Development Planning, Lewis (1966) noted a significant relationship between tax, on one hand, and savings and investment on the other hand. The work focused on determining how savings can influence tax revenue in less developed countries including Ghana. Accordingly, it was found out those countries with high ratio of foreign trade enjoyed easy and high taxes. He concluded that high savings lead to high investment. This, however, is not the pre-occupation of this study.

In his study “Reconstruction of a Tax Structure in a Developing Economy” Due, (1972) concluded that the tax structure cannot solve all the problems of economic development since total compliance was not attainable and that undesirable economic effects are almost inevitable. He therefore, noted that a critical look must be taken at framing the tax structure so as to avoid excessively high rates which yield little revenue and discourage economic activity. Adequate tax administration was therefore, his cherished tool for contribution to development. While the exposition of Due, (1972) is highly necessary for this study, the fulcrum of his work was on the tax structure, which does not fall within the scope of consideration of this study.

To Higin, (1963) income tax evasion in both the Philippines and Lebanon exceeds 75%. He attributed this to the fact that evading groups were politically powerful and had greater influence on the political structure.

This study, however, limits itself to only tax evasion to the neglect of other issues such as attitudinal factors and even the level of knowledge of the people.

Zonarak and Squire, (1988) in their work “Tax Policy in Sub-Saharan Africa” observed that the identification of a desired long-term tax structure helps to determine the administrative changes and technical aid necessary to improve existing tax regime and that where comprehensive reforms cannot be implemented, a long-term tax reform will be necessary for the evaluation of partial reforms. They noted further that the impact of tax on economic development is high and that greater weight should be given to consumption taxes implementation in order to overcome the large fiscal deficits in the region. Even though the relevance of the above cannot be underscored, it

emphasized long-term tax policy which is not very relevant to this present work.

Writing on “Indirect Taxation in Developing Economies”. Due, (1970) realized that custom duties, excise taxes and to a large extent, sales tax play a dominant role in the tax structure of developing economies. He contended that simplicity in the tax structure; exemption of producer goods inputs of production; tax rate differentiation and adequate information system for vendors could improve the indirect tax revenue. Here again greater emphasis is laid on the tax structure vis-à-vis indirect taxes without considering the attitude of those paying the taxes and even their extent of knowledge about what is expected of them.

Another study by Spicer and Lendstedt, (1976) emphasize that due to less severe sanctions imposed on people there is a high degree of tax evasion and that some people evade taxes merely because some other people do not pay taxes. Others evade due to the inability on the part of the tax authorities to detect it. Here again, interest is more on tax evasion to the neglect of other attitudes.

Lewis, (1982), writing on the topic, “Some Tax Attitudes: Surveys, Structure, Referenda and Fiscal Policy-Making” presented details of tax attitudes, perceptions and preferences derived from social surveys conducted in Europe and U.S.A. A discussion of the possible nature of tax attitudes and their structure were not left out.

He emphasized policy orientation in a consideration of the political and psychological aspects of referenda and of their role in political economy and in the relationship between public opinion and fiscal policy making. For

instance, a critical view was taken of the way in which tax attitudes and preferences have been assessed and of the question of whether their assessment can be “value-free” in the sense used in positive economics.

He did not present the study of attitudes as a panacea for solving research problems in public economics and political economics. All these are relevant to this study but unfortunately his work was on developed countries while this study is on an institution (NGOs) in Ghana, a developing country. Again the study is concerned with knowledge and attitudes of NGOs towards their tax obligations while Lewis’ work was on Taxation in general.

In his research into “Attitudes to tax and Public Expenditure”, Strumpel, (1969), has been particularly interested in the description of tax perceptions and attitudes as intervening variables between the independent variables of the tax system (eg. Marginal tax rates) and the dependent variables of tax compliance.

He and others have termed these attitudes and perceptions “tax mentality”. The model predicts that tax evasion is a consequence not only of the tax system of a country taken on its own but also of tax payers’ attitudes towards the tax system, its perceived purposes, fairness and so on. Nonetheless, much of Strumpel’s work was concerned with effects of tax policy on economic behavior, more precisely; it studies those aspects of economic behavior that are directly related to the collection of revenue and its administration (eg. tax evasion and tax avoidance). Even though, all these findings are relevant to this study, nothing specifically was said about the taxpayer’s attitudes towards the payment of tax which is the central theme of this work.

On the same research topic, Mueller, (1963), adopted a more psychological perspective. The consistency of attitudes towards taxation and public expenditure is discussed, as well as their origin. Also, by implication, Mueller's research model works in the opposite direction to Strumpel's and examines what would be the nature of fiscal policy if it were more responsive to public opinion. Mueller, too, did not consider people's attitudes towards the payment of tax and for that matter it is most appropriate that this study takes a look at that aspect.

In his book, "The Theory and Practice of Income Tax", Toby, (1978) stressed the need to provide the tax administrator with guidelines for improving his efficiency in tax administration, in order to give him a positive understanding of his role in achieving the overall objectives for which his institution is concerned. Besides, he realized the need to provide governments and their advisers with a more meaningful rationale for tax impositions and to recognize the relevance of various forms of comparative taxes in the formulation of policies, without taking into account the attitudes of people towards the payment of income tax.

In addition, he provided tax officers with the opportunity for authentic references to practical principles of taxation in the solution of the more difficult problems, which confront them in the performance of their day to day functions.

More so, in his analysis, he provided the general public some understanding of the subject of taxation, avoidance, and tax planning as well as practicable examples of how they might be accomplished or avoided. He sought to set out the rights, obligations and responsibilities of the government

and the citizens with reference to these matters. In all these, his study did not make provision for the taxpayers' attitudes to their tax obligations. It is this vacuum that this work tries to fill.

### **The Concept of “Attitudes”**

Keil, (1985) postulated that attitudes are positive and negative feelings that an individual holds about objects, persons or ideas. They were generally regarded as enduring though modifiable by experience and /or persuasion, and are learned rather than innate. This finding was in support of the findings of Sherif and Sherif (1969), who found out that attitudes were acquired or learnt.

Attitude, to Monly, (1968), is a disposition or an inferred factor within the individual which involved a tendency to perceive and react favourably or unfavourably towards some aspects of one's environment. In other words, it was the sum total of one's inclinations, feelings, prejudices, or biases, perceptions, ideas, fears, threats and convictions about any specific topic or issue.

Lerner, (1986) stated that psychologists used the term “attitude” to refer to the objects and concepts in their environment. They believed that it generally assumed some logical relationship among these three components- feelings, belief and action. For example, a person who believed that a particular subject was bad may dislike such a subject and consequently discriminate against it.

Lambert and Lambert, (1964) stressed that attitudes played a very essential role in determining one's behavior. They pointed out that attitudes affected one's judgments and perceptions of others, as well as influenced

one's speed and efficiency of learning. This was shared by Evans, (1965) who stated that attitudes determined what a man would do or say, and his reactions to events in his own life and in the world around him.

Oppenheim, (1992) postulated that attitudes are reinforced by beliefs (the cognitive component) and then attract strong feelings (the emotional component) and would lead to a particular form of behavior (the action tendency component). Child, (1993) and Meighan, (1994) agree that attitudes are predispositions to evaluate a person, an object or thing. They are subjective and contain cognitive, affective and behavioral components. They further explained that attitudes could be positive or negative feelings that an individual holds about certain ideas. They are generally regarded as enduring though modifiable by experience and / or persuasion. From Child's inventory on 'attitudes' and 'interests', he showed at least, three important ways in which 'attitudes' differ from 'interests';-

- a) Interests are always positive, whereas attitudes can be positive, negative or neutral.
- b) Interests are always active, whilst attitudes can be dormant.
- c) Interests are specific and functional, whilst attitudes are more generalized and may not function at all.

Wu and Schaffer, (1987) have indicated that attitudes could be acquired through direct experiences of individuals. They further explained that individuals, who form their attitudes about an object through direct experiences with it, have been shown to respond more quickly when asked to express their reactions to the object than those who form attitudes indirectly.

It is remarkably important to say from the foregoing that though some amount of study has been done in the area of taxation, much of it however, pertains to countries other than Ghana and that very little has so far been done on why people find it difficult to accept their civic obligation to learn at first hand, their responsibilities under the Tax Laws and the type of attitudes they exhibit towards their tax responsibilities.

### **Taxation in Ghana- A Historical Perspective**

Taxation was first introduced in Ghana, then the Gold Coast, in 1943 by the British Colonial Government at a time when World War II was raging. It should be noted, however, that before the introduction of Income Tax in 1943, several attempts had been made. For example, as far back in April, 1852, the Poll Tax Ordinance was passed to raise money to finance the increased cost of British Administration. (Ali-Nakyea, (2008).

Under the Ordinance, every man, woman or child residing in districts under British Protection was to pay one shilling per head per year.

These early experiments of the introduction of direct taxation failed because of the weakness inherent in the system of collection and the fact that the first proceeds were mainly used to pay the increased salaries of British officials and not for the construction of roads, schools and other infrastructural facilities

The first Income Tax Law was thus the Income Tax Ordinance (No.27), 1943. This Ordinance was modeled to a large extent on the general principles underlying the Income Tax Act then in force in the United Kingdom. (Ali-Nakyea, (2008).



It imposed the tax generally on incomes having sources in Ghana so that foreign source income was not liable unless it was remitted in Ghana. One main feature of this Ordinance was the numerous personal reliefs and deductions that it contained

After attaining her political independence and as a new sovereign state, Ghana needed funds to run the state machinery, to consolidate the newly won independence and also to meet the developmental aspirations of her people. For these reasons there was the need for drastic changes in the Tax system inherited from the colonial masters. For example, in 1961, drastic amendments were made to the consolidated edition under Act 68, followed by Act 178 in 1963 and sealed off by Act 132 in 1965. A second consolidated edition (The Income Tax Decree, 1966-No. 78) was published in September, 1966.(Ali-Nakyea, (2008) Further steps aimed at consolidating the Income Tax System led to a series of amendments to the ordinances until the Income Tax Decree 1975, S.M.C. Decree 5 was enacted. The current Income Tax Law is the Internal Revenue Act, 2000 (Act 592).

### **Definition of Taxation**

Taxation is often defined as the levying of compulsory contributions by authorities having tax jurisdiction, to defray the cost of governmental activities. No specific reward is gained by the taxpayer. This means that taxation is referred to as having no “quid pro quo” that is to say no advantage or gift is given in return for paying tax but rather , it is found as a civic responsibility of all civilized or corporate citizens and liable individuals in a state. The money collected is used for the common good that is, for the

production of certain social amenities which are more efficiently provided by the state rather than by an individual for example, the maintenance of law and order at home, and defense against external aggression.

Whatever the prevailing ideology or political colour of a particular Government, it must steadily expand a whole host of non-yielding services – education, health, communication systems, and so on, as a prerequisite for the country's economic, social and cultural development. These services must be financed out of government revenue and taxation is the principal way by which Governments especially those of the developing countries including Ghana, derive revenue.

### **The Role of Taxation in the National Economy**

Taxes are levied by Governments all over the world for some important purposes which include the following:

1. To raise revenue: - One major source of revenue to the Government is taxation. Most governments in the developing world internally depend heavily on tax revenue for the provision of the infrastructural developments already mentioned above. Besides, through taxation government is enabled to run the day-to-day administration of the country by providing the Government with revenue to meet her recurrent expenditure including wages.
2. Taxation helps to influence the distribution of income. Progressive taxes, by which the rich are made to pay more, may be designed to achieve more equitable distribution of income. The higher revenue

generated from the rich could be used to provide services for the benefit of the poor.

3. Taxation helps to protect infant local industries against undue foreign competition. It is an unarguable fact that industrialization is the bed-rock of economic development and growth. To achieve this there is every reason to protect local industries by imposing high taxes in the name of tariffs and import duties thereby reducing imports and their concomitant competitions.
4. Trade imbalance (domestic and foreign) which is a worry to many a government is checked through taxation. Domestic imbalances take the form of inflation mostly caused by too much liquidity in the system. Taxation is therefore, applied as a tool to reduce the amount of money in the hands of individuals thereby combating the inflationary problem. In the foreign sector, it checks balance of payment problems by imposing higher taxes on imports and reducing taxes on exports.
5. Taxation is also used as a tool to prevent or check the consumption of certain goods. Governments normally impose heavy taxes on commodities they consider to be harmful to the health of their people for example, tobacco and certain alcoholic beverages. (Ali-Nakyea,(2008)

### **Attributes of a Good Tax System**

Ali-Nakyea (2008), citing Adams Smith, in his book “The Wealth of Nations” in which the attributes of taxation are captioned as “canons of

taxation.” states four significant attributes which were relevant in the time of Adams Smith and which are still relevant today. These are:

**Equity:** - A good tax system should be fair to the people who are required to pay it. The subjects of every state are to contribute their quota by way of taxes to support the government nearly as possible in proportion to their respective abilities. Ability to pay refers to the economic resources under a person’s control. For example, income taxes are based on a person’s inflow of economic resources during the year, whereas Value Added Tax and other Indirect Taxes, are based on a person’s consumption of resources represented by the purchase of goods and services. Rent Tax on the other hand, is based on a person’s accumulation of resources in the form of landed property.

**Certainty:** - People should be able to determine their true tax liability with a fair degree of accuracy. Tax payers should be clear in their minds as to how much tax they are owing and how much is payable at any point in time. There should be no ambiguities and tax administrators must have no discretionary powers as to how much to demand, that is, the tax administrator is not to squeeze out more than necessary. Additionally, the time of payment, the manner of payment, the amount to be paid, the place of payment as well as all rights and obligations under the laws must be known to both the tax administrator and the tax payer. - It can be said that the Internal Revenue Service, the administrator of direct taxes in Ghana issues tax assessments that categorically states all the aspects of the rights and obligations as already said.

**Convenience:** - A good tax should be convenient for the government to administer and for the people to pay. Perhaps the most important characteristic of this canon is that tax payers must not overly suffer in order to

comply with the tax laws. Every tax must be levied in a manner that will make it convenient for the contributor to pay it. The method of collecting the tax should be such that the majority of the tax payers would understand and routinely comply. The collection method should not overly intrude on tax payers' privacy but should offer minimal opportunity for non-compliance.

**Economy:** - A good tax should be economical to the government. The administrative cost of collecting and enforcing the tax should be reasonable in comparison with the total revenue generated by the tax. Every tax ought to be so contrived as both to take and keep out of the pockets of the people as little as possible over and above what it brings into the Consolidated Fund.

According to Ali-Nakyea, (2008), with the passage of time other attributes of taxation have been acceptably recognized which include the following:-

**Simplicity:** - A system of taxation ought to be simple, plain and intelligible. If a tax system is complicated, it becomes difficult to understand and administer, leading to administrative, interpretation and legal problems.

**Elasticity/Flexibility:** - A system of taxation ought to respond automatically to changes in the community's wealth, population and other important variables. In this sense therefore, it should be possible for the tax structure in terms of both tax rate and coverage, to suit the changing nature and circumstances of the economy.

**Productivity:** - A system of taxation ought to produce a high-net yield of revenue but not so high as to damage the source of that revenue. It should

be able to yield enough revenue such that government should have no recourse to deficit financing.

### **Type of Taxes**

A tax is commonly described as Direct or Indirect. This distinction is from an administrative point of view, although it may not always be correct.

(Ali-Nakyea, (2008)

**Direct Tax:-** This tax is intended to be paid by the person or organization on whom/which it is actually levied, the impact and incidence being on the same person or organization , for example, Income Tax, Capital Gains Tax, Gift Tax and Corporate Tax. The Administrative body in Ghana is the Internal Revenue Service.

**Indirect Tax: -** This is a tax which is levied on one person in the expectation that the tax will be shifted or passed on to another. Here the impact and incidence are on different persons, for example, Excise Duty, Custom Duty and Valued Added Tax. They are called Indirect Taxes because the administering authorities, the Customs, Excise and Preventive Service (C.E.P.S) and the Value Added Tax Service (V.A.T. Service), which levy the taxes on goods and services, do not collect the taxes from the consumer but do so indirectly through importers, manufacturers or other intermediaries. The shifting or passing on of liabilities is effected by loading the tax element on the selling price of the commodity/services sold to the next person in the commercial chain until it is finally borne by the consumer.

## **Income Liable to Tax in Ghana**

Section 5 of the Internal Revenue Service Act, 2000 (Act 592) defines chargeable income of a person for a year of assessment as the total of that person's assessable income for the year from each business, employment and investment less the total amount of deductions allowed to that person for the year. These deductions refer to general and specific deductions, personal reliefs, life insurance and contributions to retirement benefits.

## **Exempt Income**

- (1) The following incomes are exempt from tax:
- (a) the salary, allowance, pension and gratuity of the President;
  - (b) the income of a local authority, other than income from activities that are only indirectly connected with the local authority's status as a local authority.
  - (c) the income of a statutory or registered building society or statutory or registered friendly society, other than income from any business carried on by the society;
  - (d) income accruing to or derived by an exempt organization other than income from any business;
  - (e) interest paid
    - (i) to an individual by a resident financial institution; or
    - (ii) to an individual on bonds issued by the Government of Ghana;
  - (f) capital sums paid to a person as compensation or gratuity in relation to
    - (i) personal injuries suffered by that person; or
    - (ii) the death of another person;

- (g) the interest, dividend or
  - (i) any other income of an approved unit trust scheme or mutual fund,
  - (ii) any other income payable under an approved unit trust scheme or mutual fund to member of that scheme;
- (h) the income of a non-resident person from any business of operating ships or aircraft, provided the Commissioner is satisfied that an equivalent exemption is granted by that person's country of residence to persons resident in Ghana;
- (i) the income of a public corporation or institution exempted from tax under any enactment;
- (j) the income of a person receiving instruction at an educational institution from a scholarship, exhibition, bursary ,or similar educational endowment;
- (k) the income of an individual entitled to privileges under the Diplomatic Immunities Act, 1962(Act 148) or a similar enactment to the extent provided in that Act or similar enactment;
- (l) the income of an individual entitled to privileges under an enactment giving effect to the Convention on the Privileges and Immunities of the United Nations and the Convention on the Privileges and Immunities of the Specialized Agencies of the United Nations to the extent provided in that enactment;
- (m) the income of an individual to the extent provided for in an agreement between the Government of Ghana and a foreign government or a public international organization for the provision of technical service to Ghana where



- (i) the individual is a non-resident person or an individual who is resident solely by reason of performing that service; and
  - (ii) the President has concurred in writing with the tax provisions in the agreement; and
  - (iii) it is in accordance with the Constitution of the Republic of Ghana; or
- (n) the income of a person from an employment in the public service of the government of a foreign country provided
- (i) that person is either a non-resident person or an individual who is resident solely by reason of performing that service;
  - (ii) that person does not exercise any other employment or carry on any business in Ghana;
  - (iii) the income is payable from the public funds of the foreign country; and
  - (iv) the income is subject to tax in the foreign country.

(2) The Minister responsible for Finance in consultation with the Commissioner may, subject to the prior approval of Parliament by resolution in accordance with clause (2) of article 174 of the Constitution grant a waiver or variation of tax imposed by this Act in favour of any person or authority.

### **Industry Concessions**

1. Subject to subsection (7), the income of a person from farming business in Ghana is exempt from tax:

- a) in the case of farming trees crops, for the period of ten years of assessment commencing from and including the year in which the basis period of that person ends, being the period in which the first harvest of those crops by the business occurs;
  - b) in the case of farming livestock (other than cattle), fish, or cash crops, for the period of five years of assessment commencing from and including the year in which the basis period of that person ends, being the period in which business commences; or
  - c) in the case of farming cattle, for the period of ten years of assessment commencing from and including the year in which the basis period of that person ends, being the period in which the business commences.
2. The income of a company from a processing business in Ghana is exempt from tax for the period of three years of assessment commencing from and including the year in which the basis period of the company ends, being the period in which commercial production commences.
  3. Where a company conducts both farming and processing business, the company may elect to be treated as if the business were a farming business or a processing business and claim the exemption for which it is eligible under subsection (1) or (2).
  4. The income of a rural bank from a business of banking is exempt from tax for the period of ten years of assessment commencing from and including the year in which the basis period of the bank ends, being the period in which operations commence.

5. The rent income of a person from any residential or commercial premises is exempt from tax for the period of five years of assessment commencing from and including the year in which the basis period of that person ends, being the period,
  - a) in the case where the premises is constructed by that person, the construction of the premises is completed, or
  - b) in the case where the premises is purchased from a registered real estate company, that person is given a certificate of right of entry;
6. The income of a company from a business of construction for sale or letting of residential premises is exempt from tax for the period of five years of assessment commencing from and including the year in which the basis period of that company ends, being the period in which operations are commenced.
7. The income from a cocoa of a farmer is exempt from tax.
8. The income of the Ghana Stock Exchange is exempt from tax for the period of fifteen years of assessment commencing from and including the year in which operations commenced.
9. For the purposes of this section, a business of a person of the type referred to in subsection (1), (2), (4) or (6) which is carried on by that person at a particular time is treated as the same business as one of a similar type carried on by that person or an associate of that person at a later time.
- (10) In this section,
  - “cash crops” include cassava, maize, pineapple, rice, and yam;
  - “farming business” means the business of producing

crops, fish, or Livestock Produced in Ghana into edible canned or other packaged product other than In their raw state “tree crops” includes coconut, coffee, oil palm, rubber, and sheanut.

## **Tax Evasion and Tax Avoidance**

### **Tax Avoidance**

Tax Avoidance is changing one’s behaviour so as to reduce one’s tax liability. It is concerned with exploiting the detailed provisions of the tax laws to avoid paying tax or to reduce the total amount of tax payable. Tax avoidance is therefore, concerned with finding opportunities in the tax law, and using them to reduce tax liabilities or avoid paying tax altogether, or arranging one’s tax affairs in accordance with the law, such that one pays minimum tax. In this wise, there is no infringement of any of the provisions of the tax law. It is a legal activity; hence there is nothing illegal about tax avoidance. (Worldwide Invests. Co. Ltd, (2005)

### **Tax Evasion**

Tax evasion on the hand, is failing to pay legally due taxes. It entails deliberately breaking the tax laws to pay less tax or no tax, that is, it refers to the commission or omission of an act knowingly with the intent to deceive so as to pay less tax than is actually payable under the law. It is thus a deliberate suppression or withholding of vital information on a taxpayer’s income in a bid to dodge tax. It should be noted that a conspiracy to commit such an act also amounts to tax evasion (Ali-Nakyea, (2008).

Tax evasion being a crime, therefore, any person who evades or attempts to evade tax, as well as anyone who assists another in this act is committing an offence and if convicted will be punished by the law. If a tax on books is levied and you sell fewer books, it is tax avoidance. If you fail to report your sales of books to the government, it is tax evasion.

Some of the common ways by which people commit tax evasion are as follows:

- I. Keeping two sets of books to record business transaction. One records the actual business and the other contains fraudulent records. The one with fraudulent records is not shown to the tax authorities. Some evaders use two cash registers.
- II. Doing extra job for cash. Of course, there is nothing illegal in doing an extra job however, in many cases the income received from such jobs is paid in cash rather than by cheque, hence there is no legal record, and the income is not reported to the tax authorities.
- III. Engaging in barter trade. “I will write up your books for you as an accountant if you give me two bags of rice every month”. When the payment is made in kind as above instead of money, it is legally a taxable transaction; however, such income is seldom reported.
- IV. Dealing in cash transactions, which is paying for goods and services with cash or by cheque, made out to “cash” and not the payee’s name makes it very difficult for the Internal Revenue Service to trace transactions.

- V. Non-disclosure of major sources of income.
- VI. Submitting false statements and returns to the Revenue Agencies to reduce tax.
- VII. Failure to disclose certain vital information concerning one's earnings or income.
- VIII. Making false entries in any books of account or other documents relating to the income which is subject to tax.
- IX. Failure to submit statements and other returns to the Commissioner within the prescribed year.

With the thin line between legitimate reduction plans and willful attempts to defraud the government, there is the need for circumspection in tax planning. (Ali-Nakyea, (2008).

### **Overview of Non-Governmental Organizations as Partners in Development**

The growing involvement of NGOs in the resolution of development problems has precipitated a rapid increase in the literature on NGOs as a topic for study. As a result of the parallel processes of a declining role of the state in many parts of the developing world, the changing focus of international donors in the Developed Countries from the public to the “private” sector as the preferred channel of aid funding, and the increasing significance of political and economic forces at the global level, the need to understand NGOs has never been more critical.

Because development should not be solely the work of governments, Governments need views and methods of development and co-operation

which are different from their own. This need is felt all the more as evaluation of governments' own programmes have revealed a new and diversified approach to be adopted. It has become increasingly clear that a technical approach to development, without sufficient participation by and mobilization of the people concerned, frequently leads to limited and tenuous results and NGOs are both useful and effective in this respect.

Over the past several decades, NGOs have become major players in the field of International Development. Since the mid-1970s the NGO sector in both developed and developing countries has experienced substantial growth. While statistics about global numbers of NGOs are notoriously incomplete, unconfirmed reports currently estimate that there are over three million NGOs in the Developing Countries alone. This is however, seen as an understatement when we consider the fact that India alone reportedly, boasts of over two million NGOs.

## **NGOs**

Typically, NGOs are organizations which are not founded by a state and are not directly a part of the structure of government and which are formed voluntarily, usually for the purpose of development and which operate on a not-for-profit basis.

They are private non-profit organizations that are publicly registered (i.e. have legal status) whose principal function is to implement development projects favouring the popular sectors and which receive financial support. The sources of their financial support are almost always non-government

organizations themselves, based in industrialized countries operating in the framework of international development co-operation.

NGOs are thus characterized as having the following key features:

- i. Private Ownership and Control
- ii. Non- Profit (or perhaps better, not-for-profit orientation)
- iii. Legal Status
- iv. Principal function is people- centered development
- v. Not financially Self -reliant

### **NGOs in Ghana's Development**

Ghanaians are no strangers to the charitable works of non-partisan, non sectarian and non – profit making organizations that are devoted to the welfare of mankind.

The recognition of NGOs as partners in development is exemplified by a statement made by the Minister for Employment and Social Welfare in his address at the opening of the NGO/World Bank Consultative Forum in August, 2003. The Honourable Minister said “Mr. Chairman, in these circumstances, NGOs can no longer be sidelined or relegated to the background. It is important to mainstream them in all aspects of the policy formulation processes; so that they know at first-hand what implications these policies have on their programmes”.

Over the last decade this acknowledgement of the relevance of the NGO sector is reflected in very important national development and legal documents such as the National Population Policy and Ghana Vision 2020.



The Vision 2020 Document in its guidelines on improving the country's capacity to undertake developmental activities at both national and local levels says that there is the need to maintain and strengthen co-operation between planning authorities at all levels and aid organizations including NGOs. With these references, it can be concluded that government has a lot of goodwill towards NGOs and deserves to strengthen its relationship with them. NGOs derive their funding from patriotic individuals, corporate bodies, foundations and religious organizations.

While these organizations work in collaboration with government and governmental bodies and sometimes enjoy state funding and support, they are essentially independent of governmental control in terms of policy formulation, administration and operational conduct.

Some of the NGOs operating in Ghana can be described as affiliates of International bodies such as the United Nations. Among such NGOs are the World Health Organization (WHO), Food and Agriculture Organization (FAO), the United Nations Children Fund (UNICEF) etc.

Others are more or less the external funding organizations of foreign States. Among these are the Canadian International Development Agency (CIDA), the Danish International Development Agency (DANIDA), the Overseas Development Agency (ODA) of the United Kingdom, the United States Agency for International Development (USAID) and the Japanese International Corporate Agency (JICA). Those with religious connections include the Catholic Relief Services (CRS) and the Adventist Development and Relief Agency (ADRA).

All the NGOs have one thing in common - the rendering of humanitarian services for the needy and the underprivileged without any motive of profit making. The NGOs have been at the forefront of social development and charity work in many countries and Ghana is no exception.

It is common in times of natural disasters, wars, epidemics and other atrocities, for public spirited patrons to set up NGOs to help those who need help. In Ghana there were very few NGOs until about ten years ago. Some started springing up with focus on children's rights, the environment, gender issues, human rights and good governance.

However, there was a massive explosion in the number of NGOs when the HIV/AIDS menace became a major health, economic and social issue. In its effort to educate the public on the pandemic and to respond to the needs of those who have already fallen victim to the deadly virus, the Ghana AIDS Commission (GAC) encouraged the formation of community-based organizations (CBOS) at the community level to intensify public education on the pandemic at the grassroots level.

### **NGOs and Taxation in Ghana**

Governments in different countries have developed various ways to support NGOs. At the lowest level, they provide indirect support by allowing tax deductions for private donations. Most Countries, however, have developed co-financing schemes to match funds raised by NGOs themselves. Sometimes, funds are earmarked for specific components of NGO work such as transport, personnel or for Government/NGO dialogue.

In many countries, the tax laws have been made in such a way that exemption are granted to NGOs. In the various Tax reforms in Ghana NGOs have tax exemption.

Under the Income Tax Law- ACT 592 for example in Section 94, NGOs are classified under “Religious, Charitable institutions of public Character”. Such NGOs should have been issued with current written ruling by the Commissioner of Internal Revenue Service stating that it is an exempt organization and that none of whose income or assets confers, or may confer, a private benefit, other than in pursuit of the organizations functions. Under the Harmonized commodity and Tariff Schedules, 2004 of the Customs, Excise and Preventive Service, under section F.62 Gifts of a charitable nature imported by NGOs for health and education purpose only are exempt from the import duties. However other items imported by any NGO shall attract import duty unless exempted by Parliament.

Under the Value Added Tax ACT 1998, ACT 546, as provided under Schedule 3(Relief Supplies) section 17, clause 4, it is provided that Goods for the use of an International agency or technical assistance scheme where the terms of agreement made with the Government include exemption from domestic taxes are exempt from Value Added Tax. Clause 5 also provides that “Emergency Relief items approved by Parliament” are also exempted from Value Added Tax. What must be understood is that under the VAT law, Parliamentary approval is required for NGOs requiring exemption from payment of VAT on Emergency Relief items.

## CHAPTER THREE

### METHODOLOGY

#### Introduction

This section describes the methodology of the study. The section covers the study area, the population, sampling, research instruments and procedures, data collection and data analysis.

#### The Study Area

The Sekondi-Takoradi Metropolitan Assembly (STMA) Area, the focus of this study, is one of the Administrative and Political sub-divisions of the Western Region of Ghana. It covers a land area of 385 km<sup>2</sup> with Sekondi as its administrative Headquarters.

The population of the metropolis, according to the 2000 Population and Housing Census (PHC), was 289,593. The population density according to the 2000 PHC was 1022/km<sup>2</sup>. Built up areas in the Metropolis can be classified into urban and rural settings. The urban portions constitute about 32% of the land area while the rural composition is 68%. Even so, the urban portions accommodate close to 70% of the population. More rural land has been transformed particularly through infrastructural development, provision of facilities as well as the increase in population.

In the Sekondi-Takoradi District there has been excessive pressure on residential accommodation with high occupancy rates of 8 persons per room.

At the moment residential land takes up the biggest portion of the urban area of the Metropolis, covering a total of 2,501.25 hectares.

The local economy is quite small. Majority of the population is engaged in commerce (buying and selling), there are also Small and Medium Scale Enterprises (SMSE). The major economic sectors in the Metropolis are manufacturing, Agriculture and Tourism. The financial sector is also now developing.

A survey conducted at Effia- Nkwanta Regional Hospital revealed that, mother-to- child transmission of HIV/Aids is on the increase. The Assembly continues to use one percent of its allocation of the District Assembly Common Fund on HIV/Aids programmes. The doctor-patient ratio is equally high. Malaria continues to be the number one cause of hospital attendance in the Sekondi-Takoradi Metropolis. The Ghana Water Company Ltd., formerly Ghana Water and Sewerage Corporation, is responsible for the provision of potable water in the metropolis. The scope of service is now limited to towns with population of 10,000 and above while the lower areas are supposed to be taken up by the Community Water and Sanitation Agency. The daily demand for water for industrial, commercial, institutional, domestic, fire control as well as losses stands at over 13 million gallons a day (mgd). The present production level of the Ghana Water Company Ltd (GWCL) is 7.0 mgd. The water supply coverage is between 60-65% and it is mainly in the urban areas of Takoradi and Sekondi. Supply of water is irregular at most places.

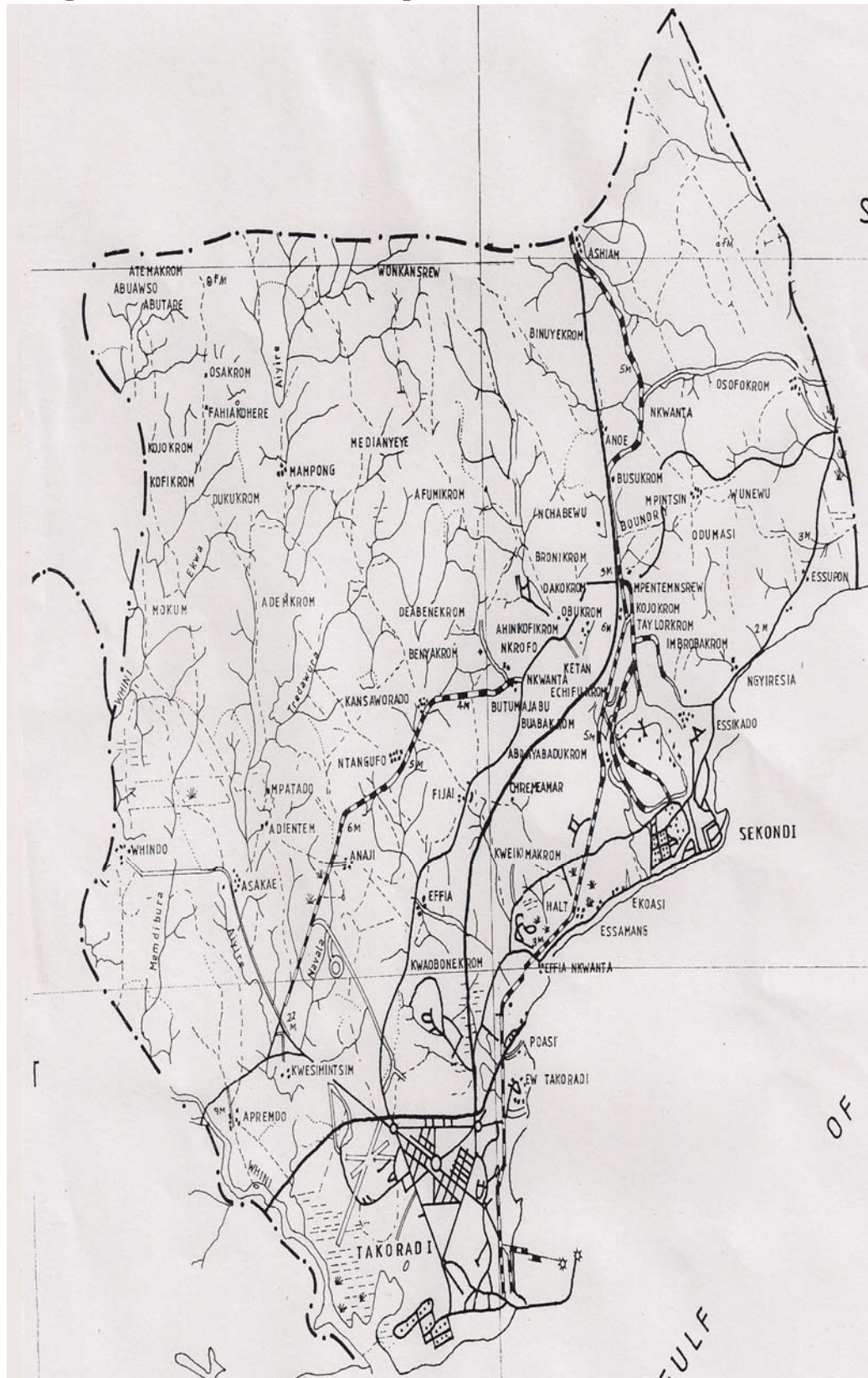
Its problems include lack of adequate potable water for its population, lack of adequate and efficient health delivery system to meet the demands of the entire population. This is being worsened by the high ascendancy rate of

the dreadful disease, HIV/Aids. Also even though the area is endowed with a number of educational facilities there is yet a high degree of truancy among the school going children in most of the urban and rural communities. All the above and other reasons not cited here make the Sekondi Takoradi Metropolitan Area, more embracing as far as the activities of NGOs are concerned.

It is greatly anticipated that the findings of this study will to a large extent have relevance for other NGOs operating in other regions and even for the whole gamut of NGOs operating in the country.

The choice of the Sekondi-Takoradi Metropolitan Assembly (STMA) as the research area stems from varied reasons. The first being its nearness to the researcher considering the limited resources at hand as far as time and money are concerned. Again, the area, as an emerging principal metropolis in a developing country has several development aspirations and problems that require the attention of Organizations that have the development of the people at heart and hence fertile grounds for Non-Governmental Organizations (NGOs).

### Map of Sekondi-Takoradi Metropolitan Area



Source: S.T.M.A Physical Planning Department

## **Population**

The target population for the study was NGOs in the Sekondi Takoradi Metropolitan area in the Western Region of Ghana as at November 2008. A register of NGOs in the area as provided by the Metropolitan offices of the Department of Social Welfare puts the number of registered NGOs at fifty-eight (58). However, a reconnaissance survey conducted showed that out of the 58 NGOs, only 40 were actually on the ground. Hence the accessible population of forty (40) with reliable location addresses and could be contacted was the population for the study.

To prevent the manner of interview to be too unstructured, two sets of questionnaires were prepared, one headed “Questionnaires Design on study of NGOs for NGO Staff” and the other headed “Questionnaires Design on study of NGOs for Sampled I.R.S Staff.

Apart from the staff of NGOs and I.R.S, two officials of the Metropolitan office of the Department of Social Welfare, Sekondi were also interviewed with the view to ascertaining their extent of knowledge about the responsibilities and obligations of NGOs under the Ghana Tax Laws.

With the kind permission of the Metropolitan office of the Department of Social Welfare, Sekondi, a list of registered NGOs and the activities they were engaged in was obtained. It was based on this list that a random sampling of twenty NGOs was made for the purpose of the study.

As part of the study Chief Executives and in some cases other management staff of the NGOs was given copies of the questionnaires to complete. These were to be collected within ten days.



In the same vein sampled senior officials of the Internal Revenue Service were also issued with copies of the other questionnaires specifically prepared for them to complete for collection within the same period as above.

### **Sample Size and Sampling Techniques**

Out of the total number of NGOs on the ground twenty (20) were sampled for the study as time constraints and other resources would not make it possible for all NGOs to be covered. The Simple Random Sampling technique was adopted for the study as this gave each of the forty (40) NGOs equal chance of being selected.

For the purpose of selecting some of the officials of the Internal Revenue Service for the study, the Purposive Sampling technique was employed to sample eight (8) out of a population of forty (40) senior staff. Only senior staffs were selected for the study because they were considered to be key informants to the study because they possess vital information by virtue of the positions they occupy in the organization.

### **Research Instruments and Procedures**

The field research was designed in such a way as to obtain data from both primary and secondary sources. For the purpose of obtaining the primary data two validated questionnaires were prepared one for the sampled NGOs to complete and the other for selected staff of the Internal Revenue Service. The questionnaires were prepared in such a way that they comprised mainly of close-ended questions. A few open-ended were also asked, hence spaces were provided for respondents to react at length to questions which demanded more

than a statement for an answer. The instrument was content-validated by some lecturers knowledgeable in the area.

Both questionnaires for the NGOs and the officials of the Internal Revenue Service (IRS) contained question items that sought to elicit information on the level of knowledge of NGOs of the tax laws, their obligations under the laws, and their attitudes towards these obligations. As part of the data collection process chief executives and other high-profile staff members of the selected NGOs were given questionnaire to complete.

For the purposes of measuring the attitudes of NGOs towards their tax obligations; perceived problems encountered in obtaining tax exemptions; and their level of sensitization on their tax obligations; a five-point Likert Scale was constructed. This offered the researcher the opportunity to measure the levels of attitudes of NGOS covered on the above items.

Selected officials of the Internal Revenue Service were also made to complete a different scale with the view to knowing the extent to which NGOs co-operate regarding their compliance with the Ghana Tax Laws.

### **Data Collection**

For data collection, both primary and secondary data collection processes were adopted.

### **Primary Data Collection**

Due to the relative merits of the questionnaires which include the ability of the respondents to have their own time to answer question this method of data collection was adopted for the study. Two different sets of

questionnaires were designed for the two categories of respondents (i.e. NGOs and selected officials of the Internal Revenue Service.)

As a data collection procedure, the use of the self-administered questionnaire technique enabled the researcher to explain the purpose of the study as clearly and briefly as possible so that the co-operation of the respondent could be solicited.

The use of questionnaires which were self-administered enabled all respondents in each category to answer the same questions.

### **Secondary Data Collection**

With the kind permission of the Department of Social Welfare at the Metropolitan level, the list of registered NGOs, their locations and what activities they were engaged in was looked at.

The list of tax payers at the Internal Revenue Service offices within the area of study was also looked at with the view to knowing at firsthand, how many NGOs had duly registered their organizations with the Internal Revenue Service. The researcher also looked at some of the files to determine whether the registered NGOs file their annual returns – one of the prerequisites under the tax laws.

## CHAPTER FOUR

### RESULTS AND DISCUSSION

#### **Introduction**

This chapter provides the results of the study and the discussions thereon.

#### **Registration Status of NGOs**

Out of the twenty (20) NGOs sampled for the study, according to their response to the question as to whether they had registered with the Internal Revenue Service only five (5) answered in the affirmative and had Income Tax files. This shows a percentage of 25% of the sample under study. This is illustrated in Table 1 below. It can therefore, be seen that majority of the NGOs surveyed are not registered with the Internal Revenue Service (I.R.S).

**Table 1: Registration status of NGOs with I.R.S**

Responses	Frequency	Percentage (%)
Registered	5	25
Not registered	15	75
Total	20	100

Source: Fieldwork, 2008

## **Submission of Annual Returns by NGOs in the Sekondi-Takoradi**

### **Metropolis**

On the question of the level of compliance of NGOs with the submission of annual returns/accounts to the IRS, it was found out that out of the number of NGOs that have registered with the IRS only three (3) of them have ever submitted copies of their annual returns/accounts. This is contrary to section 72 of the Internal Revenue Act 2000, Act 592. This therefore, shows that only a few of the NGOs studied comply with the requirement to submit annual returns/accounts to the IRS. (See table 2 below)

What must be noted here is that even out of the 15% of the sample that had ever submitted tax returns and annual accounts their returns for some years were found to be in arrears contrary to the provision that returns for a past year be filed by the end of the fourth month of the following year (i.e. The returns/accounts for say 2007 year of assessment has to be filed by the 30<sup>th</sup> April, 2008, except where a company has a different accounting year from 1<sup>st</sup> January-31<sup>st</sup> December, where it has to file its returns four months after the end of its accounting year.

Asked whether they know that sanctions await them for not filing their returns on schedule, or not filing their returns at all their response was in the negative and it appeared none of them had ever been sanctioned for such a reason.

**Table 2: NGOs' level of compliance with submission of annual returns**

Responses	Frequency	Percentage (%)
Submission of Annual returns	3	60
Non Submission of Annual returns	2	40
Total	5	100

Source: Fieldwork, 2008

### **Awareness of NGOs' Sekondi-Takoradi Metropolis about their Tax Obligation**

From the study it was found out that fifteen (15) of the 20 NGOs sampled for the study i.e. 75% were oblivious of the fact that they were to submit to the Internal Revenue Service schedules showing details of salaries and allowances paid to their employees whether full-time or part-time. Some of the respondents were of the view that since some of the employees received only allowances they were not obliged to declare them to the I.R.S. This is however, contrary to the Income Tax Laws that make it mandatory for all employers to declare all allowances paid whether in cash or in kind except those categorically exempt. As evident in Table 3 NGOs' knowledge of their obligation to submit returns on salaries and allowances paid and to pay taxes on them is low.

**Table 3: NGOs’ knowledge of obligation to submit returns on salaries**

Responses	Frequency	Percentage (%)
Yes	15	75
No	5	25
Total	20	100

Source: Fieldwork, 2008

On the specific question as to NGOs’ level of knowledge of their tax obligations under the tax laws only two of the respondents which constituted 10% indicated that their knowledge was high, five i.e. 25% indicated fairly poor knowledge whilst another five constituting 25% indicated that they have poor knowledge. The remaining eight constituting 40% of NGOs’ sampled indicated very poor knowledge of tax obligations. The above is illustrated in Table 4.

**Table 4: NGOs’ level of knowledge on tax obligation**

Responses	Frequency	Percentage (%)
High	2	10
Fairly poor	5	25
Poor	5	25
Very poor	8	40
Total	20	100

Source: Fieldwork, 2008

### **Ways of Improving Relations between NGOs and I.R.S**

The poor knowledge of NGOs of their tax obligations became further emphasized when all the respondents expressed the feeling that they always felt that as registered NGOs they were automatically exempt from the payment of corporate tax. It was a news to them that such exempt status had to be applied for after having gone through registration formalities at the Registrar General and Social Welfare Departments.

Asked whether any of the respondents had ever attended any educational programme mounted by the I.R.S to sensitize them on their obligations, all the respondents were emphatic that no such programme had ever been organized by the Internal Revenue Service (I.R.S). It became clear that it was only occasionally at meetings organized by coalitions of NGOs that they were sensitized on some of their obligations.

On ways of improving relationship between the Internal Revenue Service (I.R.S) and NGOs, fifteen of the twenty NGOs sampled for the study constituting 75% as can be seen from Table 5 below felt that the Income Tax Laws should be amended so that immediately after having gone through the required registration formalities with the Registrar General and Social Welfare Departments, NGOs could be accorded the required tax exemption. This in their view would encourage them to continue to contribute to the national development effort as has always been the case.

The few NGOs who usually go to the offices of the I.R.S to pay their employees tax also felt that the forms completed on salaries and allowances paid to staff could be made more simplified. They were also not satisfied with the time they spend at the I.R.S offices whilst their files are being looked for.



They would not understand why at this computer age such an important national institution like the I.R.S should still be keeping heaps of hard files. This shows that on the whole NGOs felt that there should be some changes in the operations of the Internal Revenue Service (I.R.S). This supports the stance of Strumpel, (1969) who in his model predicted that tax evasion is a consequence not only of the system of a country taken on its own but also of tax payers' attitudes towards the system among others.

**Table 5: Ways of improving relations between NGOs and I.R.S**

Responses	Frequency	Percentage (%)
Income tax amendment (tax laws)	15	75
Others	5	25
Total	20	100

Source: Fieldwork, 2008

#### **Likert Scale Showing Rating on Study Objective by NGOs**

All the NGOs sampled for the study were unanimous that the Internal Revenue Service does very little by way of educating NGOs on their obligations and rights under the tax laws and that much effort must be put in their educational drive.

On a Likert Scale marked 1-5: 1 being “Very Low”; 2 for “Low”; 3 for “Fairly High”; 4 for “High” and 5 being “Very High”, the respondents were to show the following:

- i) Extent of knowledge of Tax obligations

- ii) Extent of understanding of the Income Tax Laws
- iii) Extent of NGOs' willingness to pay tax
- iv) Extent to which NGOs perceive process of granting tax exemptions problematic.
- v) Extent to which NGOs are sensitized on tax obligation

On the extent of knowledge and the understanding of the tax laws, only three of the NGOs constituting 15% indicated that they have fairly high knowledge of the tax laws. Six of the respondents have low knowledge whilst the remaining eleven (11) have very low knowledge of the tax laws. This shows that majority of the NGOs studied have poor knowledge of the tax laws.

On their extent of willingness to pay tax, while three of the twenty respondents indicated they were highly willing, two indicated fairly high, eight ticked "Low" and the remaining seven ticked "Very Low". This shows that majority of the NGOs studied are not willing to pay tax.

On the penultimate question as to the extent to which NGOs perceive the process of granting tax exemptions as problematic, none of the respondents ticked against any of the options given as shown in Table 6 below. The respondents were frank that that was the first time they had learnt that NGOs have to apply to the Commissioner of Internal Revenue Service for tax exemption.

On the issue as to the extent to which NGOs are sensitized on their rights and obligations under the tax laws, all the respondents were unanimous that no such programme has ever been organized. They maintained that it would be wrong for anybody to perceive NGOs' attitude towards tax payment

as bad as only a few of them know about such a responsibility due to lack of education. The need for adequate information on taxation to promote tax consciousness among NGOs supports the contention of Due, (1970) that among other factors, adequate information to tax payers could improve the tax system.

**Table 6: Likert scale showing rating on the items below**

Items (Responses)	Scale 1		Scale 2		Scale 3		Scale 4		Scale 5		Total	
	Very low		Low		Fairly High		High		Very High			
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Extent of Knowledge of tax obligation	11	55	6	30	3	15	0	0	0	0	20	100
Extent of understanding of income tax laws	11	55	6	30	3	15	0	0	0	0	20	100
Extent of NGOs' willingness to pay tax	7	35	8	40	2	10	3	15	0	0	20	100

Source: Fieldwork, 2008

### Level of Interaction of I.R.S Staff with NGOs'

Selected I.R.S officials respondents were asked how often they interacted with NGOs as part of their official schedule. Out of the eight respondents interviewed only three constituting 37.5% answered that they “Fairly Often” dealt with NGOs. Three (3) others answered “Not Often”, whilst the remaining two (2) answered that they “Had Never” interacted with an NGO. This shows that their level of interaction with NGOs is low.

On the question as to how many NGOs each of the respondents had on his/her schedule a respondent from the Takoradi main office indicated that he had three whilst the others from that office indicated that they had none. One of the respondents from the Kwesimintim sub-office also had three whilst two respondents from the Sekondi sub-office had one NGO each.

Out of the five (5) NGOs that were found to have registered with the Internal Revenue Service, only three had registered within the last three years whilst the others had been on the I.R.S for over three years. This emphasizes the fact that only few NGOs register with the I.R.S. The above is illustrated in Table 7.

**Table 7: Level of interaction of I.R.S staff with NGOs**

Responses	Frequency	Percentage (%)
Very Often	0	0.00
Often	0	0.00
Fairly Often	3	37.50
<i>Not Often</i>	3	37.50
Not at all	2	25.00
Total	8	100.00

Source: Fieldwork, 2008

### **Views of I.R.S Officials on NGOs' Compliance with Tax Laws**

On whether NGOs comply with their obligations listed below on the scale 1-5: i.e. 1 being "Very Low", 2 being "Low", 3 being "Fairly High"<sup>4</sup> being "High" and 5 being "Very High":

- i) Initial Registration
- ii) Annual Registration
- iii) Monthly filing of Returns on Salaries and Allowances and payment of taxes thereon.
- iv) Filing of Annual Returns/Accounts

On initial registration; all the eight (8) respondents answered "Very High" indicating that all the five (5) NGOs had fully registered with the I.R.S.

On the obligation of NGOs to annually renew their registration with the Internal Revenue Service two of the respondents answered "High" one other answered "Fairly High" whilst the rest answered "Low". This implies that after the initial registration some of the NGOs fail to renew their registration annually as required by law.

On the extent to which NGOs file their returns on salaries and allowances on monthly basis and pay employees taxes thereon, it was found out that only three (3) of the five registered NGOs file those returns. This shows that not all the NGOs registered with the IRS file the required returns which is a requirement under the tax laws.

On the obligation of NGOs to file their annual accounts and returns only five of the NGOs registered were found to be filing such returns/accounts. Even for those filing their returns some were even found to be in arrears. This also shows that out of the eight (8) NGOs registered with

the I.R.S three did not comply with the obligation to file annual returns. (Please see Table 8 below).

On whether any of the I.R.S officials had ever bothered to know why some NGOs either delay in filing their returns or fail to submit same or why any of them flout any of their obligations all of them answered “No”. This shows that IRS officials do not show much interest in the activities of NGOs. It also became clear from the study that the I.R.S has no mechanism of compelling NGOs who have registered with the Department of Social Welfare and the Registrar General’s Department to register with it. This makes it difficult for them to detect those who fail to comply with the requirements of the tax laws. This emphasizes the view of Spicer and Lendstedt, (1976) that some people evade tax due to the inability on the part of the tax authorities to detect it.

**Table 8: views of I.R.S officials on NGOs compliance with tax laws**

Items (Responses)	Scale 1		Scale 2		Scale 3		Scale 4		Scale 5		Total	
	Very low		Low		Fairly High		High		Very High			
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Initial Registration	0	0	0	0	0	0	0	0	8	100	8	100
Annual Registration	0	0	5	62.5	1	12.5	2	25	0	0	8	100
Monthly Filing of Returns on Salaries &	2	25	2	25	0	0	4	50	0	0	8	100

(Table 8 continued)

Allowances &													
payment of taxes													
thereon													
Filing of Annual													
Returns/Accounts	3	37.5	1	12.5	0	0	4	50	0	0	8	100	

Source: Fieldwork, 2008

### **I.R.S Officials View on Ways of Improving Compliance Level of NGOs**

On the extent to which any of the sanctions for non-compliance had been invoked using the scale 1-5 i.e. 1 being “Very Often”, 2 being “Often”, 3 being “Fairly Often” 4 being “Not Often” and 5 being “Have never been invoked” all the respondents were unanimous that none of the sanctions had ever been invoked. This indicates that even though there are provisions in the tax laws to sanction institutions including NGOs that do not comply with the tax laws these are not enforced. This realization that the sanctions provided under the tax laws for non-compliance are not enforced by the tax authorities supports the view of Spicer and Lendstedt, (1976) that people evade tax due to less severe sanctions or the inability to apply such sanctions.

On the extent to which NGOs were sensitized by the Internal Revenue Service on their rights and obligations under the Income Tax Laws all the respondents were definite in saying that no such programme ever existed.(Please see Table 9) below.

The sampled I.R.S staffs were asked to consider any ways by which NGOs’ compliance with the tax laws could be improved in terms of the following:

- a) Registration requirements
- b) Filing of Monthly and Annual Returns
- c) Payment of Employees Tax
- d) Any other (Please specify)

Five of the respondents felt that there was the need for sustained and effective tax education by the I.R.S to sensitize NGOs on their rights and obligations under the Income Tax Laws. Two of the respondents held the view that the sanctions provided under the tax laws for non-compliance with any of the obligations under the tax laws should be fully invoked including sometimes arraigning some of the NGOs before the Law Courts when necessary. One of the respondents however, felt that the Department of Social Welfare should be seen as a partner in any educational drive by the I.R.S by first educating the staff NGOs on the rights and obligations of NGOs under the tax laws. This way the officials of the Department of Social Welfare would in turn educate the NGOs, as the department is one of the major point of call for NGOs. All these suggestions show that all the I.R.S officials sampled for the study felt that there was the need for an improvement in the tax compliance level of NGOs.

As part of the interview process also, two officials of the Department of Social Welfare at the Sekondi Metropolitan office were interviewed. What became clear was that, even these officials who are the first point of call for most NGOs did not know that the NGOs have obligations under the Ghanaian Tax laws to submit Annual Returns/Accounts to enable such Accounts to be examined so that the IRS can determine incomes that are from businesses



undertaken by the NGOs apart from their traditional not-for-profit undertakings.

On the question of payment of Employees Tax, the officials of the Department of Social Welfare were of the view that affluent NGOs who pay high Salaries/allowances to their staff must deduct taxes as expected under the tax laws and pay same to the IRS as is the case with all other Employees. They were however, of the view that by their nature only a few of the NGOs have regular salaried staff as most NGOs depend on the services of part-time staff and volunteers.

**Table 9: I.R.S officials' view on ways of improving compliance level of NGOs**

Responses	Frequency	Percentage (%)
Sustained and effective tax education	5	62.5
Invocation of sanctions provided under the tax laws	2	25.0
Department of social welfare taking the lead in educating NGOs on their tax obligations	1	12.5
Total	8	100.0

Source: Fieldwork, 2008

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter presents the summary, conclusions and recommendations of the study.

#### Summary

The study was conducted through the use of data collected, both primary and secondary. For the primary data two sets of questionnaire were prepared - one for sampled NGOs and the other for sampled I.R.S officials. For the secondary data, a register of NGOs that had gone through the required registration formalities with the Department of Social Welfare, Sekondi-Takoradi Metropolitan office was obtained and studied. Apart from this a register of NGOs that had registered with the Internal Revenue Service was also obtained for study.

The main findings of the study are that:- NGOs have poor knowledge of their tax obligations and that their understanding of the tax laws was also poor; that NGOs' attitude towards tax is not the best; that no programme exists for educating and sensitizing NGOs on their rights and responsibilities under the tax laws; that NGOs perceive the system of operation of the I.R.S as too bureaucratic and think there is the need to modernize it; there is the need for the I.R.S to make effective use of the sanctions provided under the tax laws for non-compliance.

The first objective of the study was to assess the knowledge of tax obligations of NGOs under the Tax Laws. It became known from the study conducted that NGOs have very little knowledge about their tax obligations. It became evident that most NGOs did not even know that they are required by Section 72 of the Internal Revenue Act, 2000, Act 592 to submit Annual Returns/Accounts to the Internal Revenue Service.

The second objective of the study was to examine NGOs' understanding of the tax laws. All the NGOs studied were of the view that as NGOs they became automatically exempt from tax once they had gone through registration formalities with the Registrar General's Department and the Department of Social Welfare. This is in sharp contrast with Section 94 of the Internal Revenue Act 2000, Act 592 which requires any Exempt Organization including NGOs, to be issued with a written ruling by the Commissioner of Internal Revenue Service, stating that such organization is an exempt organization. This implies that all Non-Governmental Organizations have to apply to the Commissioner of Internal Revenue Service for tax exemption and should not expect any automatic exemption.

On the third objective of the study which was to study the attitudes of NGOs towards their tax obligations, it was found that the attitudes of NGOs towards their tax obligations were not the best. It was however; found that their seemingly poor attitude was not grounded on any ill-will towards their tax responsibilities or sheer unwillingness to act as good corporate citizens. Rather what was found was that only a few of the NGOs studied knew what was expected of them under the tax laws.

On the fourth objective of the study which was to determine the perceived problems encountered in seeking tax exemption, it was found that such problems did not exist. This is principally because none of the NGOs selected for the study had ever been confronted with such a problem. This stemmed from the wrong notion that tax exemption was automatic once they had registered with the Department of Social Welfare and the Registrar General's Department.

The fifth objective of the study was to examine the extent of NGOs sensitization on their tax obligations by the tax authorities. From the study it was found that the level of NGOs' education and sensitization was very low. It was found out that no programme had been embarked upon by the Internal Revenue Service and for that matter, the Government with the view to educating and sensitizing NGOs on their rights and obligations under the tax laws in the Sekondi-Takoradi Metropolis.

The sixth objective of the study was to provide the perceptions of NGOs on the current tax administrative regime. Few of the NGOs studied that had ever approached any of the offices of the Internal Revenue Service for business felt that the I.R.S could improve on the current tax regime by automating their business processes in that time spent in manually tracing tax payers files and attending to tax payers, for example, would be reduced.

## **Conclusions**

The conclusions drawn from the findings of the study are that:  
The level of knowledge of NGOs towards their tax obligations is very low;  
NGOs have poor understanding of the tax laws. Furthermore NGOs have poor

attitudes towards their tax obligations. The above conclusions stem from the fact that NGOs are not educated and sensitized on their tax rights and from the study that NGOs felt there could be some changes in the administration responsibilities by the Internal Revenue Service and for that matter, the Government.

It became clear of taxes- specifically, a mention was made of the bureaucratic nature in tax payment. In this computer age the NGOs found it difficult to understand why the I.R.S keeps tax payers' files manually and so much time is spent in tracing these files.

### **Recommendations**

From the findings of the study and the conclusions, five (5) recommendations are put forward:-

The main problem confronting NGOs is lack of knowledge of their rights and responsibilities under the Internal Tax laws. For this problem to be overcome it is strongly recommended that the Internal Revenue Service should put in place the necessary educational programmes. The IRS can organize workshops and seminars for the NGOs so that the executives and other officials of the NGOs can be educated on their rights and obligations.

Also the Internal Revenue Service should forge collaboration with the Department of Social Welfare and the Registrar General's Department which is the first point of call for NGOs as far as registration is concerned. By so doing the IRS can make available on the front desks of these Departments some brochures etc. that will educate NGOs on their rights and responsibilities under the tax laws. It became clear from the study that the staff of the

Department of Social Welfare interviewed did not even know that the NGOs have the obligations to register with IRS, file monthly returns on salaries and allowances paid to staff, and above all file annual accounts and returns. This therefore, makes it very necessary for the needed collaboration between the IRS and Departments including the Department of Social Welfare.

Another issue here is the fact that the NGOs should also take measures on their own to get acquainted with the sections of the Internal Revenue Laws that cover their operations. After all ignorance of the law, it is said, is no excuse and therefore, they cannot continue to show passive interest on knowing the tax laws and keeps on expecting the IRS to educate them. After all the NGOs have associations and at their meetings and other programmes, they can invite officials of the IRS to share with them a few thoughts on their rights and obligations.

Another recommendation, worth - making is the need for the IRS to find ways and means of making their operations much simpler. There is the need for the IRS to automate their system of operation – this will go a long way to shorten the length of time spent in doing business with them. Through automation and effective monitoring and collaboration with the Department of Social Welfare and the Registrar General's Department, the IRS can more effectively keep track of all registered NGOs and bring those outside the tax net into it.

It is also recommended that the I.R.S should sit up and practically make use of the sanctions provided under the Income Tax Laws for non-compliance. What was gathered from the study was that even though the I.R.S has teeth it cannot bite. Through these NGOs that flout the Income Tax laws

by way of not registering with the IRS, not filing returns on salaries and allowances paid to staff and not filing annual returns can be brought to book and made to suffer the consequences. It is when this is done that NGOs will be seen to be fully contributing their quota towards national development. Through such monitoring even NGOs that have Incomes from businesses and other sources liable to tax shall be made to pay the appropriate taxes.

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**APPENDIX 1**

**QUESTIONNAIRE ON STUDY OF NGOs**

**SECTION A**

- 1) Position of Respondent.....
- 2) Date of Establishment of NGO.....
- 3) Aims/Objectives & Activities.....
- 4) State whether NGO is registered with the following:-
  - a) Registrar General's Dept. Yes/No.
  - b) S A E M A Yes/No.
  - c) Dept of Social welfare Yes/No.

If the answer to any of the items4 (a,b or c) is No, state why?.....

- 5). Source(s) of funding of NGO:
  - a) Local organizations including Corporate Institutions. [ ]
  - b) Individuals. [ ]
  - c) Government. [ ]
  - d) International Donor Organizations. [ ]
  - e) Other. [ ]

(Please specify ).....

- 6). State categories of staff used:
  - a) Volunteers.

- b) Full Time
- c) Combination of A & B.
- d) Any other.

**SECTION B**

7). Do you know that as an NGO you have to register with the Internal Revenue Service (IRS)? Yes/No.

- a) If yes has your NGO registered with the IRS? Yes/No.
- b) If no why?

8). Which of the following taxes do you pay to the IRS?

- a) Employees Tax (PAYE)
- b) Withholding Tax
- c) Corporate Tax.
- d) Any other (Please specify).

9).How often do you pay the taxes mentioned in Q8 above?

- a) Monthly
- b) Bi- monthly.
- c) Quarterly.
- d) Annually.
- e) Any other. (Please specify).

10). AS an NGO, do you know that your organization has an obligation to file its Annual Returns to the IRS? Yes/No.

If yes, how often does your organization file its annual returns?

- 1) Has never submitted any returns.
- 2) Not regularly.

3) Regularly.

4) Very regularly.

11).a) As an NGO official do you know that there are sanctions under the Income Tax laws of Ghana for not submitting your NGOS Annual returns? Yes/No.

b. If yes has your NGO ever been penalized for late submission or Non- Submission of returns? Yes/No.

12) Do you know that failure to pay Employees tax and any other taxes owed to the IRS carries sanctions? Yes/No.

If yes, has your NGO ever suffered any sanction for failing to pay tax or for late payment of tax? (Please specify) Yes/No.

13) Indicate the level of your organization's willingness in paying taxes to the IRS.

1) Very unwilling

2) Unwilling

3) Fairly willing

4) Willing

5) Very willing

14) Having now realized some of the obligations of your NGO towards the IRS, how do you consider your level of knowledge of these obligations before this interview?

1) Very poor

2) Poor

3) Fairly poor

4) High

5) Very high

15) Do you know that as an NGO you are not automatically tax exempt but that you have to be exempted by the Commissioner of IRS? Yes/No.

16) Have you ever attended any Educational programme by the IRS to sensitize NGOs on their obligations under the Tax laws? Yes/No.

If yes, how often do you have such interaction?

- 1) Not often.
- 2) Fairly often.
- 3) Often.
- 4) Very often.

17) Do you have any other ways by which you are sensitized on your NGO's tax obligations? Yes/No.

If yes, specify from the following:

- a) Through other NGOS.
- b) Through magazines & other media.
- c) Through other Governmental Institutions
- d) Others (Please specify).

18) Will you suggest any ways by which your NGO's relationship with the IRS could be improved in terms of the following?

- a) The tax laws.
- b) Administrative Procedure
- c) The willingness of staff to assist clients.

19) Please could you share few thoughts on how best you feel the performance of the IRS could be improved.

20) Using the Likert Scale provided below kindly, indicate your level of agreement to the following items:

Very Low      Low      Fairly High      High      Very High  
 1                      2                      3                      4                      5

ITEM	LEVEL OF AGREEMENT (Please tick )
1. Extent of knowledge of NGO of tax obligation.	1    2    3    4    5
2. Extent of understanding of tax laws.	1    2    3    4    5
3. Extent of NGOs willingness to pay tax	1    2    3    4    5
4. Extent to which NGO perceive process of granting tax exemptions problematic	1    2    3    4    5
5. To what extent is your NGO sensitization its tax obligations	1    2    3    4    5

**APPENDIX 2**

**QUESTIONNAIRES ON STUDY OF NGOs**

**(FOR I.R.S STAFF)**

**SECTION A**

1. Position of respondent.....
2. Name of Branch/office.....
3. For how long have you been working in your organization?.....

**SECTION B**

4. How often do you interact with NGOs as part of your official schedule? (Please tick)
  - (i). Very often [ ]
  - (ii) Often [ ]
  - (iii) Fairly often [ ]
  - (iv) Not often [ ]
  - (v) Have never interacted with an NGO [ ]
- 5 How many NGOs do you have as part of your tax payers?.....
- 6 How many NGOs have you registered with your office in the last three (3) years.....



7 Please show the level at which NGOs comply with the following obligations using the scale below:

Very Low	Low	Fairly High	High	Very High
1	2	3	4	5

OBLIGATION	LEVEL OF COMPLIANCE				
(i) Initial Registration	1	2	3	4	5
(ii) Annual Registration	1	2	3	4	5
(iii) Monthly filing of returns on salaries and allowances and payment of taxes thereon	1	2	3	4	5
(iv) Filing of annual returns/accounts	1	2	3	4	5

8 Have you ever bothered to know the reason why some NGOs flout any of the obligations listed above? Yes  No

9 If yes tick against any of the reasons below (where applicable):

- (i) Unwillingness on the part of NGOs
- (ii) Lack of knowledge of obligations
- (iii) Perceived lack of co-operation of tax officials
- (iv) Any other (Please specify).....



(d) Any others (Please specify).....