

UNIVERSITY OF CAPE COAST

KNOWLEDGE AND ATTITUDES OF OPERATORS OF NON-
GOVERNMENTAL ORGANIZATIONS (NGOs) IN THE
SAVELUGU-NANTON MUNICIPALITY TOWARDS TAXATION

BY

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of Business, College of Humanities and Legal Studies, University of
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DECLARATION

Candidate's Declaration

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

Candidate's

Signature.....Date.....

.....

Name: Azong Adamu Adams

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.....

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ABSTRACT

A former South African Minister of Finance, Trevor Manuel stated that the obligation to pay one's fair share of taxes as and when they fall due is part of the new morality which democratic governance must inculcate in every South African. He accepted that tax evasion and fraud are among the most insidious forms of criminality that plague the South African society and that millions of Rand are diverted every day from the fiscus by tax criminals (Oberholzer 2008). Limited research on taxpayers' knowledge and attitudes of Non-Governmental Organisations (NGOs) has been conducted in Ghana. This research reports the results of a study carried out amongst Non-Governmental Organisations in the Savelugu-Nanton Municipality by means of interviews and questionnaires. This study employed a cross-sectional survey to obtain data from respondents. Eighty members of staff of NGOs and twenty eight members of staff of the Ghana Revenue Authority (GRA) were sampled for the study. The stratified sampling technique was used in the study. Both descriptive and inferential statistics were used. This research is important because it will assist government to raise the much needed revenue for development, it will assist government to cut down deficit financing and provide a blue print for effectively taxing NGOs. Among the study's objectives were to: assess the knowledge of NGOs of their tax obligations; Two sets of questionnaire were used to solicit the views of sampled NGOs and officials of the Ghana Revenue Authority. Among findings of 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.

KEY WORDS:

Attitudes,

Knowledge,

Non-Governmental Organisations (NGOs)

Ghana Revenue Authority (GRA)

Internal Revenue Service (IRS)

Taxation

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To my lovely wife Mrs. Mary Azong and children:
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LIST OF ACRONYMS

ADRA	- Adventist Development and Relief Agency
CBOs	- Community Based Organisations

CEPS	- Customs, Excise and Preventive Service
CIDA	- Canadian International Development Agency
CRS	- Catholic Relief Services
DANIDA	- Danish International Development Agency
DTRD	- Domestic Tax Revenue Division
FAO	- Food and Agriculture Organization
GAC	- Ghana Aids Commission
GRA	- Ghana Revenue Authority
IRS	- Internal Revenue Service
ISSER	- Institute of Statistical, Social and Economic Research
JICA	- International Corporate Agency
NGO	- Non Governmental Organisation
ODA	- Overseas Development Agency
SMC	- Supreme Military Council
SMSE	- Small and Medium Scale Enterprise
SNMA	- Savelugu-Nanton Municipal Assembly
UNICEF	- United Nations Children Fund
USAID	- United State Agency For International Development
VAT	- Value Added Tax

CHAPTER ONE

INTRODUCTION

Background to the Study

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. Examples are national defense, security and the maintenance of peace. 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, taxation has been found to be the most reliable, dependable and sustainable in achieving economic independence in development (Adomako-Bonsu & Hemeng-Ntiamoah 2005).

It is evident from the above that the government can borrow, print money or even sell assets in the short-run to finance its activities, it is important for government to seek for long-term source(s) of financing its activities. Governments need an effective and efficient tax system to raise revenue for increasing government expenditure needs. As businesses need to maximize revenue for expansion, the same can be said about governments. Governments need to pay attention to its development partners in this regard notably Non-Governmental Organizations (NGOs) to supplement tax revenues. Under the laws of many countries, some forms of income tax reliefs are granted to corporate entities/individuals/NGOs that make donations to charities which generally include religious, benevolent, educational, scientific,

social welfare or public entities which have been registered and thus recognized under the laws covering NGOs.

Taxation in Ghana is an important area of revenue generation. In 2013, Ghana bagged GH¢12,655.14m as income; of which GH¢10,581.06m representing 83.61 percent was tax revenue. Total non-tax revenue was GH¢1,290.80m whilst total grants were GH¢784.08m. In 2014, Ghana bagged total revenue of GH¢17,708.78m. Out of this amount total tax revenue was GH¢14,261.26m representing 80.53 percent. However, total non-tax revenue, and grants stood at GH¢2,399.83m and GH¢1,229.36m respectively (Controller and Accountant General, 2014). In 2016, total revenue was GH¢33,678.2m as against a target of GH¢37,889.30m. Out of this figure, GH¢25,729.70 was total tax revenue as against a target of GH¢29,129m. This means that the remaining amount represented total non-tax revenue. It also means that total shortfall in tax revenue was 11 percent or in absolute terms, a deficit of GH¢3,399.30m. This implies that without tax Ghana cannot survive as a sovereign country.

The aim of the United Nations (UN) for countries across the globe is to realize some key development targets captured in the blue print titled Millennium Development Goals (MDGs). This will elude most developing countries in general and Ghana in particular if tax revenue generation is not greatly enhanced. The realization of the MDGs to a large extent would depend on the ability to generate sufficient resources internally, that are more sustainable to finance developmental based projects that will move Ghana to the high middle-income status by the year 2020. This will also help the government to achieve her vision of Ghana beyond aid agenda.

Tax administration in Ghana is the sole responsibility of the Ghana Revenue Authority (GRA). The Ghana Revenue Authority Act 2009 (Act 791) established the Ghana Revenue Authority to replace the Internal Revenue Service (IRS), the Customs Exercise and Preventive Service (CEPS) and the Value Added Tax (VAT) for the administration of taxes and to provide for related purposes. The act came into force in December 31, 2009 (Asante, Agyei & Arhin, 2015).

As part of the requirements for all businesses in Ghana, all businesses shall be registered by the Registrar Generals Department. A person shall not carry on any business unless that person has registered with the commissioner. Section 10 and 11 of the Internal Revenue Act 2000 Act 592 states that “income accruing to or derived by an exempt organization other than income from any business” shall be exempt from tax. To make the provision more operational, Section 94 also defines “an exempt organization” as “a person who or that is and functions as a religious, charitable or educational institution of a public character” (p.65)

Section 94 further describes an exempt organization as “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 none of whose income or assets confers or may confer, a private benefit, other than in pursuit of the organization’s functions referred to in paragraph (a)” (P.66)

Statement of the Problem

The administrative body responsible for taxation is the Ghana Revenue Authority (GRA). But the arm of the GRA responsible for direct taxation is the Domestic Tax Revenue Division (DTRD). The Domestic Tax Revenue Division is responsible for the implementation of the Direct Tax Laws of Ghana (Ghana Revenue Act 2009, Act 791) among other subsidiary legislations. The 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 rural and urban poor. For example, NGOs that fulfill the requirements of the law are exempt from tax with the exception of their income NGOs are treated as allowable expense in the determination of their taxable income from business. Apart from donations in both cash and kind made by persons to exempt 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.

Despite the fact that many incentives are provided in Ghana, tax laws to encourage NGOs, the belief is that many lack knowledge about the laws or are apathetic to issues of taxation. Only few NGOs know that they are required to register with the Ghana Revenue Authority (GRA) and only a handful of them find the need to submit annual audited accounts which is a prerequisite under Section 72 (1) of Act 592 (Duodu, 2009). It was the belief of this researcher that many NGOs in Ghana found their tax exempts 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 Generals Department and the Department of Social Welfare. It is also believed that whilst most of the NGOs do not register their operations with the Ghana Revenue Authority, their responsibility as withholding tax agents is questionable. They may therefore not withhold taxes on salaries, allowances and bonuses as may be the case of goods supplied to the NGOs or services rendered to the NGOs as agents. This study therefore sought to assess the level of knowledge and attitudes of operators of NGOs towards taxation system in Savelugu-Nanton Municipality of Ghana.

Policy planning has always 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/her 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.

Objectives of the Study

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

The specific objectives of the study were to:

- (i) Examine the extent to which NGOs are sensitized on tax obligations by the tax authorities in Savelugu-Nanton Municipality of Ghana.
- (ii) Examine the understanding of the NGOs of the tax laws of Ghana.
- (iii) Assess the knowledge of operators of NGOs in the Savelugu-Nanton Municipality towards their tax obligations.
- (iv) Examine the attitudes and perceptions of NGO towards their tax obligations and current tax administration regime in Ghana.

Research Questions

- (i) To what extent are NGOs sensitized on their tax obligations by the tax authorities in Savelugu-Nanton Municipality of Ghana?
- (ii) What is the understanding of operators of NGOs of the tax laws?
- (iii) What knowledge do operators of NGOs of Savelugu-Nanton Municipality have towards their tax obligations?
- (iv) What are the attitudes and perceptions of NGOs towards their tax obligations and current tax administration regime in Ghana?

Significance of the Study

The study sought to assess the knowledge and attitudes of operators of Non-Governmental Organizations towards the taxation system in the Savelugu-Nanton Municipality of Ghana. The results of the study would benefit the following stakeholders in Ghana.

This study would provide the required information to the Ghana Revenue Authority (GRA) and for that matter the Ministry of Finance and Economic Planning (MoFEP), as to what extent corporate organizations

including operators of Non-Governmental Organization (NGOs) know the tax laws and what is required of them as corporate citizens.

The study would also offer the opportunity for the Ministry of Finance and Economic Planning (MoFEP) and the Ghana Revenue Authority (GRA) on the strategies to use to educate people resident in Ghana on their tax responsibilities under Ghana income tax laws.

Furthermore, results of the study would ascertain whether or not operators of NGOs encounter problems with the Ghana Revenue Authority in discharging their tax obligations.

Finally, 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's Generals Department, but it is a privilege that has to be applied for.

Scope of the Study

The study covered NGOs in the Savelugu-Nanton Municipality in the Northern 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 thirty seven (37) registered NGOs in the area as per a register at the office of the Department of Social Welfare, the study shows that only thirty five (35) have reliable addresses (i.e. contact telephone number and location) and hence were covered. For purposes of sampling, twenty eight 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 Savelugu-Nanton Municipality in the Northern Region of Ghana. This shows how limited the

area of coverage is in relation to 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. Additionally, the fact that the study confines itself to only one Municipality in the Northern region of Ghana shows how limited in coverage the study is.

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

Organization of the Study

This research is structured in five chapters. Chapter one is the introduction and provides the background of the research, problem statement, research objectives, research questions, scope and significance of the study, limitation of the research as well as the organisation of the study.

Chapter two reviews the literature on the concept of attitudes, taxation in Ghana- a historical perspective, the role of taxation in the National economy, attributes of a good tax system, income liable to tax in Ghana , exempt income, overview of NGOs in Ghana , NGOs and taxation in Ghana among others.

Chapter three covers the methods and processes employed for the study. The research methodology outlines the research philosophy, research design, target population and study area, sampling procedure, data collection, measurement of variables, reliability and validity, ethical considerations and methods of data analysis and presentation.

Chapter four presents the findings and discussions. It discusses the response rate, socio-demographic characteristics of respondents among other things, descriptive statistics,

The final chapter presents the summary of the whole study. Chapter five also discusses the conclusions drawn from the study. Also included is the implication of the findings, contribution to knowledge, recommendations and suggestions for further research.

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..

Policy planning has always 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.

The Concept of “Attitudes”

Keil (as cited by Appiah 2010) postulated that attitudes are positive and negative feelings that an individual hold 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 (as cited by Appiah 2010), who found out that attitudes were acquired or learnt.

Attitude, to Monly (as cited by Appiah 2010) 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 is 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 influence ones 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, (as cited by Duodu 2009) 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 hold about certain idea. 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'.

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

Wu and Schaffer, (as cited by Ofori 2010) 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 Ghana Revenue Authority Act, 2009 (Act 791).

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 individuals 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 times of Adams Smith and which are still relevant for 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 Ghana Revenue Authority, the administrator of domestic revenue 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 obey 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 taxpayers 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 generate 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 Domestic Tax Revenue Division.

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 authority.
- c) the income of a statutory or registered building society or statutory
or registered friendly society, other than income from any business
or carried 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) any other income of an approved unit trust scheme or mutual fund,
- (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
- (m) Immunities of the Specialized Agencies of the United Nations to the extent provided in that enactment;
 - (i) the President has concurred in writing with the tax provisions in the agreement
 - (ii) 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 tree crops, for the period of ten years of assessment of 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
 - (d) 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 the individual is a non-resident person or an individual who is resident solely by reason of performing 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 shea nut crops

Tax Avoidance and Evasion

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 Company Limited, 2005).

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.

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-Nakyee, 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 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).

Factors contributing to income tax evasion

Tax evasion is the symptom of a gamut of interconnected factors. It is a cause-and-effect relationship. A number of factors have been identified as causing tax evasion. These factors presence is glaring and more accentuated in the informal sector. Some of these factors include illiteracy, lack of voluntary compliance, cash transactions, low standard of record-keeping, inaccessibility to tax offices, etc. (Otiaku, 1988)

High illiteracy rate

It is well established that about sixty percent of the informal sector entrepreneurs are unlettered. Associated with this problem (i.e. illiteracy) is the problem of filing out of income returns, preparation of accounts and in general the lack of voluntary compliance. Generally, income return forms are complex to complete and hence calls for one to be fairly educated to enable one peruse the return and complete it appropriately. Again, the income return form does not come in the local languages that the illiterates can easily understand, hence the non-declaration of income form of tax evasion (Otiaku, 1988)

Lack of voluntary compliance

A large degree of voluntary compliance on the part of taxpayers is required for satisfactory income taxation. Income taxes cannot be collected by the best administrative organization satisfactorily from the self-employed when evasion is generally attempted and incurs little or no moral disapproval from the public. The use of force in tax compliance is not sustainable over a

long period of time hence the need to work at voluntary compliance (Otiaku, 1988)

Predominance of cash transaction

In Ghana, most informal businesses carry out business transactions on cash basis as some do not accept bank cheque for fear of bouncing. The prevalence of cash transactions creates room for tax evasion. Cash transaction leaves no traces of evidence of the income from such transactions. Cash transaction also enables one to manipulate records and figures for tax reduction purposes (Otiaku, 1988).

Low standard of record keeping

In most developing countries, many businessmen keep no records of their business transactions. Here in Ghana most self-employed persons are totally indifferent to proper record keeping. However, in tax administration, a very crucial task is the correct determination of the income of the taxpayer so that a proper assessment of the tax liability could be made (Otiaku, 1988). According to Agyei (as cited by Ofori 2010), “three main factors contributing to this low standard of record-keeping could be recognized: illiteracy; general shortage of accountants; and high fees charged by the accountants. The high fees charged by the accountants make it even more difficult for the few self-employed taxpayers who are willing to keep accounts of their business to hire the services of the accountants” (p. 84).

Management and personnel of tax administration

The caliber of personnel running tax administration and the management style can also encourage tax evasion. A corrupt and low-morale

tax officer may result in tax evasion as some of transactions. Cash transaction also enables one to manipulate records and figures for tax reduction purposes (Otiaku, 1988).

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.

Non-governmental organizations

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.

NGOs are thus characterized as having the following key features:

- a. Private Ownership and Control
- b. Non- Profit (or perhaps better, not-for-profit orientation)
- c. Legal Status
- d. Principal function is people- centered development
- e. 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 the Ghana Revenue Authority 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.

SUMMARY

Chapter two focused on the review of related literature. The main issues discussed or reviewed are: introduction to the chapter, the concept of attitudes, taxation in Ghana: a historical perspective, the role of taxation in National Economy, attributes of a good tax system, types of taxes, income liable to tax in Ghana, exempt income, tax avoidance, tax evasion, factors contributing to income tax evasion. The rest review included: overview of Non-Governmental Organisations (NGOs), NGOs in Ghana’s development, NGOs and taxation

CHAPTER THREE

RESEARCH METHODS

Introduction

This chapter considered the various techniques and methods used in collecting and analyzing the data for this research. A research methodology must be systematic, methodological, rigorous, conventional and unbiased if research is to be considered scientific (Mason & Marchal, 1999). The major areas that were of particular concern to the proper execution of this research included the research design, study area, the target population, the sampling procedures, the data collection procedures and data analysis.

Research Design

Research design is a process of creating a blueprint of activities to be undertaken to satisfactorily answer the research questions postulated (Bhattacharjee, 2012). Saunders, Lewis and Thornhill, (2009) identified the purpose of research in general as exploratory, descriptive and explanatory. The purpose determines the research method to be used as well as the data to be collected for the study.

This study adopted survey as research design. Surveys include cross-sectional and longitudinal studies using questionnaire or structured interview for data collection with the intent of generalizing from the sample population (Creswell, 2014). It is useful for exploratory and descriptive studies and allows the collection of a large amount of data from a population in a highly economical way and it is comparatively easy to understand and analyze data

using descriptive and inferential statistics (Saunders, Lewis & Thornhill, 2009).

A survey may be cross-sectional or longitudinal. Cross-sectional survey is where the survey is conducted at a particular point in time while longitudinal survey is where the survey is over a period of time. This study employed a cross-sectional survey to obtain data from respondents for the purpose of the study since this research is particularly for academic purpose and the report is to be submitted at a particular time.

Study Area

The Savelugu-Nanton Municipality is one of the twenty (20) Districts in Northern Region of the Republic of Ghana. Its capital is Savelugu. The municipality has two constituencies namely Savelugu constituency and Nanton constituency. The Municipality has one hundred and forty nine (149) communities. The Savelugu-Nanton Municipality has five area councils aside Savelugu being the Municipal Capital (the Urban Council). The area councils are: Nanton, Pong-Tamale, Diare, Moglaa and Tampion area councils. Savelugu-Nanton Municipality has total land Size of 1,790.70 square kilometers (or 691 square miles).

The southern boundary of the Municipality is Tamale Metropolitan Assembly and Sagnairigu District, the boundary to the East is Karaga District, to the West is the Kumbungu District and to the North is West Mamprusi District. The population of the Municipality according to the 2010 population and housing census (PHC) was 139,283. The population density according to the 2010 population and housing census is 78/square kilometers.

The Municipality can be classified into urban and rural setting. The only urban setting is the Savelugu township whilst the rest of the municipality is described as rural setting. The urban area accommodates up to about 36 percent of the total population. A number of rural communities such as Nanton, Pong-Tamale, Tampion, Moglaa, Nyong, Diare and Tarikpaa are gradually developing into townships through infrastructural development, provision of facilities as well as the increase of population. The smallest household had nine members and the biggest household had forty seven (47) members.

The Savelugu-Nanton Municipality is Agrarian Municipality. About 97 percent of the total population is engaged in agriculture whilst the remaining 3 percent are engaged in commerce and or service. The main crops cultivated by the people are rice, maize, yam, soya beans, groundnuts, cotton and perennial crops such as dawadawa, mangoes, and shea nuts trees among others. Animals reared by the inhabitants include: cattle, goats, sheep, donkeys, pigs, and poultry among others. They process rice, shea butter, mango, and honey for local consumption and for export.

The Municipality can boast of two banks (with three branches) and three micro finance companies. The main reason why many financial institutions are not in the municipality is because of its proximity to Tamale the Regional Administrative Capital (which is 25 kilometers away). Many financial institutions prefer the administrative capital which is much closer to the Municipality. The Municipality can also boast of few tourism sites. Notable among these sites include the Saakpuli slave market, Tuunaayili, the

former seat of the Dagomba kingdom, Yoggu, which is said to be where the chief priest settled long time ago and an Ox-bow lake at Zongchangni

On the area of health, there is more to be done. Apart from the Municipal Hospital, there are other five functional clinics that provide primary health care to the Municipality. The Municipality has seen the influx of private health care facilities in recent times. Malaria accounts for about 60 percent of Out- Patients department in the Municipal hospital and the other health facilities. The area is the number one in guinea worm cases in Africa. The issue of HIV/AIDS is a big case the Municipality is battling with. The Doctor to patient ratio is low.

On water and sanitation, more is yet to be done. Apart from Savelugu Township, Pong-Tamale and a few areas, the rest depend on dams and dug-outs for water supply. Ghana Water Company Limited provides water to the Savelugu Township; the Pong-Tamale water supply system provides water for Pong-Tamale. Electricity coverage in the Municipality is about 87 percent which is more than the national average. The few areas left are yet to be connected to the National electricity grid.

The Savelugu-Nanton Municipal assembly can boast of an Agricultural College (Veterinary College), two public Senior High Schools, a Vocational Institute and two private Senior High Schools.

The Municipality is bedeviled with a number of problems. The prevalence of HIV-AIDS, hepatitis B, and guinea worm are health problems the health directorate is battling with. Another problem is the poor performance of students in the Basic Education Certificate Examination (BECE). The Municipality continuously scored last for the past six years. The

Municipality has acute water shortage. The issue of water shortage is a kingdom-wide problem. Many of the inhabitants do not have access to safe drinking water and this explains why the Municipality is number one in Africa when it comes to guinea worm infections. Another problem of the area is hunger. About 21.10 percent of the people are starving (Agricultural data February 2017 p1). Poverty prevalence rate is 6.30 percent, the population of the poor is 9,783 (Agricultural Data February 2017, p1)

All the above and other factors not cited here make the Savelugu-Nanton Municipality area, more embracing as far as the activities of NGOs are concerned.

It is anticipated that the findings of this study will to a large extent have relevance for other NGOs operating in other regions and if possible to all NGOs operating in the whole Country.

The choice of Savelugu-Nanton Municipal Assembly (SNMA) as the research area stems from a number of reasons. The first being its nearness to the researcher considering the limited resources at hand as far as time and financial resources are concerned. Again, the area as an emerging principal Municipality in a developing country has several development aspirations and problems that require attention of organizations that have the development of the people at heart and hence fertile grounds for Non-Governmental Organizations (NGOs).

Target Population

The target population for the study were officers of the NGOs and the staff of the Ghana Revenue Authority in the Savelugu-Nanton Municipality in the Northern region of Ghana. All the officers of NGOs in the Savelugu-

Nanton Municipality and the staff of the Ghana Revenue Authority constituted the main respondents. The unit of analysis for the study was the NGOs in the Savelugu-Nanton Municipality.

At the time of this study, the register of NGOs provided by the Department of Social Welfare in the Savelugu-Nanton Municipality puts the number to thirty- seven NGOs. A check made by the researcher indicates that three of the NGOs did not have contact addresses and or telephone numbers. Though the three NGOs have their sign boards, their existence could not be established by the researcher. The remaining thirty-four, however, have their contact addresses and were used for the study. Some of the NGOs according to the Department of Social Welfare only operated in Savelugu-Nanton Municipality but their offices were located in the Regional Capital, Tamale. What accounted for these “non-resident” NGOs was as a result of the proximity between the Municipality and Tamale Metro. What it means is that both resident and non-resident NGOs were used as the target population and were used for this study. In all, there were about 100 officers of the various NGOs in the Savelugu-Nanton Municipality of Ghana.

Records obtained from the Human Resource Department at Ghana Revenue Authority indicated that there were 30 revenue officers in Tamale Metropolitan Assembly office in the Northern region of Ghana. In all, the total target population for the study was 130.

Sample Size Determinion

After defining the target population of the study, the sample size was determined based on required level of precision of statistical results, accuracy level, time and cost. The study chose a confidence level at 95 percent and

margin of error of 5 percent, hence the study assumed that data collected using a sample size would have a 95 percent chance of being right with a 5 percent chance of being wrong.

The sample size for this study was determined by using the formulae suggested by Krejcie and Morgan (1970). According to the Krejcie and Morgan (1970) formulae, at a population of 100 for NGOs and 30 for Ghana Revenue Authority (GRA), the sample size appropriate for the study were 80 and 28 for NGOs and GRA respectively. The Krejcie and Morgan formula was used because of its simplicity. A table is provided in lieu of the formula for non-mathematicians. The formula of Krejcie and Morgan is $S = \frac{X^2 NP[1-P]}{d^2 [N-1] + X^2 P[1-P]}$. Where S=required sample size, X= the table value of chi square for one degree of freedom, N=The population size, P=The population proportion (assumed to be 50 since this would provide maximum sample size) and D= The degree of accuracy expressed as a proportion (0.05)

Sampling Techniques

This study used stratified random sampling and simple random techniques to select the respondents. According to Groebner, Shannon, Fry and Smith (2000) stratified random sampling is a statistical sampling method in which the population is divided into homogeneous subgroups called strata so that each population item belongs to only one stratum. Stratification ensures that the sample is well spread out among the relevant subgroups.

The stratified random and simple random sampling techniques were adopted for the study to select the officers from the NGOs as this gave each of them equal chance of being selected. For the purpose of selecting some of the officials of the Ghana Revenue Authority, the simple random sampling

technique was again employed. This gave the GRA officials equal chance of being chosen. The reason for employing the simple random sampling technique was that any of the officials of the GRA had equal chance of giving valid information about NGOs for the purpose of this study.

Sampling Procedures

In this study, officers of the NGOs and the staff of the Ghana Revenue Authority in Savelugu-Nanton Municipality and Tamale Metropolitan Assembly were sampled. Both Ghanaian/locally-owned and foreign-owned NGOs were represented in the sample – there were fifteen locally-owned and thirteen foreign-owned NGOs. For each NGO sampled, a list of officers was obtained from the HR department. The list of officers from all the twenty eight NGOs was put together by arranging the names in alphabetical order to constitute the sampling frame. In all the total population of the selected NGOs staff were 100 officers. Likewise, the list of staff at the HR department of the Ghana Revenue Authority was also obtained and arranged in alphabetical order as sampling frame. At the Ghana Revenue Authority office, the total population was 30 staff.

Multi stage sampling technique was employed in this study. First, the twenty eight NGOs were grouped into locally-owned and foreign-owned using the stratified random sampling technique. Simple random procedure was then used to select officers from each stratum of locally-owned and foreign owned who make up the target population. A sample size of 80 which constituted 80% of the total population was selected. This percentage was chosen because the ideal sample size of 80-100% of a population is considered acceptable for most research purposes if the target population is small to provide the ability

to generalise for a population (Cresswell, 2003; Sekaran, 2003). With regard to the selection of staff at the Ghana Revenue Authority, simple random technique was used. The randomization was done by use of a random numbers table. This was to ensure that, all officers and staff in the study had an equal chance of being selected and also to avoid any bias as well as ensure that the results are reliable and could be generalised.

Data Collection Procedures

This section looks at various procedures that were used to collect data for this research study. It looks at issues like research instrument used, the development of the research instrument and data collection administration.

Research instrument

The paper-based questionnaire was used as the research instrument. Two sets of the questionnaire were administered. One set was administered for staff of NGOs and was headed “Questionnaire for NGOs” and the other set was administered to the selected staff of Ghana Revenue Authority (GRA) and it was headed “Questionnaire for members of staff of Ghana Revenue Authority”.

As a data collection procedure, the use of 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 respondents could be solicited. The use of the questionnaires which were self-administered enabled all respondents in each category to answer the same questions.

One member of the Department of Social Welfare was interviewed to assess the knowledge of members of the Department of Social Welfare on NGOs and their obligations and responsibilities towards their tax obligation.

Research instrument development

The field research was designed in such a way as to obtain data from both primary and secondary sources. For the purpose of obtaining primary data two sets of questionnaires were prepared, one for the sampled NGOs to complete and the other for selected staff of the Ghana Revenue Authority. The questionnaire mainly contained two types of questions. These are the close-ended questions and the open-ended questions. The close-ended questions required the respondents to choose options from a set of answers. The respondent was only required to select the most appropriate answer as is applicable to his or her situation and or circumstance. Indeed, many of the questions were close-ended questions. The other type of questions were the open-ended questions. A few open-ended questions were used to elicit information on opinions, knowledge, attitudes and beliefs of the respondents on the knowledge and attitudes of NGOs towards taxation. The respondent was expected to provide answers based on the situation on the ground with little or elaborate explanation. With regards to the open-ended questions, spaces were provided for respondents to react at length to questions which demanded more than a statement for an answer.

Both questionnaires for NGOs and the officials of the GRA contained question items that sought to elicit information on the level of knowledge of NGOs of tax laws, their obligations under the tax laws and their attitudes towards these obligations. As part of the questionnaire administration and

collection, high profile senior management staff and chief executive officers were given the questionnaire to complete.

For the purpose of measuring the attitudes of NGOs towards their tax obligation; perceived problems encountered in obtaining tax exemptions and their level of sensitization on their tax obligation, a five-point Likert scale was constructed. Selected officials of the GRA were also made to complete a different scale with a view to knowing the extent to which NGOs co-operate regarding their compliance with the Ghana tax laws.

Data collection administration

The data used for the research were predominantly primary in nature. Primary data refers to the data originated by the researcher for the specific purpose of addressing the research problem (Malhotra & Birks, 2007). In this research, the primary data were obtained through questionnaire and interview guide.

In order to collect data on variables, questionnaire was developed based on the research objectives. This questionnaire was given to the supervisor of this research study for review. After approval of the research questionnaire by the supervisor, permission was obtained from the Executive Directors of the selected NGOs and the Commissioner of the Ghana Revenue Authority in the Tamale Metropolitan Assembly. The questionnaire was administered by the researcher directly to the respondents at their work station (both at NGOs and Ghana Revenue Authority) so as to increase response the rate.

As part of the study, Chief Executives and in some cases management staff of the NGOs were given copies of the questionnaires to complete. These

were collected within two weeks. In the same vein sampled officials of the Ghana Revenue Authority were also issued with copies of the other questionnaires specifically prepared for them to complete for collection within the same period of two weeks.

Secondary Data Collection

Secondary data were collected from the documents of the office of the Department of Social Welfare and the Ghana Revenue Authority (GRA).

Data Analysis and Presentation

Both descriptive and inferential statistical techniques were used to analyze the data. Descriptive statistics such as mean, percentages and standard deviation were employed to present the responses obtained from the respondents. Statistical Product and Service Solution (SPSS) (formerly known as Statistical Package for Social Sciences) was employed to further analyze the data. Also, tables and a chart were used for data presentation. Correlation was used to test the strength of the relationship between the variables.

Ethical Considerations

A number of ethical considerations such as openness, anonymity and confidentiality amongst others were taken into consideration. To help involve Chief Executives of the NGOs and the staff of the Ghana Revenue Authority in Tamale Metropolitan Assembly in the study, an introductory letter was obtained from the Department of Accounting of the School of Business, University of Cape Coast to the respondents for the purpose of getting data. For confidentiality, the expression “a respondent” was used in the analysis. To ensure that respondents were not forced to participate in the study, the

researcher explained the purpose of the research to the respondent especially the customers so that respondents who showed no interest were given the opportunity to pull out.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter presents the study findings analysed using descriptive and inferential statistics. The section begins with the description of the characteristics of the sampled entities and profiles of the respondents. Then, the analysis of the perceptions of officers of NGO's and staff of Ghana Revenue Authority on the issues related to tax system in Ghana is presented.

The analysis of the responses consists of descriptive and comparative statistics.

Response Rate

One hundred and eight respondents comprising 80 officers of NGOs and 28 staff of Ghana Revenue Authority were targeted for the survey, hence the same number of questionnaires were sent out. However, out of this number, 78 questionnaires representing 97.5 percent and 25 questionnaires which constitute 89 percent were received from officers of NGOs and staff of GRA respectively.

According to Hart (1987), response rates in business surveys vary from 17 percent to 60 percent, with an average of 36 percent. The response rates of 97.5 percent and 89 percent were found to be above the average range for such a survey and was deemed acceptable for making statistical inferences from NGOs and GRA of Savelugu-Nanton Municipality.

The collected data were assessed on the response rate and subsequently accepted as a close representation of the entire target population since

feedback was ascertained from all the subgroups that had been identified by the researcher for the study.

Responses from the Officers of NGOs

Demographic Information of the Sampled Entities and the Respondents

This section presents information about the characteristics of the sampled entities and the respondents in the study. The information about the characteristics of the entities and the respondents that were studied included the age of the firms, registration status of the firm, corporate structure of the NGOs, staffing categories and position of the respondents in the entities.

Position of the Respondents in the Entity

Respondents in the study were asked to state their position in the entity. Table 1 shows the results of the study.

Table 1: *Position in the entity*

Position	Frequenc y	Percentage
Budget officers	17	22
Monitoring and evaluation officers	18	24
Executive Directors	16	21
Finance officers	26	33
Total	78	100

Source: Field survey,(2017)

According to Table 1, majority of the respondents were finance officers (33%). This was followed by those who were monitoring and evaluation officers (24%), and budget officers (22%). The rest of the

respondents were executive directors in the various NGOs. The implication of this results is that respondents should be able to give reliable information about tax system in Ghana since most of them were finance officers and budget officers.

Age of the Firms

Age of the entities were measured by the number of years the various NGOs have been in existence since establishment. Table 2 indicates that most of the NGOs have been in existence between 6 to 10 years (68%).

Table 2: Age of the firms

Age	Frequency	Percentage
1 – 5	06	08
6 – 10	53	68
11 and above	19	24
Total	78	100

Source: Field survey, (2017)

Only 8 percent reported that they were established between 1 to 5 years ago whilst almost a quarter of the sampled entities (24%) had been in operation as NGOs for more than 11 years. Thus, NGOs in the study should have enough knowledge about tax system in Ghana since most of them are mature in the type of work they do.

Registration Status of the Firms

In order to operate as an NGO, the firm has to officially register with some authorities/institutions in Ghana. These institutions include Registrar-General Department, District/Municipal/Metropolitan Assemblies and Department of Social Welfare for regulatory purposes. In view of this,

participants in the study were asked whether they had complied with these requirements. Each firm had the option to choose more than one response. The results are presented in Table 3.

Table 3: Registration Status

Institutions	Frequency	Percentage
Registrar – General Department	75	96
Department of Social Welfare	68	87
Savelugu-Nanton Municipality	31	40

Source: Field survey, (2017)

In all, majority of the respondents indicated that they had registered with Registrar-General Department (96%) whilst only 31 respondents constituting 40% of the whole sample reported that they had registered with the Savelugu-Nanton Municipality.

Respondents were further asked to state reasons why they had not registered with any of the institutions above, but none of them gave reasons for the response. The indication is that the respondents might not be in the position to have information to that effect. This was indicated for the fact that some respondents did not respond to some of the questions.

Corporate structure of NGOs

Corporate structure of NGOs was measured according to their source of funding and staffing categories. Four possible sources of funds for NGOs were provided on the questionnaire with the request to choose one or more items from the list. According to Table 4, all the firms studied indicated that the major source of funds of NGOs was from international organizations.

Table 4: Source of funding

Source	Frequency	Percentage
Local organization	0	0
Individuals	12	15
Government	69	89
International organizations	78	100

Source: Field survey, (2017)

The second major source of funds for NGOs was government funding. Sixty-nine respondents representing 89 percent of the whole sample indicated that they received funds from government for their operations. None of the firms studied indicated they received funds from local organizations.

Respondents were further asked to indicate the categories of staffing they adopt in their operations. Table 5 shows that 56 respondents (72%) employed both full-time and volunteers in their operations. The rest of the respondents reported that they employed full-time staff only in their work. None of the firms studied employed only volunteers. This may be due to the fact that the regulatory policies of NGOs may not allow only volunteer staff to be employed.

Table 5: Staffing categories

Categories	Frequency	Percentage
Full time	22	28
Volunteers	0	0
Combination of full time and volunteers	56	72
Total	78	100

Source: Field survey, (2017)

Knowledge of NGOs toward tax system in Ghana

The descriptive and bivariate analysis of responses to questions relating to knowledge of NGOs toward tax system in Ghana are presented in this section.

Tax registration awareness with Ghana Revenue Authority (GRA)

Non-governmental organizations are required to register with the Ghana Revenue Authority so that they can honour their tax obligations. Respondents in the study were asked to indicate whether they were aware that they had to register with the Ghana Revenue Authority. The summarised results are presented in Table 6.

Table 6: Tax Registration Awareness with GRA and Status

Registration Awareness			Registration Status		
	Frequency	Percent		Frequency	Percent
Yes	31	40	Yes	19	61
No	47	60	No	12	39
Total	78	100		31	100

Source: Field survey, (2017)

According to Table 6, less than half of the respondents (40%) indicated that they were aware they had to register with Ghana Revenue Authority. Those who indicated they were aware were further asked to report whether they had actually registered with the Authority. From the Table, 19 respondents representing 61 percent indicated that they had registered with the Ghana Revenue Authority.

Further analysis was conducted to find out whether age of the firms associated significantly with the registration awareness with GRA. The results of the test indicated that age of the firms associated significantly with the registration awareness of NGOs with the Ghana Revenue Authority. Firms who had been established between 6 to 10 years were more aware of tax registration with GRA than those who were labelled as mature and young NGOs $\chi^2(2, N = 31) = 6.191, p = .045$.

A non-parametric, Kruskal-Wallis H test was conducted to find out whether there was statistical significance difference in mean ranks among the age of the firms and their registration status. The test indicated that age of the firms differed significantly with the registration status of NGOs with the Ghana Revenue Authority $\chi^2(2, N = 78) = 6.262, p = .044$. Firms which were established between 1 to 5 years had higher mean ranks than those in the age groups above 6 years old.

Taxes paid by NGOs

NGOs are expected to pay some taxes out of their revenue to the Ghana Revenue Authority. Table 7 indicates the type of taxes paid by non-governmental organizations in Savelugu-Nanton Municipality.

Table 7: Taxes Paid by NGOs

Types of tax	Frequency	Percentage
Employee Tax (PAYE)	66	85
Withholding Tax	66	85
Corporate tax	0	00
Other taxes	12	15

Source: Field survey, (2017)

Eighty-five percent of the respondents each indicated that they paid employee tax and withholding tax to the Ghana Revenue Authority. None of the firms reported that they paid corporate tax. This is based on the fact that NGOs are not corporate organizations who operate for the main purpose of getting profit. This is because corporate tax is paid on profit generated for the year.

Respondents were further asked to indicate how often they pay the taxes stated in Table 8. Sixty-six respondents representing 85 percent stated that they paid the taxes monthly.

Table 8: Frequency of paying taxes by NGOs

	Frequency	Percentage
Monthly	66	85
Bi-monthly	00	00
Quarterly	12	15
Annually	00	00
Total	78	100

Source: Field survey, (2017)

The rest of the respondents (15%) reported that they paid their taxes quarterly. None of the firms in the study indicated they paid their taxes bi-monthly and annually.

Awareness of filing of annual tax returns

As part of the administrative procedures to be tax compliant, organizations are to file their tax returns annually to the Ghana Revenue Authority. Respondents were asked to indicate whether they were aware of this obligation. Table 9 summarised the results.

Table 9: Tax Filing Awareness

	Frequency	Percentage
Yes	58	74
No	20	26
Total	78	100

Source: Field survey, (2017)

Majority of the firms studied (74%) indicated that they were aware they had to file their annual tax returns to the Ghana Revenue Authority. A little over one-quarter of the respondents reported they were not aware.

Those who reported they were aware were further asked to state how often they filed their annual returns. According to Table 10, an overwhelming majority (90%) of the firms indicated that they filed their annual returns regularly. None of the firms indicated they had never submitted their annual returns. This indicates that majority of firms were tax compliant.

Table 10: Frequency of Filing Tax Returns

Status	Frequency	Percentage
Never submitted any returns	0	0
Not regularly	06	10
Regularly	52	90
Total	58	100

Source: Field survey, (2017)

Awareness of tax sanctions for failing to file tax returns

Table 11 shows that all the firms in the study were aware that there are sanctions under income tax laws of Ghana if an NGO does not submit annual returns.

Table 11: Awareness of Tax Sanctions for Filing Failures

	Frequency	Percentage
Yes	78	100
No	0	0
Total	78	100

Source: Field survey, (2017)

Respondents in the study were further asked whether they had ever been penalized for the late submission or non-submission of annual tax returns. Sanctions for late submissions of tax returns overwhelming majority of the respondents (94%) reported that they had not been penalised for late submission neither had they been penalised for non-submission of annual returns. Only 6 percent had been penalised for late submission or non-submission of annual tax returns.

Table 12: Sanctions for late Submissions of Tax returns

	Frequency	Percentage
Yes	05	06
No	73	94
Total	78	100

Source: Field survey, (2017)

An analysis of Chi-square test of the responses was conducted to examine the association of the corporate structure measured by staffing categories and the awareness of sanctions of failing to submit tax returns. The test results indicate that there was statistical significance association of corporate structure of firms measured by staffing categories and their awareness of sanctions of failing to submit tax returns $\chi^2(1, N = 78) = 10.567$,

$p = .000$. NGOs who employed both full-time and volunteer staff (46.20%) were more aware of sanctions of failing to submit tax returns than those who employed only full-time staff in their operations (28.20%).

Kruskal – Wallis H test was also conducted to find out the statistical significant difference in mean ranks of age of the firms and the level of awareness of sanctions of failing to submit tax returns. The results of the test showed that there were no statistical differences in mean rank of age of the firms and the level of awareness of sanctions of failing to submit tax returns $\chi^2(2, N = 78) = .000, p = 1.000$.

Nevertheless, a Mann Whitney U test conducted indicated that corporate structure measured by staffing categories did not differ significantly from sanctions for late submission or non-submission of tax returns ($U = 561.000, Z = -1.439, p = .150$). This means that whether NGOs employed both full-time and volunteer staff or employed only full-time staff did not matter for being penalised for late submission or non-submission of tax returns.

Awareness of tax sanctions for failure to pay tax

With regard to whether NGOs in the study were aware of tax sanctions for failure to pay tax, over two-thirds of the respondents (68%) indicated affirmative whilst 25 respondents constituting 32 percent reported that they were not aware that failing to pay tax attracted sanctions.

Table 13: Awareness of tax sanctions for failure to pay tax

	Frequency	Percentage
Yes	53	68
No	25	32
Total	78	100

Source: Field survey, (2017)

As to whether respondents which reported affirmative to the tax sanction awareness has ever suffered any sanctions for failing to pay tax or for late payment of tax, all the firms indicated that they had not suffered any tax sanctions before (see Table. 14).

Table 14: Sanctions of failure to pay tax

	Frequency	Percentage
Yes	00	00
No	53	100
Total	53	100

Source: Field survey, (2017)

Level of organizational willingness to pay tax

According to Oluware (2009), the amount of tax paid by individuals and organizations does not actually depend on the awareness but depend to a large extent, the willingness of the taxpayer to honor its obligations. To this end, respondents in the study were requested to indicate the level of their organizations willingness to pay tax to the Ghana Revenue Authority. Table 15 indicate that majority of the NGOs were willing to pay tax to the GRA.

Table 15: Level of Organizational Willingness to Pay Tax

Level of willingness	Frequency	Percentage
Very willing	54	69
Willing	15	19
Unwilling	04	05
Very unwilling	05	06
Total	78	100

Source: Field survey, Azong (2017)

According to Table 15, 69 percent of the respondents indicated that they were very willing to pay tax to the GRA. Less than 10 percent of the respondents stated that their organisations were very unwilling to pay to GRA.

A Chi-square test was conducted to examine the association of age of firms with the level of organizational willingness to pay tax. The test results indicated that age of the firms associated significantly with the level of organizational willingness to pay tax $\chi^2(3, N = 78) = 85.179, p = .000$.

Assessment of awareness of tax obligations

Respondents in the study were further requested to assess their awareness of tax obligations before the study. The summarised results are stated in Table 16.

Table 16: Assessment of Awareness of Tax Obligations

Assessment	Frequency	Percentage
Very high	46	59.0
High	08	10.3
Low	12	15.4
Very low	12	15.4
Total	78	100.0

Source: Field survey, (2017)

From Table 16, 46 respondents constituting 59 percent stated that their awareness of tax obligations was very high. Twelve respondents each representing 15.40 percent each indicated that their awareness of tax obligations was low and very low respectively.

A higher the position of a person in any organization comes with the greater responsibilities, and hence for an individual taxpayer to perform well, he must be conversant with relevant tax laws. To determine whether position of a person in an entity enhances his awareness of tax laws within an organization a Pearson correlation was conducted to find out the association of position of a person in an entity with the level of awareness of tax obligations. The findings of the test indicate that there was no statistical association of position of a person in an entity with the level of awareness of tax obligations ($r = .101, N = 78, p < .001$).

Level of agreement of tax exempt

Per the Ghana Revenue Authority Act, NGOs are not supposed to pay taxes once it is not involved in commercial activities. NGOs are tax exempt organisations once they apply for exemption. Respondents were asked whether

tax exemptions were automatic. 66 respondents representing 85 percent stated NGOs tax exemptions are not automatic, 12 respondents indicated that it was automatic exemption. Table 17 is summary of the results.

Table 17: Agreement of Tax Exempt

	Frequency	Percentage
Yes	66	85
No	12	15
Total	78	100

Source: Field survey, (2017)

Table 18: Educational Programme to sensitize Tax Obligations

	Frequency	Percentage
Yes	70	90
No	08	10
Total	78	100

Source: Field survey, (2017)

Respondents in the study were asked whether they have ever attended any sensitization workshop organized by the GRA. 70 respondents constituting 90 percent answered yes whilst eight respondents answered no. Table 19 is the summary of the results.

Table 19: Availability of Other Ways of Tax Sensitizations

	Frequency	Percentage
Yes	18	23
No	60	77
Total	78	100

Source: Field survey, (2017)

Respondents in the study were asked to state whether they attend other workshops on tax sensitization apart from those organized by the GRA. From Table 19, 18 respondents constituting twenty three percent answered yes. 60 respondents from the study indicated that they never attended tax sensitization workshops apart from those organized by the GRA.

Table 20: Other Ways of Tax Sensitizations

Ways of Tax Sensitizations	Frequency	Percentage
Through other NGOs	12	15
Through magazines and other media	06	08
Through other governmental institutions	18	23

Source: Field survey, (2017)

The respondents in the study were further asked to state other means through which tax sensitization take place. 12 respondents constituting 15 percent indicated that they were sensitized through other NGOs. Six respondents constituting eight and percent were sensitized through magazines and other media. 18 respondents representing 23 percent got sensitization other governmental organization. The results is summarized on Table 20.

Table 21: Ways of Improving NGO's relationship with the GRA

	Frequency	Percentage
Tax laws	62	80
Willingness of staff to assist clients	56	72
Administrative procedures	48	62

Source: Field survey, (2017)

NGOs and the GRA are partners in development hence the need for cordial relationship. Respondents in the study were asked to state what they will do to improve their relationship with the GRA. From Table 21, 62 respondents constituting 80 percent indicated the interpretation of tax laws will improve their relationship. This confirms the findings of Adams as cited by Oberholzer (2013) that one of the factors that constitute dishonesty in taxpayers is the complexity of the tax system. 56 respondents representing 72 percent stated that the willingness of GRA staff to assist clients were key to improved relationship. 48 respondents constituting 62 percent stated that the application of the administrative procedure will improve their relationship.

Table 22: Level of Agreement of Tax obligations

Level of agreement	Very low	low	high	Very high	mean	Std. Dev.
Extent of knowledge of your NGO of tax obligation	00	15	00	85	3.08	.628
Extent of your understanding of tax laws	00	00	86	14	3.69	.726
Extent of your NGOs willingness to pay tax	00	15	60	25	3.41	350
Extent to which your NGO perceive process of granting tax exemptions problematic	00	15	08	77	3.62	742

Source: Field survey, (2017)

From Table 22, the level of agreement of tax obligations was assessed. Respondents were required to indicate whether their understanding of relevant tax laws were low or high. To the extent of knowledge of individual NGOs concerning their tax obligation was (M=3.06, SD=.628). The understanding of the relevant tax laws was also assessed. From Table 22, the average and the degree of variability is (M=3.68, SD=.742). Again, the extent

to NGOs willingness to pay tax was assessed. From the Table, the average and the degree of variability is ($M=3.14$, $SD=.350$). Respondents were also asked to indicate whether the process of getting tax exemptions were problematic, the results indicates ($m=3.62$, $SD=.742$)

Responses from Staff of Ghana Revenue Authority

Respondents from the Ghana Revenue Authority were asked to indicate their position with the GRA. A few of them were principal revenue officers. Majority of the respondents were station tax officers and some from the audit section of GRA. The respondents were asked to state the name of their stations. All the respondents indicated that they are from the Tamale station. The reason is that the station serves as the regional and zonal office for the GRA. Respondents were further asked to indicate the number of years served with the GRA. The principal revenue officers served between 25-30 years whilst the rest had served between 7-15 years. This means that majority of the respondents were senior officers.

Table 23: Number of Times of Interaction with NGOs

	Frequency	Percentage
Yes	25	100
No	0	0
Total	25	100

Source: Field survey, (2017)

Staff of the GRA were asked the number of times they interacted with NGOs as part of their official duty. From Table 23, all 25 respondents representing 100 percent indicated that they always interacted with NGOs.

None of the respondents ticked no. This means that the GRA always interacted with NGOs as part of their schedule.

Table 24: Frequency of Interaction with NGOs

	Frequency	Percentage
Very often (monthly)	20	80
Often (twice a year)	0	0
Not often (beyond two years)	5	20
Total	25	100

Source: Field survey, (2017)

Staff of the GRA were asked the frequency or number of times they interacted with the NGOs. From Table 24, 20 respondents constituting 80 percent indicated that they interacted very often-monthly. None of the respondents interacted with the NGOs twice in a year. Five respondents constituting 20 percent indicated that they interacted with NGOs once in a while-after two years. This means that staff of GRA interacted with the NGOs regularly.

Table 25: Number of NGO Taxpayers

Number	Frequency	Percentage
1 – 10	5	20
20 and above	20	80
Total	25	100

Source: Field survey, (2017)

Respondents in the study were asked to state the number of NGOs under their care as revenue officers. From Table 25, five officers representing 20 percent supervised between 1-10 NGOs. 20 officers

representing 80 percent supervised above 20 NGOs. This means that some of the revenue officers have much to do and may be insufficient staffing.

Table 26 : Level of tax compliance by NGOs

Level of tax compliance	Very low	Low	high	Very high	mean	std. Dev.
Initial registration	00	40	00	60	3.20	1.00
Annual registration	0	20	60	20	3.00	.645

Source: Field survey, (2017)

From Table 26, the level of tax compliance by NGOs was assessed. It is evident that compliance during the initial registration is high (M=3.20, SD=1.00). This is because many entities at the initial stages are looking for documentation to start operations. Failure to obtain the relevant documents means they cannot commence business. As shown on Table 26, annual registration is not as high as initial registration (M=3.00, SD=.645). This means that majority of the NGOs do not renew their registration.

Table 27: Frequency of Filing Tax Returns by NGOs

	Frequency	Percentage
Weekly	00	00
Monthly	25	100
Annually	00	00
At their own convenience	00	00
Total	25	100

Source: Field survey, (2017)

From Table 27, no revenue officer reported that some NGOs submit their returns weekly. All the 25 revenue officers representing 100 percent indicated that all the NGOs under the study submitted their returns monthly. No NGO submit their annual returns annually or at their convenience.

Table 28: Reflection on Tax Filing Failures

	Frequency	Percentage
Yes	20	80
No	5	20
Total	25	100

Source: Field survey, (2017)

Respondents under the study were asked whether they have ever reflected on why some NGOs refused to file their tax returns. From Table 28, 20 respondents constituting 80 percent answered in the affirmative. Five respondents constituting 29 percent answered in the negative. This means tax authorities are concern about the failure of NGOs in honouring their tax obligations with GRA.

Table 29: Reasons for Failing to File tax returns

Reasons	Frequency	Percentage
Unwillingness on the part of NGOs	00	00
Lack of Knowledge of obligation	15	75
Perceived lack of co-operation with tax officials	00	00
Other reasons	5	25
Total	20	100

Source: Field survey, (2017)

Respondents in the study were further asked to indicate any plausible reasons why some NGOs fail to file their tax obligations to the tax authorities. From Table 29, no respondent submitted that NGOs fail to submit their tax returns as a result of unwillingness. 15 respondents representing 75 percent indicated that NGOs fail to submit their tax returns as a result of lack of knowledge. No respondent indicated that NGOs failure to submit their returns as a result of perceived lack of co-operation with tax authorities. Five respondents constituting 25 percent indicated that there were other reasons why NGOs fail to file their tax returns. This confirms the study of Due (1970) among other factors tax payers need adequate information to improve the tax system. Terkper (2008) advanced the reason that taxpayers demonstrate various degrees of compliance owing to factors such as lack of understanding of the tax laws, improper bookkeeping and apathy towards government.

Table 30: *Ways of Improving Tax Laws Compliance by NGOs*

	Frequency	Percentage
Filing of monthly and annual returns	25	100
Registration requirements	10	40
Payment of taxes especially employee tax	10	40

Source: Field survey, (2017)

Respondents were asked to state ways of improving the tax laws compliance by NGOs. From Table 30, 25 respondents constituting 100 percent indicated that the continuous filing of monthly and annual returns was key to improving the tax compliance level among NGOs. 10 respondents each constituting 40 percent indicated that enforcement of registration will enhance compliance level and the payment of taxes especially employee tax. This

confirms Delpont as cited by Oberholzer (2008), it is important to state that failure to register is the first part of the story. It also confirms Adams as cited by Oberholzer (2008), the success of tax rests primarily upon the honesty of the taxpayer.

Table 31: Extent of NGO Sensitization of Tax Obligations

	Frequency	Percentage
Monthly	00	00
Bi-monthly	00	00
Quarterly	05	20
Semi-annually	05	20
Annually	15	60
Total	25	100

Source: Field survey, (2017)

It is the responsibility of the GRA to educate and sensitize the tax payer on the need to pay taxes. Respondents in the study were asked to indicate the extent to which NGOs were sensitized and educated on their tax obligation. From Table 31, no respondent selected monthly or bi-monthly. Five respondents representing 20 percent indicated quarterly and semi-annually as periods of tax education and sensitization. 15 respondents representing 60 percent indicated annually.

Table 32: Sanctions to NGOs for Non-compliance with tax Laws

<i>Sanctions</i>	<i>monthly</i>	<i>Bi-monthly</i>	<i>Semi-annually</i>	<i>Annually</i>	<i>mean</i>	<i>Std. Dev.</i>
<i>Pecuniary penalty</i>	100	00	00	00	1.00	.000
<i>Non-issuance of tax clearance certificate</i>	40	20	20	20	2.20	1.19
<i>Closing down of official premises</i>	00	00	00	60	3.60	5.00
<i>Resort to the courts</i>	00	00	00	100	4.00	.000

Source: Field survey, (2017)

Respondents in the study were asked to indicate the level of sanctions meted out to individual NGOs who fail to comply with the tax laws. It is evident that no sanctions are exacted to organisations that flouted the tax laws. From the Table above many officials prefer to take a pecuniary amount from defaulters (M=1.00, SD=.000). Many tax officials beside taking pecuniary amount prefer non-issuance of tax clearance certificates. This is done monthly (40%), bi-monthly (20%), semi-annually (20%) and annually (20%). This means that every now and then offenders are denied tax clearance certificates (M=2.20, SD=1.19)

According to officials of NGOs, tax authorities find it difficult to issue tax clearance certificate after withholding taxes are even paid to them. This probably explains why this sanction is regularly applied to NGOs as a result of their own (GRA) inefficiency

From the Table, it is evident that the closure of official premises of NGO is hardly done. The average and the degree of variation are (M3.60, SD=5.00). This sanction is applied once in courts for legal actions against defaulters. All respondents indicated annually. The mean and the

standard deviation are (M=4.00, SD=.000). A follow question indicates that no NGO was taken to court for the past two years.

Table 33: Number of Times of Prosecuting NGOs for Non-Compliance

Number of times	Frequency	Percentage
0	25	100
Total	25	100

Source: Field survey, (2017)

Respondents in the study were asked the number of times NGOs have been prosecuted for the past two years. From Table 33, no NGO was prosecuted for non-compliance of the tax laws of Ghana. This means that the tax authority either refuse or fail to apply the sanction provided by the tax laws. This encourages tax payers to evade taxes. This confirms the study made Spicer and Lendstedt (1976), people evade tax due to the less severe sanctions or the inability to apply such sanctions.

Table 34: Relationship between NGOs and GRA

	Frequency	Percentage
Very cordial	25	100
Fairly cordial	00	00
Cordial	00	00
Not cordial	00	00
Total	25	100

Source: Field survey, (2017)

Respondents in the study were asked to describe the relationship that exists between the GRA and the NGOs. From Table 34, all the 25 respondents representing 100 percent indicated that the relationship between

them is very cordial. No respondent chose fairly cordial, cordial, or not cordial. This means that GRA and NGOs have good working relationship.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

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 staff of NGOs and the other for sampled officials of the GRA. For the secondary data, a register of NGOs was obtained from the Department of Social Welfare, Savelugu-Nanton Municipality office.

The main findings of the study were that:- NGOs have poor knowledge of their tax obligations and that their application of the tax laws was also poor; that NGOs' attitude towards tax is not the best; that no programme exists for laws; that NGOs perceive the system of operation of the GRA as too bureaucratic and think there is the need to modernize it; there is the need for the GRA to make effective use of the sanctions provided under the tax laws for non-compliance; None of the NGOs studied complied fully with registration requirements. They faulted with the Registrar General's Department, the Department of Social Welfare or the Municipal Assembly.

The first objective was to examine the extent to which NGOs are sensitized on their tax obligations by the tax authorities in the Savelugu-Nanton Municipality. It was found out that the level of sensitization was not the best. GRA does not give enough sensitization on the need to pay taxes neither does the GRA educate them on the administrative procedures available

to taxpayers in resolving their differences. The NGOs are sometimes sensitized by other NGOs instead of the GRA

The second objective of this research was to examine the understanding of Non-Governmental Organisation of the tax laws of Ghana. It was established that the understanding of tax laws by NGOs is poorer. The NGOs inability in understanding the tax laws stems from complex legal terminology. Most of the NGOs do not understand the tax laws terminology. They also have a difficulty in understanding the complex administrative procedures of the Ghana Revenue Authority. Most of the NGOs studied were of the view that tax exemptions for NGOs were automatic once they have registered as NGOs. This is in contrast with the provisions of the tax laws of Ghana (section 94 of the IRS). All exempt organizations need a written exemption from the Commissioner General of the GRA.

The third objective was to assess the knowledge of NGOs in the Savelugu-Nanton Municipality towards their tax obligations. Generally NGOs knowledge towards their tax obligation is not good enough. Apart from employee income tax (PAYE), other taxes like withholding taxes for services rendered or goods supplied is taken for granted. Government loses a lot of revenue through the negligence of management's inability to withhold taxes as withholding tax agents. Some of the NGOs who withhold taxes hardly get their tax clearance certificates even upon application.

The last objective of the research work was to examine the attitudes and perceptions of NGOs towards their tax obligations and the current tax administrative regime in Ghana. None of the NGOs studied had any difficulty with the tax system. This is because many of the NGOs are of the view that

tax exemptions are automatic. They do not go through the normal procedure for tax exemptions; therefore they cannot envisage any difficulty.

Conclusions

The conclusions drawn from the findings of the study are that:

The level of knowledge of operators of NGOs towards their tax obligations is very low; NGOs application of the tax laws are also poor. 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 Ghana Revenue Authority and for that matter, the Government.

It became clear that tax payment was cumbersome - 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 GRA keeps tax payers' files manually and so much time is spent in tracing these files.

Recommendations

From the findings and conclusions of the study, the following recommendations are made to policy makers and or implementers.

The Ghana Revenue Authority should as a matter of urgency fashion out educational policies for all taxpayers and more especially NGOs. The lack of knowledge on the part of taxpayers on their tax obligation will certainly lead to tax gaps. It also means that there are several other taxpayers out there who do not pay taxes as a result of ignorance. If urgent educational policies are not rolled out, the idea of a Ghana beyond aid would be defeated.

The Government should also consider opening more branches of the GRA. In the Northern Region, there are only three branches of the GRA supervising eighteen Districts. This is not the best because the chain of command is too broad which leads to ineffectiveness.

The Ghana Revenue Authority should invoke the sanctions contained in the tax laws in Ghana. This will ensure compliance by taxpayers. When defaulting taxpayers are sanctioned others will learn through the hard way. NGOs that default in the payment of taxes on their staff salaries, allowances, overtime, bonuses and withholding taxes should be sanctioned accordingly. What was gathered from the field is that the GRA has teeth but cannot bite hence non-compliance. GRA should be bold in this respect in order to generate more revenue for Ghana.

The government should also market its policies and programmes to the taxpayers giving the assurance that their hard earned currency is used in the best interest of the Ghanaian people. Taxpayers who express misgivings about the uses of their taxes will have their doubts cleared.

The GRA should ensure continuous good working relationship with NGOs. This will enhance the trust level between them. This will also ensure that the taxman or woman is not seen as a monster but a partner for development.

Non-Governmental Organisations should make it a deliberate policy in studying the tax laws of Ghana so as to acquaint themselves with emerging trends and happenings within the financial sector of the economy of Ghana.

Lastly, the Ghana Revenue Authority should accept cheque if it is presented. Many of the NGOs expressed concern of 'only cash transactions'. This will assist the government on its agenda on a cashless economy.

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APPENDICES

APPENDIX A

QUESTIONNAIRE FOR STAFF MEMBERS OF NGOs

SECTION A

1) Position of Respondent.....

2) Date your NGO started operations in Savelugu-Nanton

Municipality.....

3) Aims/Objectives & Activities your NGO is involved in

.....

.....

4) State whether your NGO is registered with the following:-

a. Registrar General's Department Yes/ No.

b. Savelugu-Nanton Municipality Yes/No.

c. Department of Social Welfare Yes/No.

If the answer to any of the items 4 (a, b or c) is No, state

reason(s).....

.....

5). Source(s) of funding of your NGO: Please tick.

a. Local organizations including corporate institutions, e.g. [church,
mosque]

b. Individuals. []

c. Government. []

d. International Donor Organizations. []

Other. [] (Please specify).....

6). State categories of staff used:

a. Volunteers. []

b. Full-time []

c. Combination of a & b []

Any other.

SECTION B

7). Are you aware that as an NGO you have to register with the Ghana Revenue Authority (GRA)?

Authority (GRA)? Yes /No.

If Yes, has your NGO registered with the GRA? Yes/No.

If No, why?

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

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 Question 8 above?

a. Monthly []

b. Bi- monthly. []

c. Quarterly. []

d. Annually. []

Any other. (Please specify).

.....

10). As an NGO, are you aware that your organization has an obligation to file its

Annual returns to the GRA? Yes/No.

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

a) Has never submitted any returns. []

b) Not regularly (i.e. yearly) []

c) Regularly (i.e. monthly) []

11). a) As an NGO official do you recall that there are sanctions under the Income

Tax laws of Ghana if an NGO does not submit 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 recall that failure to pay employees tax and any other taxes owed to GRA carries sanctions? Yes /No.

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

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

i) Very willing

ii) willing

iii) Unwilling

iv) Very unwilling

14) Having responded to some of the obligations of your NGO towards the GRA, how do you now assess your awareness of these obligations before this interview?

i) Very high

ii) High

iii) Low

iv) Very low

15) NGOs are not automatically tax exempt but that they have to be exempted by the Commissioner of GRA. Do you agree? Yes /No.

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

If Yes, how often do you have such interaction?

i) Not often-every two years []

ii) Fairly often-once a year []

iii) Often-twice a year []

iv) Very often-monthly []

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

b) If yes, specify from the following:

i. Through other NGOS.

ii. Through magazines & other media.

iii. Through other Governmental Institutions

iv. Others (Please specify).

.....

18) Suggest any ways by which your NGO's relationship with the GRA 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 a few thoughts on how best you feel the performance of the GRA could be improved.

.....
.....
.....

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

Very Low, Low, High, Very High for 1 2 3 4 respectively

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

Thank you much for taking off time to answer this questionnaire

APPENDIX B

QUESTIONNAIRE ON STUDY OF NGOs

(For Ghana Revenue Authority Staff)

SECTION A

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

SECTION B

4. How often do you interact with NGOs as part of your official schedule?

(Please tick)

- (i). Very often-(i.e. monthly) []
- (ii) Often-(i.e. twice a year) []
- (iii) Not often-(i.e. beyond two years) []

5. Have you ever interacted with an NGO Yes/ No
6. How many NGOs do you have as part of your tax payers?.....
7. How many NGOs have registered with your office in the last three(3) years.....
8. Please show the level at which NGOs comply with the following obligations using the scale below:
Very Low, Low, High, Very High as 1, 2, 3, and 4 respectively.

OBLIGATION LEVEL OF COMPLIANCE

- (i) Initial Registration [1] [2] [3] [4] [5]
- (ii) Annual Registration [1] [2] [3] [4] [5]

9. How often do NGOs file their returns to GRA?

- a. weekly
- b. monthly
- c. annually
- d. at their own convenience

10. Have you ever reflected on why some NGOs flout any of the obligations listed above? Yes [] No []

11. If yes tick against any of the plausible reasons below (where applicable):

- (i) Unwillingness on the part of NGOs []
- (ii) Lack of knowledge of obligation []
- (iii) Perceived lack of co-operation with tax officials []
- (iv) Any other (please

specify)..... 12. Do you consider that

NGOs' compliance with the tax laws could be improved

in terms of any of the following?

- (a) Registration requirements
- (b) Filing of Monthly and Annual returns
- (c) Payment of taxes especially Employee tax
- (d) Any others (Please specify).....

13. Indicate the extent to which NGOs are sensitized on their tax obligations

by the Ghana Revenue Authority (GRA)

- (i) Monthly []
- (ii) Bi-Monthly []
- (iii) Semi-annually []

(iv) Annually []

SECTION C- SANCTIONS, EXTENT OF INVOCATION

14. This section deals with the sanctions that are meted out to NGOs for non-compliance to tax laws. Indicate how the sanctions are applied by using the scale 1 2 3 and 4 for monthly, bi-monthly, semi-annually and annually, respectively

- a. Pecuniary penalty [1] [2] [3] [4]
- b. Non-issuance of tax clearance certificate [1] [2] [3] [4]
- c. Closing down of official premises [1] [2] [3] [4]
- d. Resort to the courts [1] [2] [3] [4]

15. How many times have you prosecuted an NGO for non-compliance within the past two years?

16. How will you describe the relationship between you and the NGOs?

- a. Very cordial
- b. Fairly cordial
- c. cordial
- d. Not cordial

Thank you for taking time off to answer this questionnaire