UNIVERSITY OF CAPE COAST

RENT INCOME TAX COMPLIANCE IN GHANA: THE CASE STUDY OF

TARKWA NSUAEM AND SEFWI WIAWSO MUNICIPALITIES.

BY

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degree in Accounting.

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DECLARATION

Candidates Declaration

I hereby declare that 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: Laud Swanzy

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

The real estate sector is one of the fastest growing sub-sectors in the Ghanaian economy. According to the Ghana Revenue Authority, rent income tax collected from this sector has not been encouraging. This study seeks to determine the factors affecting rent income tax compliance in Tarkwa Nsueam and Sefwi Wiawso Municipalities. The study used quantitative approach. Simple random sampling was used to select 278 property owners as the sample size. Data was collected using a structured questionnaire; coded, keyed and analysed using descriptive statistics: mean, frequency and standard deviation. Inferential statistics including Pearson correlation coefficient and multilinear regression model were used to infer population characteristics from the sample. The findings indicate that; rent income tax compliance cost had a negative effect on the level of rent income tax compliance. However, rent income tax knowledge and education had positive effect on the level of rent income tax compliance, rent income tax fines and penalties had positive effect on the level of rent income tax compliance while perceived opportunity for rent income tax evasion by property owners had a negative effect. Majority of property owners had no knowledge of rent income tax law and most property owners do not know how to declare their rent income for tax purpose. Thus, high rent income tax compliance cost and high opportunity for rent income tax evasion will reduce rent income tax compliance among property owners. Appropriate fines and penalties should be enforced to deter property owners from evading rent income tax. Tax authorities should intensify education on rent income tax compliance, simplifying processes involved in filling rent income tax returns.

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DEDICATION

To my daughter Nana Nradah R. Swanzy

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CHAPTER ONE

INTRODUCTION

This chapter presents a general introduction to the subject: "Rent Income Tax Compliance in Ghana: The Case Study of Tarkwa Nsuaem and Sefwi Wiawso Municipalities''. It contains a summary of the content and key research outcomes. The background to the study gives a general overview of taxation, explanation of the purpose, importance and objectives of taxation. Research objectives, research questions, problem statement, significance of the study, scope and limitations of the research are all discussed in the latter part of this chapter. The chapter ends with the definition of some important terms. Each element as enumerated in the chapter is developed fully in subsequent chapters.

Background to the Study

Tax non-compliance in general, is a global phenomenon that cut across cultural and political boundaries. It takes place in all societies and economic systems mainly due to economic and non-economic factors (Lymer & Oats, 2018). One of the sources of direct tax revenue is rent income tax, which has been in the statute books of Ghana since 1973.

The Ghana Revenue Authority, relaunched the rent income tax on Wednesday 24th July, 2013 to remind property owners to fulfil their rent income tax responsibility (Essabra-Mensah, 2015). The Ghana Revenue Authority (GRA), stated that, it is very much committed to enhancing contribution of rent income tax collection to total GRA collection in 2013 and beyond. It added that the Authority will ensure full implementation of the renewed directive by

collaborating with public bodies and private organisations such as the Electricity Company of Ghana, Ghana Water Company, Lands Commission, Ghana Real Estate Developers Association, Ghana Institution of Architects and the Ghana Institute of Engineers who deal directly with property owners to have easy access to rental properties in order to enhance rent income tax collection. (Essabra-Mensah, 2015).

Though the real estate sector is booming, the underdeveloped nature and short fall in the supply of residential accommodation in Ghana means that, tenants must accept rent increases lest they lose their residential accommodation or business premises. This is worsened by the ineffectiveness of the rent control department and non-enforcement of the rent income tax law by the GRA which could have accounted for fair determination and record keeping of rent charged. These have hampered the efficient collection of the rent income tax (Donkor-Hyiaman, 2015).

Lack of evidence-based contract which states rent rates payable by tenants could give rise to landlords / ladies understating their rent income tax obligations in connivance with tenants or the latter pays the tax by way of rate increment. Therefore, the success of the rent income tax administration would depend on the integrity and co-operation of land lords and tenants as well as officers of the GRA. The implication of these adverse composite factors means that, tenants would inadvertently bear the incidence of the rent income tax given current market conditions (Donkor-Hyiaman, 2015).

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Compliance with the rent income tax which is charged at 8% on residential rental and 15% on commercial rental of gross rent income has not been encouraging in this fast-growing sub-sector of the Ghanaian economy. This problem is compounded by the actions of some politicians accusing officers of the Ghana Revenue Authority of sabotaging the government whenever defaulters are held in check (Donkor, 2016).

Information on rent income tax solicited from the Tarkwa Nsuaem Municipal Office of the Ghana Revenue Authority based on GRA report from 2013 to 2017 shows that, rent income tax collected annually were below one percent of total tax revenue for the Tarkwa Nsuaem Municipality between 2013 and 2017. In 2013, rent income tax collected amounted to GHS 96,184.86 out of GHS 16,487,117.50 representing 0.58%. In 2014, rent income tax receipts was GHS 33,127.97 out of GHS 4,394,038.59 representing 0.75%. In 2016, GHS 51,791.68 out of GHS 5,826,199.43 representing 0.89%. Figures for 2017 shows that rent income tax collections amounted to GHS 28,894.94 out of a total collection of GHS 7,558,349.16 representing 0.382% (GRA report, 2017).

In Ghana, the level of tax compliance is low especially with the self-employed owning to low level of knowledge of the relevant tax law (Terkper, 2007). A study by Ohene in 2011 revealed that, providing tax incentives such as tax relieve would reduce the cost of compliance thereby motivating taxpayers to fulfil their tax obligation. However, compliance has been minimal relatively owning to perceived opportunity to evade tax (Webley, 2014). Therefore, to

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ameliorate tax non-compliance, Ahmed and Braithwaite (2015) suggested threat of sanctions (fines and penalties).

These compliance problems and inadequate evidence based research or studies in the Ghanaian context have resulted in policy makers relying on research from other jurisdictions which have methodological problems and different characteristics. Therefore, this study seeks to examine how: rent tax compliance cost, rent tax education and knowledge, perceived opportunity for rent tax evasion and the threat of fines and penalties affect rent income tax compliance in Tarkwa Nsuaem and Sefwi Wiawso Municipalities of Ghana.

Statement of the Problem

Ghana like any other developing country faces difficulty in mobilising the needed revenue to the level required for promoting and sustaining economic growth. Therefore, the country has in most cases experienced surplus of expenditure over revenue (Donkor, 2016).

The imposition of taxes have not yielded the required result owning to a number of reasons including: taxpayers lack of understanding of the tax system and its administration, taxpayers' non-compliance with the tax law, hostilities between taxpayers and tax officials, negative attitude of taxpayers toward the tax system which have resulted in the understatement of taxable income by significant amount. For these reasons, the actual amount of tax revenue could not be collected (Donkor, 2016).

Despite studies by researchers into tax compliance in general (locally and internationally), the researcher did not come across any study into rent tax

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compliance reviewing the following independent factors; rent income tax compliance cost, rent income tax knowledge and education, perceived opportunity for rent income tax evasion and effects of fines and penalties on rent income tax compliance in Ghana using Tarkwa Nsuaem and Sefwi Wiawso Municipalities as areas of study or case study. This makes this work or study imperative and unique.

Although policy makers are aware of the potential of this all-important sector to the national economy, they are worried about its low contribution to government revenue (Donkor-Hyiaman, 2015). Therefore, this research highlights the reasons why this sector's contribution to the national economy is abysmal relatively.

Rent income tax collected by the Tarkwa Nsuaem Municipal Office of the Ghana Revenue Authority shows that, rent income tax revenue was below one percent of total tax revenue for the Tarkwa Nsuaem Municipality between 2013 and 2017. In 2013, rent income tax revenue amounted to GHS 96,184.86 out of GHS 16,487,117.50 representing 0.58%. In 2014; GHS 33,127.97 out of GHS 4,394,038.59 representing 0.75%. Figures for 2016 were; GHS 51,791.68 out of GHS 5,826,199.43 representing 0.89%. Figures for 2017 shows that GHS 28,894.94 was collected out of a total collection of GHS 7,558,349.16 representing 0.38% (GRA report, 2017).

When the level of tax compliance is low, the government cannot raise the needed funds to meet its increasing expenditure. Such situation has forced most governments to seek assistance from development partners including the Briton

wood institutions. These institutions as part of the support agreements, have conditions that are unfavourable and with dire social consequence, an example is a freeze on public sector employment as part of the International Monitory Fund support to Ghana, this measure has placed a ban on employment into most sectors of the economy including the civil service except health and education sectors. It is imperative that governments are able to raise the needed revenue to fund their projects and one of the appropriate means is through taxation (Osebe, 2014**)**.

A number of reasons may account for low compliance. The level of rent income tax compliance determines the quantum of total rent income tax receipts. Rent income tax non-compliance does not only undermine the rent income tax system but also makes the total tax base narrow and inequitable (Osebe, 2014**)**.

It is therefore necessary to assess the level of rent income tax consciousness, analyse factors causing rent income tax non-compliance and capture the expectations of the taxpaying public especially property owners with a view to formulating strategies aimed at enhancing rent income tax compliance.

Research Objectives

The purpose of the study is to determine the factors affecting rent income tax compliance by property owners (land lords/ladies) in Ghana. Specifically, the study seeks to;

1. Determine the effect of rent income tax compliance cost on rent income tax compliance level.

2. Examine the effect of rent income tax knowledge and education on rent income tax compliance level.

3. Evaluate the effect of perceived opportunity for rent income tax evasion on rent income tax compliance level.

4. Assess the effect of threats, fines and penalties on rent income tax compliance level.

Research Questions

In order to achieve the set objectives for this study, the following questions would be addressed;

1. What is the effect of rent income tax compliance cost on rent income tax compliance level?

2. What is the effect of rent income tax knowledge and education on rent income tax compliance level?

3. What is the effect of perceived opportunity for rent income tax evasion on rent income tax compliance level?

4. What is the effect of threat of fines and penalties on rent income tax compliance level?

Significance of the Study

Tax compliance in most developing countries like Ghana, is a challenge and has attracted increasing attention in the last three decades. Problems observed include: poor tax administration, inability to collect sufficient tax revenues, tax structures with horizontal and vertical equity considerations are not integrated, lack of government and economic stability (Ohene, 2011). In many developing countries, there is low capacity of the tax system to monitor compliance among rental taxpayers (Tanzi, 2017).

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Rent income tax, if well harnessed by tax authorities could improve government revenue therefore reducing the level of donor support a government might seek to support its budget. In this regard, the government through the Ghana Revenue Authority (GRA) must ensure that deficiencies or loop-holes in the rent income tax system are reduced to the barest minimum.

The findings of this study, will help the government to institute the necessary measures to enhance rent income tax compliance in case of voluntary compliance and enforce compliance in case of non-compliance.

Ghana Revenue Authority is interested in maximizing rent income tax collections and thus would find the study useful in instituting measures, policies, and initiatives to address or minimize non-compliance.

Rent Tax Consultants advise their clients (rent income taxpayers / property owners) on the various options available to them. They also prepare and complete their client(s) rent income tax returns. This study will help practitioners understand various challenges taxpayers encounter with respect to voluntary rent income tax compliance to enable them advice their clients appropriately especially property owners.

The study will highlight various challenges faced by rent income tax taxpayers or property owners in respect of compliance and the possible solutions to these challenges by all stakeholders.

It is a basis for further research into rent income tax compliance in Ghana.

Scope of the Study

The study is carried out to assess the level of rent income tax compliance by land lords of residential facilities in Tarkwa Nsuaem and the Sefwi Wiawso Municipalities in the Western Region of Ghana.

Limitations of Study

During the execution of this research, a lot of challenges were encountered but with zeal they were surmounted, these include:

Respondents (property owners) were not willing to discuss issues with respect to income received from letting their properties. This was solved by assuring them (respondents) that the information is purely for academic purpose.

Another challenge was the difficulty in accessing/obtaining rent income tax files of some respondents to determine their compliance levels.

Inadequate funds for sourcing relevant materials, literature inter alia.

The researcher simultaneously engaged in this study with other academic and normal occupational work. These reduced the time devoted for the research work.

Definition of Terms

Rent: A tenant's regular payment to a landlord/lady for the use of property or land.

Rent charge is when the rent is created by deed and the fee granted.

Rental Tax-Payer: used in place of landlord or lady.

Tenant: a person or entity that rents real property from the property owner (landlord). A tenant may also be called lessee.

Tax: An amount of money usually expressed as a percentage of the purchased price, which government imposes upon persons and business entities so as to fund the cost of government.

Rent Income Tax Compliance: this refers to the willingness of property owners to fulfil their rent income tax obligation.

Organization of the Study

The work was organised into five main chapters. Chapter One contains introduction of the study including the statement of the problem, research objectives and questions, significance of the study, the scope of the study and the limitations associated with the study. Chapter Two focuses on the review of some literatures on tax compliance and then rent income tax compliance. The details of research methodology adopted and the study areas where the research was conducted are all captured under Chapter Three. Chapter Four covers data presentation and analysis. The last chapter presents the summary, conclusion and recommendations of the study.

CHAPTER TWO

LITERAURE REVIEW

Introduction

This chapter analyses the concept of Rent Income Tax Compliance, Rent Income Tax Compliance Models, factors affecting Rent Income Tax Compliance and the Conceptual Framework. Tax, is a contribution exacted by the state. It is non-penal but compulsory and unrequited transfer of resources from the private sector to the public sector, levied on the basis of predetermined criteria (Vadde & Gundarapu, 2016). Classical economists were of the view that, the only objective of taxation was to raise revenue for the government. But with changes in circumstances and ideologies, the aim of taxation has been modified. Thus, apart from raising revenue for public expenditure, taxes are levied to affect consumption, production and distribution of goods and services with a view to enhancing social and economic development of a country. Taxation provide a stable flow of revenue to finance current and capital expenditures such as the building and maintenance of infrastructure, stimulating economic growth and enhancing good governance (James & Alley, 2014).

During the 1980s, structured research into tax evasion and non-compliance became widespread following the political concerns in the United States of an increasing tax-gap. Initially, literatures which emerged from the United States had a strong focus on economic theory. Utility theory, developed by Allingham and Sandmo, assumed taxpayers to be 'utility maximisers' in decisions of tax

reporting and compliance, tax evasion was viewed as worthwhile if the financial gains outweighed the financial costs.

Tax compliance studies have been based on social and psychological theories. Research undertaken in this field showed that the human element played a vital role in individual tax compliance decisions. While tax compliance literatures have emerged from a wide variety of disciplines, there is lack of consensus as to why people pay or do not pay tax. Some tax compliance literatures reported by (Chow, 2014) indicated that, there are research gaps that needed to be filled concerning: tax moral, tax fairness and deterrence measures to enhance tax compliance. This section however considers some literatures affecting rent income tax compliance.

Theoretical Review:

Concept of Rent Income Tax Compliance

Tax compliance in general, is a major problem faced by most tax authorities across the world (Osebe, 2014). It is difficult to persuade taxpayers to comply with the tax requirements even though "tax laws are not always precise'' (James & Alley, 2014). Rent income tax compliance is usually cast in terms of the degree to which residential property owners comply with the rent income tax law (James, 2014). However, the meaning of compliance with respect to rent income tax can be seen as a continuum of definitions. One suggestion is that, the degree of rent income tax non-compliance may be measured in terms of the rent income tax-gap. Rent income tax-gap represents the difference between the actual rent

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income tax collected and the amount estimated that would have been collected if there was 100% compliance (James, 2014).

Andreoni, Erard and Feinstein (2014), defined tax compliance as the taxpayer's willingness to obey the tax laws to obtain the economic equilibrium of a country. (Kirchler, Hoelzl & Wahl, 2015) perceived a simpler definition in which tax compliance was defined in the most neutral term, to describe taxpayers' willingness to pay their tax.

Similarly, Rent Income Tax Compliance is defined by several tax authorities as the ability and willingness of property owners [taxpayers] to comply with the rent income tax laws: declare the correct rent income in each year and pay the right amount of rent income tax on time (Australia Tax Office Report, 2014).

According to Mohd and Ahmad (2015), tax compliance is defined as the taxpayer's willingness to comply with tax laws, declare correct income, claim correct deductions, relief and rebates and pay their taxes on time. Mohd and Ahmad also described tax compliance as an issue of reporting the actual income and claimed that, compliance behaviour was influenced by a situation whereby taxpayers have to make a decision under uncertainty. Another definition of rent tax compliance is a person's (property owner's) act of filing his/her rent income tax returns, declaring all taxable rent income accurately and fulfilling all rent income tax payable within the stipulated period without having to wait for follow-up from the tax authority. Furthermore, rent income tax compliance has been segregated into two perspectives namely: compliance in terms of administration

and technical compliance in terms of completing accurately the tax returns (Chow, 2014).

Rent income tax compliance include registering or informing the tax authorities of status as a taxpayer [property owner/land lord], submitting a rent income tax return every year and following the required payment plan or time frame (Osebe, 2014). However, the wider perspective of rent income tax compliance requires some degree of honesty, adequate rent income tax knowledge and the ability to use this knowledge acquired in a timely and accurate manner whilst maintaining adequate records to complete the rent income tax returns and associated tax documentations (Mohd & Ahmad, 2015). This perspective reveal that, tax authorities would seek to influence the areas rental taxpayers have influence, determining to reduce the risks of non-compliance behaviour through rent income tax audits and education.

Young (2014), explained that, tax compliance is the output of interrelation between variables including perception of equity, efficiency and incidence (public finance views). However, penalties and fines as well as probability of audit should be combined to improve rent income tax compliance.

Rent Income Tax Compliance Model

In explaining tax payers' compliance behaviour (reasons why property owners comply or do not comply), researchers have used two broad approaches (models) namely: Fiscal Psychology Models and Economic Deterrence Models.

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Fiscal Psychology Model

This theory of tax compliance assumes that, psychological factors including moral and ethical concerns are important to property owners (tax payers). Among this theory is the theory of planned behaviour which was developed and reviewed by Ajzen & Fischbein (2015). This theory explains human behaviour. The theory posits that, the behaviour of individuals in a society is under the influence of some definite factors that originate from certain reasons and occurs in a planned way. The ability to perform/exhibit a particular behaviour depends on the fact that individuals have a purpose towards that behaviour (behavioural intention). According to Ajzen and Fischbein (2015), behavioural intention depends on three factors namely: attitude toward the behaviour, subjective norm and perceived behavioural control. These three factors are under the influence of behavioural beliefs, normative beliefs and control beliefs. The focus of this theory therefore is on the taxpayers' morals and ethics. The theory suggests that, a property owner may comply even when the probability of detection is low. As opposed to the economic theories that emphasize increased audits and penalties as solutions to rent income tax non-compliance, psychological theories emphasize changing individual attitude about the rent income tax system in order to boast compliance.

Economic Deterrence Model

There are no fully developed economic theories addressing rent income tax compliance, however, there are some models which have been developed to address the issue.

This model of rent income tax compliance is based on deterrence theory. Deterrence theory is a theory under criminology (Becker, 2016). This theory is based on the assumption that, if the consequence of committing a crime outweighs the benefit of the crime, the individual/business will be deterred from committing the crime.

This model is founded on the assumption that all taxpayers are aware of the difference between right and wrong and the consequences associated with wrong or criminal behaviour. Proponents of deterrence theory believe that people choose to obey or violate the law after calculating the gains and consequences of their actions. This model incorporates the concept of an economically rational taxpayer who will evade tax as long as the pay-off from evading is greater than the expected cost of being caught. Allingham and Sandmo proposed a seminal economic deterrence model based on the expected utility function of the taxpayer who evaded. This model incorporates several aspects. First, the taxpayer [property owner] has some level of risk aversion, the more risk averse landlords/ladies are, the less likely (s)/he would evade rent income tax. Secondly, landlords/ladies need to have knowledge about rent income tax law in order to assess the probability of being detected and the extent of the penalties that may be incurred upon detection. Thus, rent income tax compliance depend largely on rent income tax audit and penalizing non-compliers. The implication of the theory is that property owners will pay rent income tax because of the fear of sanctions. This concept was corroborated by Trivedi, Shehata, and Mestelmen, (2014) who

posited that, economic based theories emphasize incentives while psychology based theories emphasize attitude.

There are other models of taxpayer behaviour, that may affect property owners' decision to pay or not to pay their rent income tax, these include: fiscal exchange, social influence, comparative treatment and political accountability which are to a large extent inter related. This research also seeks to bring attitudes and other factors to light in relation to rent income taxpayers and show how they affect rental tax compliance.

Fiscal exchange model

Alm, Jackson and McKee (2016), noted that, tax compliance increases with perceived availability of public goods and services. The fiscal exchange theory suggests that, the presence or evidence of government expenditures may motivate tax payers and that governments can boast compliance by providing goods and services effectively and efficient that is also accessible by the public or citizens (Moore, 2014). Thus, the main concern of the taxpayer is their benefit in return for tax paid, mostly in the form of public goods or services (*quid pro quo*). Taxation and the provision of public goods and services are regarded as a contractual relationship between taxpayers and the government (Moore, 2014). Thus, property owners will fulfil their rent income tax obligations because they value the goods and services provided by the government, recognizing that their payments will help finance these goods and services and will therefore convince other tax payers to fulfil their tax obligations (Fjeldstad & Semboja, 2013). The existence of positive physical benefits (structures) may increase voluntarily

compliance by property owners without coercion. According to (Richupan, 2016) tax payers have a deep impression concerning their own and others' terms of trade with the government.

It is then reasonable to assume that a taxpayer's behaviour is affected by his/her satisfaction or lack of satisfaction with activities of the government especially in the provision of social services. Thus, if the tax system is perceived to be unjust, tax evasion may be considered as an attempt by the taxpayer to adjust his or her terms of trade with the government.

Social influences

In the social influence model, compliance behaviour and attitudes towards the rent income tax administration is thought to be affected by the behaviour and social norms of an individual's reference group (Snavely, 2015). It is therefore reasonable to assume that landlords'/ladies' behaviour in the area of rent income tax compliance is influenced by social interactions much in the same way as other forms of behaviour.

Compliance attitudes towards rent income tax system may be affected by the behaviour of property owners' reference group such as relatives, neighbours and friends. Therefore, if a property owner knows other land lords or ladies who evade payment of rent income tax, his/her commitment towards compliance would be deficient. On the other hand, social relationships may deter tax payers from engaging in tax evasion for fear of social sanctions that may be imposed once discovered and revealed publicly (Osebe, 2014). Research into the behaviour of tax payers in economic situations by (Sah, 2016) and corroborated by

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(Banerjee, 2016) posited that, social influence may affect compliance level by influencing taxpayers perceived probability of detection. One of the most consistent findings about taxpayer attitudes and behaviour in the western countries is that, those who reportedly complied believe that their peers or fellow taxpayers comply, whereas those who evaded tax, believes that others were cheating or evading tax (Yankelovich, Skelly & White, 2014). Evidence suggests that perceptions about the honesty of others may affect compliance behaviour.

Comparative treatment

The comparative treatment model is based on equity theory and posits that addressing inequalities in the exchange relationship between government and taxpayers would improve compliance (McKerchar & Evans, 2015). Property owners may not consider their relationship with the state in a vacuum where both parties are the only actors. Likewise, they may not think about their fellow citizens without considering their own relationship with the state. They may also consider how the state treat them relative to their fellow citizens. This phenomenon is likely to affect not only their judgment with the state, but also, how they view their fellow citizens (D'Arcy, 2016). If the state treat certain group preferentially, it may colour the citizen's relationship with the state and the group receiving favours. A crucial variable is what a person gets from the state and how the state treats the person relative to those who are in the person's wider community. Social psychology model highlights the importance of equity theory in the study of compliance and taxpayer (property owners) behaviour.

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Political legitimacy

Rent income tax compliance is influenced by the extent to which landlords trust their government (Kirchler et al., 2015). Legitimacy or undisputed credibility could be described as a belief or trust in the authorities, institutions and social arrangements. Thus, taxpayers expect authorities to be fair and work for the common good of the citizens. Political scientists have addressed how political legitimacy and civic identification are fostered. (Persson, 2016) argues that African countries that emphasized building national identity over ethnic identity right after attaining independence have been more successful than those who allowed ethnicity to become the main animus of their politics.

Empirical Review

Several studies have been reviewed per the research objectives.

Rent Income Tax Non-Compliance

Rent income tax revenue is an important source of fund to governments in developing and developed countries. The amount of revenue that can be generated to meet public expenditure depends inter alia, on the willingness of property owners to comply with the rent income tax law. Failure to follow the rent income tax provisions would suggest that, a land lord or lady is committing an act of non-compliance (Kirchler et al., 2015). Rent income tax non-compliance is perceived as the failure of property owners to report correctly the actual rent income received, claim undue deductions or rebates and the failure to declare the actual amount of rent income tax payable to the tax authority on time.

Tax can be classified into two main types: direct and indirect. Direct tax means the burden or incidence of tax is borne entirely by the entity that pays it and cannot be passed on to another person or entity, for example: corporation tax, individual income tax and rent income tax. Unlike indirect tax, direct taxes are based on 'ability to pay' principle, being obvious to the taxpayer. Direct tax, often serves as a disincentive to work hard and earn more because that would mean paying more tax (Mansor, Tayib, &Yusof, 2015).

Voluntarily, it will be difficult for property owners to pay the right amount of rent income tax. They may take variety of actions to reduce the rent income tax burden. Some of these actions can be classified as rent income tax avoidance, which is the legal reduction in rent income tax liability by practices that take full advantage of the rent income tax code or simply the minimisation of rent income tax liability by lawful method (Osebe, 2014). The other classification of action is rent income tax evasion which consists of illegal and intentional actions taken by land lords/ladies to reduce the legally due rent income tax obligations or deliberate failure by property owners to pay their rent income tax by making a false report or statement (Singh, 2016).

In every jurisdiction, tax authorities are empowered to collect revenue from taxpayers. Although there are several property owners who may have reported their rent incomes right and fulfilled their rent income tax liabilities, there may be defaulters (Donkor-Hyiaman, 2015). In Ghana, lack of an evidence-based rent contract means that landlords could understate their rent income tax obligations in connivance with tenants or the latter, pay the rent income tax by

way of rent increment (Donkor-Hyiaman, 2015). This is possible because, rent income tax is a withholding tax which requires an intermediary probably tenants to withhold the tax and file subsequently in the absence of an effective formal institution. Hence, the accuracy of the rent income tax revenue would depend on landlords and tenants. Rationally, tenants would 'aid and abet' landlords to pay relatively less rent tax by under-reporting their rent income, and not act in the interest of the GRA as expected. However, per Donkor-Hyiaman, landlords would rather opt to increase rent rates as a way of transferring the full tax (incidence) to tenants rather than share the burden of the rent income tax. The government must take appropriate actions to ensure compliance with the rent income tax law.

Rent income tax compliance can be divided into two categories. Administrative, which refers to compliance by property owners with the administrative rules of paying rent income tax on time. This include complying with the reporting procedure and regulation. The second is technical compliance which deals with computation of rent income tax payable in accordance with the technical requirements or provisions of the rent income tax laws and paying the right amount of rent income tax on time (Vadde & Gundarapu, 2016).

Decades of empirical work on tax compliance, has produced awareness of the complexity of tax compliance and non-compliance globally. (Masinde & Makau, 2016) point out that, tax compliance is now recognized as a multifaceted construct. Many scholars have put forward some explanatory variables in the analysis of tax compliance behaviour. Thus, amid enormous diversity, a notable consistent theme over the past two decades of tax research has focused on

identifying the costs, be they material, social or psychological which would deter would-be evaders and counter the lure of the benefits of evasion. A preoccupation identifying costs and benefits with the goal of developing a risk profile for tax collection agencies means that, less attention has been directed towards managing non-compliance once it has occurred (Masinde & Makau, 2016).

On the implementation side, the challenge to co-ordinate policy reforms with parallel reforms in tax administration has rarely been fully addressed, yet the menu of administrative reform options has been greatly enriched with new approaches to organizational design, taxpayer services, information communication technology solutions, human resource incentives and formal anti-corruption strategies.

Compliance management is no longer based on enforcement only (focused approach) but a combination of enforcement strategies and enhanced taxpayer services. The concept of rent income tax compliance is extremely important to those concerned with the role increase in rent income tax yield can play in restoring macro-economic stability as well as those concerned with rent tax policy and its effect on the economy in general.

The level of rent income tax compliance, is a measure of the effectiveness of the rent income tax administration. Enhancing compliance include: improving services to property owners by providing clear instructions, providing easy to fill forms, and educating property owners on their rights and obligations as tax payers. Monitoring compliance requires maintaining current account of rent income tax paid and a management information system covering residential and

commercial properties as well as appropriate and promptly designed procedures to detect and follow up on non-filers and delayed payments. Deterring non-compliers requires establishing a reasonable risk of detection as well as applying penalties effectively. The ideal approach is to combine these measures to maximize their positive effect on the level of compliance to move a country from "low compliance to a high compliance environment" (Masinde &Makau, 2016).

Rent Income Tax Compliance Cost

The cost of complying with tax obligations in general, have generated widespread interests among academicians, governments, policy analyst, business organizations inter alia. Contemporary research in this area was pioneered by Sandford who examined the cost of complying with Valued Added Tax (VAT) and other taxes in the United Kingdom (Sandford, Godwin & Hardwick, 2009). Tax compliance costs refers to the costs or expenses incurred by taxpayers in meeting the requirements laid on them by the tax authorities in accordance with the relevant tax law or regulation. Similarly, rent income tax compliance cost can be defined as the cost or expenses incurred by land lords or land ladies in meeting their rent income tax obligations. Sandford *et al.* (2009), distinguished between gross tax compliance costs and net tax compliance costs. Net tax compliance cost is defined as the gross tax compliance cost less tax compliance benefits which include tax deductibility benefits, cash flow benefits, and managerial benefits.

Tax deductibility benefits result from the fact that business taxpayers are entitled to tax deductions for some of the compliance costs they incur. Cash flow benefits arise due to the difference between the time the tax was collected by the

taxpayer (intermediary) and the time the tax was actually handed over to the tax authorities (Tran-Nam, Evans, Walpole & Ritchie, 2014). Managerial benefits may be derived by the business taxpayers, where the more stringent record keeping requirements associated with tax compliance results in the production of managerial accounting information available for decision making and other business purposes (McKerchar &Walpole, 2014).

High tax rates and complex tax legislations can induce fraud with respect to rent income tax compliance. Research by (Franzoni, 2014) concluded that, tax payers will develop some resentment against authorities who impose high levies and complex tax systems. This could lead to tax avoidance and evasion because of the perceived high financial advantage that may accrue to the tax payer and the low condemnation for non-compliance.

In addition, the complexity of a tax system requires taxpayers (individual and companies) to rely on tax professionals or consultants who by means of sophisticated tax avoidance engineering could minimize tax burden (Franzoni, 2014). Acknowledging the fact that high compliance costs diminishes the level of rent tax compliance in a country, (Slemrod & Yitzhaki, 2013) identified tax compliance costs in general as one of the three components of social costs of taxation. These social costs can be paraphrased as costs incurred by society in the process of transferring purchasing power from the taxpayer to the government. Other elements are administrative costs and deadweight efficiency loss from taxation. Administrative costs are costs that exist besides the occurrence of compliance costs and are borne by the property owner. These costs are cited as

costs that the government must bare as a public cost in order to keep cost of compliance at a minimum. However, when a country adopts self- assessment system of taxation, it could reduce the cost of compliance. Compliance costs and administrative costs are referred to as operating cost of taxation (Evans, 2014).

Deadweight efficiency loss from taxation are in most cases treated as opportunity costs. In a real business sense, if compliance costs were no longer necessary or reduced, the benefit could be used to recruit more staff, acquire additional assets or increase the emoluments for employees (Sandford *et al.,* 2009). Thus, land lords/ladies could use the funds for other purposes (investments).

In general, there are several ways to interpret rent income tax compliance costs. First, compliance costs can be divided into three parts: time spent, cash expenses and psychological costs. The cash expenses include external costs (fees paid to outside accountants and advisors/consultants). Hours spent by landlords/ladies in filling their rent tax returns can be converted into expenses by means of an average hour rate. The psychological costs refer to the effects on a property owner having to deal with rent tax issues (meet compliance requirements), for example mental stress. However, these costs are difficult to measure. Therefore, they are disregarded in most investigations. Compliance cost include costs that are incurred by a property owner but are often beyond his/her control (Pope & Hijattulah, 2015).

Rent Income Tax Knowledge and Education

The influence of knowledge on tax compliance behaviour has been assessed in various research. Rent income tax knowledge refers to landlords'/ladies' ability to understand the rent income tax law and comply.

Tax education is necessary to increase public awareness on the various tax laws, role of tax in national development, and to explain the payment procedures to tax payers (Mohd, 2014).

Attitude towards rent income tax compliance can be improved by educating property owners on the need to fulfil their rent income tax obligations. When a property owner has positive attitude towards the payment of rent income tax, it reduces his or her inclination to evade taxation (Eriksen & Fallan, 2013). Thus, educational programs by the Ghana Revenue Authority and other public institutions are needed to enhance property owners' ability to understand the tax system. This will increase their confidence in fulfilling their responsibilities as property owners (Mohani, 2014).

Rent income tax education is directly linked to rent income tax compliance. Educated property owners may be aware of non-compliance opportunities, but their understanding of the rent income tax system coupled with their moral development may promote a favourable taxpayer attitude (Osebe, 2014). One of the measures to increase voluntary compliance of the rent income tax is by ensuring that property owners have knowledge about the rent income tax law. This may influence their confidence in exercising their rent income tax responsibility (Mohani, 2014).

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Chan, Troutman and O'Bryan (2013) argues that, greater education leads to high compliance since individuals who are well educated understand the tax system well. Assisting rent income tax payers by improving the flow of quality information through mediums such as: television, radio, seminar, inter alia could enhance compliance. This has the potential to improve revenue mobilization than if it were spent on enforcement activities only. Therefore, property owners, who have received training on the rent income tax law would be expected to have better understanding than land lords/ladies who have not attended any training on rent income tax law. Thus, increased knowledge could influence attitudinal change positively affecting compliance (Kasipillai, Aripin & Amran,2016).

Perceived Opportunity for Rent Tax Evasion

Opportunity to evade tax, has often been documented as a major explanatory factor influencing non-compliance (Webley, 2014). In particular, if incomes are not subjected to automated third-party reporting or when taxes are not withheld at source, opportunities to evade taxes exist (Williams & Round, 2016).

The linkage between opportunity to evade tax and non-compliance seems to have at least two different facets. First, in cases where people do not deliberately capitalize on opportunities to evade the payment of tax, the specific circumstances leading to evasion opportunities might still lead to non-compliance (Williams & Round, 2016). Opportunities usually come about when rental tax filings are not entirely automated. Through human contact, rent income tax filing procedures are more likely to be error prone even without an intent to capitalize

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on the entailed opportunities. Consequently, perceived opportunity to evade may lead to an increase in intended as well as unintended non-compliance. Robben, Webley, Elffers, and Hessing (2015) stated that an experimentally induced opportunity to cheat (more possibilities to deduct non-deductible expenses) increased non-compliance regardless of whether the participants intended to be non-compliant or not. Secondly, assuming that tax payers are willing to capitalize on existing opportunities to evade, they will be able to do so if the opportunities could be recognized in the first place. However, opportunities to evade are often unnoticed. While majority of taxpayers perceive opportunities for evading small tax amounts, only a minority perceive opportunities for evading larger tax amounts (Antonides & Robben, 2015).

Failure to perceive opportunities even persists in laboratory experiments explicitly manipulating opportunity. Whereas controlling for intended evasion annihilated the effect of opportunity on evasion, simultaneously controlling intended evasion and perceived opportunity re-establish the main effect of opportunity on non-compliance (Robben et al., 2015). Indeed, it has been shown that, those actually evading rent income tax perceive increased opportunities to do so (Ashby, Webley& Haslam, 2017).

Perceived opportunity to evade rent income tax, can influence property owners to evade the payment of rent income tax intentionally or unintentionally. However, it is difficult to determine whether filing errors were intentional. In a study by (Slemrod et al., 2013), taxpayers were informed that their tax files would be closely examined. Those with considerable opportunities to evade, including

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small business owners, reacted to this message by increasing their tax payments significantly. Even though this might indicate severe tax evasion – as assumed by Slemrod et al., (2013) increased tax payments in response to the prospect of being audited may also originate from increased willingness to avoid errors. Property owners experiencing high opportunity to evade tax might feel less certain about how to pay their taxes correctly (Ahmed & Braithwaite, 2015). Threat of sanctions may also elicit partly unintentional over-reporting, just to be on a safe path.

To conclude, opportunity to evade payment of rent income tax is a key constituent of rent income tax compliance, its role is moderated by its perceptual correlates. Given the factor of perceived opportunity to evade payment of rent income tax, those unwilling to evade may become involuntarily non-compliant and those willing to evade may fail to perceive the opportunity to do so. In order to determine the actual effect of perceived opportunity to evade rent income tax, it is necessary to analyse compliance intention including opportunity to evade tax by land lords / ladies.

Fines and Penalties

Fine and penalty rates may substitute each other due to their multiplicative linkages as long as neither of them is set to zero (Kirchler et al., 2015). Higher fines simply make evading rent income tax hazardous and it is expected to deter property owners from evading rent income tax.

Empirically, the deterrent effect of fines could not always be supported. The observed effects were weaker than expected and some studies even suggested

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that an increase in penalties can have undesirable effect and result in more tax avoidance (Kirchler et al., 2015). This is actually difficult to prove since no rational person would take the risk of avoiding tax and paying relatively more fines or penalties. Alm et al, (2016), supports the evidence that fines do affect tax compliance though the impact was virtually zero. (Cobham, 2016) stated that, compliance is strongly affected by the level or quantum of fines than by audit probabilities. Several studies however found no support for the deterring effects of fines since it was weak (Andreoni et al, 2014). (Kirchler et al., 2015) suggested that a policy based on deterrence is effective only in combination with frequent audits. However, rent income tax compliance could be influenced positively by educating property owners of their civic responsibilities and thus their intention would be to comply. Rent income tax compliance depend on the cooperation between landlords and the public especially tenants. A theoretical economic model introduced by Allingham and Sandmo indicated that penalty and audit probability have an impact on tax compliance. The higher the penalty and the potential audit probability, the greater discouragement for potential tax evaders. Relatively, extreme penalties will have much effect, if it is backed by tax audits.

The increasing tax avoidance and tax resistance due to an increase in fines puts into question how fines should be applied in order to be effective. On one hand, fines should be high enough to decrease the expected value of rent income tax evasion and to assure its deterrent effect on property owners. On the other hand, if tax rates are relatively high, the tax system would be perceived as unjust

and unfair and taxpayers would use any possible means legally, to avoid taxes (Kirchler et al., 2015).

In summary, evidence suggests that fines and penalties have mixed impact on rent income tax compliance, however, compliance could be enhanced if fine and penalties are backed by frequent audit.

Conceptual Framework

This study conceptualizes that, rent income tax compliance level (dependent variable) could be affected or influenced by (independent variables); rent income tax compliance cost, perceived opportunity for rent income tax evasion, effect of fines and penalties, rent income tax knowledge and education.

The purpose of this study is therefore to access the nature and the strength of these relationships. This study tests the conceptual framework presented below;

[Independent Variables]   [Dependent variable]

Rent Income Tax Compliance Cost.
  ➢ Comparative treatment

Rent Income Tax Knowledge and Education.
  ➢ Fiscal exchange
  ➢ Political legitimacy

Perceived Opportunity for Rent Income Tax Evasion.
  ➢ Fiscal psychology
  ➢ Social influence

Effects of Fines and Penalties.
  ➢ Economic deterrence

Rent Income Tax Compliance Level.
  ➢ Administrative compliance
  ➢ Technical compliance

Figure 1: Conceptual Framework
Source: Field survey, (2017)

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Knowledge Gap

To the best of the researcher's knowledge there aren't adequate studies or no direct studies into rent income taxation in respect of analysing the following independent factors; rent income tax compliance cost, rent income tax knowledge and education, effect of perceived opportunity for rent income tax evasion, effect of fines and penalties as a contributing factor to rent income tax compliance in Tarkwa Nsuaem and Sefwi Wiawso Municipalities.

Chapter Summary

Andreoni, *et al.,* 2014 defined tax compliance as taxpayers' willingness to obey tax laws to obtain the economic equilibrium of a country.

Becker (2016), posited that, when the consequence or penalty of committing a crime outweighs the benefit of the crime, the taxpayer will be deterred from committing the crime. Allingham and Sandmo proposed a seminal economic deterrence model based on the expected utility function of the taxpayer who evaded (Allingham & Sandmo,2014). In explaining tax compliance behaviour, (Arjen & Fischbein, 2015) noted that, the ability to perform a behaviour depended on the fact that the individual has a purpose toward that behaviour (behavioural intention). (Eriksen & Fallan, 2013) noted that, attitude towards tax rent income tax compliance can be improved by educating property owners.

Thus, increased knowledge could influence attitudinal change positively affecting compliance, (Kasipillai, Aripin & Amran, 2016). research by (Franzoni, 2014) showed that, tax payers may develop some resentment against tax authorities who impose high levies and complex tax systems. According to

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Trivedi, Shehata, and Mestelmen (2014): fiscal exchange, social influence, comparative treatment and political accountability which are to a large extent inter related affect tax compliance. (Masinde & Makau, 2016) stated that, deterring non-compliers requires establishing a reasonable risk of detection as well as applying fines and penalties effectively. Earlier, (Kirchler et al., 2015) suggested that a policy based on deterrence will be effective when there are frequent audits. According to Williams and Round (2016), if rent income are not subjected to automated third-party reporting or if taxes are not withheld at source, opportunity to evade tax exist. This was corroborated by (Ashby et al., 2017), who posited that taxpayers actually evading rent income tax perceived an opportunity to do so. Based on the literatures reviewed, this study conceptualizes that, rent income tax compliance level (dependent variable) could be influenced by (independent variables); rent income tax compliance cost, perceived opportunity for rent income tax evasion, effect of fines and penalties, rent income tax knowledge and education.

CHAPTER THREE

RESEARCH METHODS

Introduction

This chapter describes the research method used in the study. The chapter will focus on research study areas, research design, population, sampling size for the study, data collection instruments. Data analysis and presentation methods used. As stated, the purpose of this research is to determine the various factors affecting rent income tax compliance and proffer solutions aimed at addressing the causes of rent income tax non-compliance.

Study Areas

The study was conducted in the Tarkwa Nsuaem and Sefwi Wiawso Municipalities all in the Western Region of Ghana. These municipalities were selected because they are part of the fastest growing municipalities in Ghana in terms of population and economic activities especially real estate development. However, conducting research in the entire municipalities would have been cumbersome therefore some major communities in these two municipalities were selected: in Tarkwa Nsuaem Municipality – Brenuakyinim, Anomakrom, Brofoyedur, and New Takoradi. Under Sefwi Wiawso Municipality – Wiawso, Dwinease, Ewiase and Ntretereso communities were selected. These communities are heterogeneous, they are fast growing in terms of economic activity and real estate development.

Research Design

A research design is a plan (series of steps to be carried out), structure and strategy (scheme or an elaborate and systematic plan of action), conceived and implemented or executed in order to obtain answers to research questions and control variables. Research design helps to control the experimental, extraneous (not belonging to that in which it is contained or not essential) and error variables of a particular research problem or area being investigated (Creswell, 2005).

This study used quantitative approach. This enabled the researcher to collect required data on factors that affect rent income tax compliance among real estate owners. Such a design, is a systematic empirical inquiry in which the researcher does not have direct control over independent variables because they cannot be manipulated (Creswell, 2005). Inferences regarding relations among variables will be made without direct intervention from concomitant or co-occurrence variation of independent and dependent variables. This is appropriate due to its high external validity and less cost.

Population

First, Tarkwa Nsuaem, is located between latitude 4^05' and longitude 5^05'. It's bounded by Prestea Huni-Valley to the north, Nzema East to the west, south by Ahanta West and the east by Mpohor district. The minerals' contribution to the wealth of the municipality is a factor of the region earning the accolade "the best comes from the west''. The 2010 population and housing census indicates that the municipality has a population of 90,477. The sex distribution is: male population is 51.6% and female population is 48.4% (Ghana Statistical Service, 2014). Data

from the Tarkwa Nsuaem Municipal Assembly shows that there are five hundred and three (503) residential facilities for rental purpose in the study area within Tarkwa Nsuaem Municipality namely; Brenuakyinim, Anomakrom, Brofoyedur, and New Takoradi all suburbs of Tarkwa in the TarkwaNsuaem Municipality (Tarkwa Nsuaem Municipal Evaluation Report, 2015).

Secondly, Sefwi Wiawso Municipal has a population of 139,200. Male population constitute 50.1% and female 49.9%. The Sefwi Wiawso Municipality lies in the North Eastern part of the Western Region between latitudes 60N and 60 300 N and Longitudes 20 450 W and 20 150 W. The Brong Ahafo Region shares boundary with it to the North, Juaboso and Bodi to the West, Aowin-Suaman to the South, Bibiani-Anhwiaso-Bekwai district to the East and Wassa Amenfi West to the South-East. Agriculture is the major economic activity in the Municipality in terms of employment and income generation, about 66 percent of the working population are engaged in this sector which constitutes the main source of household income in the Municipality (Ghana Statistical Service, 2014). Data from the SefwiWiawso Municipal Assembly shows that there four hundred and ninety- five (495) residential facilities for rental purpose in Wiawso, Dwinase, Ewiase and Ntretereso areas (Sefwi Wiawso Municipal Assembly Baseline Survey, 2014)

Thus, there are nine hundred and ninety-eight (998) residential facilities for rental purpose approximated to one thousand facilities (1000).

Sample Size

The objective of this study is to determine whether the conceptualized factors, affect rent income tax compliance within Tarkwa and Sefwi Wiawso Municipalities. The study used Krejcie and Morgan (1970) table in determining the sample size. Therefore, for a total population of one thousand, the sample size according to Krejcie and Morgan (1970) table is two hundred and seventy-eight (278) at 95% confidence level. First the sampling interval was determined: 1000/278 = 3.597 therefore the researcher settled on 3 as the sampling interval for the study. With a starting point of 2 and an interval of 3, the sample size of 278 was selected.

Krejcie and Morgan (1970) –formula

$$S = x^2 NP(1 - P) \div d^2(N - 1) + X^2 P(1 - P).$$

s = required sample size.

X^2 = the table value of chi-square for 1 degree of freedom at the desired confidence level (3.841).

N = the population size.

P = the population proportion (assumed to be .50 since this would provide the maximum sample size).

d = the degree of accuracy expressed as a proportion

For a known population (N) of 1,000, referring to the table, (Krejcie and Morgan table – 1970) the sample size (s) is 278.

Table 1: Determining Sample Size from a Given Population

N	S	N	S	N	S
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	1000000	384

Source: Krejcie and Morgan (1970)
N is population size S is sample size

Table: 2: Selected communities in each Municipality and number of respondents

Tarkwa Nsuaem Municipality	Sefwi Wiawso Municipality		
Brenuakyinim - 35	Wiawso -	35	
New Takoradi - 35	Dwinase -	35	
Brofoyedur - 35	Ewiawse -	34	
Anomakokrom – 35	Ntretereso -	34	
Total 140	**138**	**=**	**278**

Source: Author's own construct (field survey, 2016)

Sample and Sampling Procedure

Collection of data from all the landlords/ladies in the selected municipalities (Tarkwa and Sefwi Wiawso) would not be feasible owning to limited time and financial constraints. Therefore, a representative (sample) was used in the study. The study employed systematic sampling technique. With this sampling technique, each member of the population had an equal opportunity of being selected. The sample size of 278 property owners was selected using a random starting point of 2 and a sampling interval of 3. Two hundred and fifty questionnaires were personally administered by the researchers the remaining twenty-eight questionnaires were given to the respondents to fill, twenty questionnaires out of the twenty-eight were filled and returned. Therefore, two hundred and seventy out of the two hundred and seventy-eight of the questionnaires were received.

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Nature and Source of Data

This study used primary and secondary data. Primary data was collected directly from property owners through the administration of questionnaire developed by the researcher. Primary data was not enough for the exercise so secondary data was collected to augment the primary data to enable the researcher come out with informed findings. Sources of secondary data included Ghana population and housing census 2010 report, internet searches on tax compliance literatures inter alia.

The data collected from the respondents included; information on real estate, background information of respondents, proxy variables representing Cost of Rent Tax Compliance, Rent Tax Knowledge and Education, Perceived Opportunity for Rent Income Tax Evasion and Effect of Fines and Penalties on rent income tax non-compliance.

Primary data was collected mainly through the administration of structured Likert scale questionnaires in the field. The researcher and two research assistants personally administered the questionnaires to property owners. The structured questionnaires ensured that all the respondents answered the same set of questions. Questions asked were in the form of Likert type, closed-ended. This ensured easy handling and amenability to statistical analysis of closed-ended questions combined with the use of positioning statements.

Methods of Data Collection

Combination of data collection techniques; such as questionnaires, online searches, Ghana population and housing census 2010 report among others were

used in the study to gather primary and secondary data. The questionnaire was designed in April 2016. The questionnaires were administered between September 2016 and March 2017 by the researcher and two research assistants. For maximum response, the questionnaires were administered between 3pm and 7pm since most of the property owners would have returned from work. In all, two hundred and fifty questionnaires were personally administered by the researchers the remaining twenty-eight questionnaires were given to the respondent to fill, twenty questionnaires out of the twenty-eight were filled and returned. Therefore, two hundred and seventy out of the two hundred and seventy-eight of the questionnaires were received.

Validity of the Research Instrument

According to Patton (2002), validity is the quality attributed to a proposition or a measure of the degree to which they conform to established knowledge or truth. An attitude scale is considered valid, for example, to the degree to which its results conform to other measures of possession of the attitude.

Validity therefore refers to the extent to which an instrument can measure what it ought to measure. It therefore refers to the extent to which an instrument asks the right questions in terms of accuracy. Mugenda and Mugenda (2015) looked at validity as the accuracy and meaningfulness of inferences, based on research results. The content validity of the instrument was determined in two ways.

The researcher discussed the items in the instrument (questionnaire) with supervisor, lecturers and colleagues from the University of Cape Coast School of Business. These people helped to refine the definition of the topic of concern, the items to be scaled and the scales to use.

Content validity of the instrument was determined through piloting, where responses of the subjects were checked against the research objectives. Piloting involved using 40 property owners in Tarkwa Tamso and Sefwi Bekwai townships. These towns were chosen due to their closeness or proximity to the research areas. It was therefore expected that the factors under investigation closely mirrored those of Sefwi Wiawso and Tarkwa.

Reliability of the Research Instrument

According to Mugenda and Mugenda (2015), the reliability of an instrument is the measure of the degree to which a research instrument yields consistent results or data after repeated trials. Reliability of the test items in the questionnaire were tested by calculating a Cronbach's alpha during piloting. The Cronbach's alpha value was found to be above the threshold of 0.7 which is acceptable.

Table 3: Reliability results

Study variables	Cronbach's Alpha
Independent Variables:	
Rent tax compliance cost	0.714
Rent tax knowledge and Education	0.698
Perceived opportunity for evasion	0.751
Effects of fines and penalties	0.741
Dependent variable:	
Rent tax compliance level	0.75

Source: Field Survey, (2016)

Data Analysis and Presentation

Questionnaires filled by respondents were checked for completeness. Categorization and coding of data were done and entered into SPSS. Descriptive and inferential tests were used in the analysis. Thus, the data was described or summarized using descriptive statistics: mean, frequencies and standard deviation, which helped in meaningfully describing the distribution of responses. Also, various inferential statistics were used to infer population characteristics from the sample. Pearson's correlation coefficient was used to establish relationships between variables. A multiple linear regression model was used to predict rent income tax compliance level using the four independent variables in the study: rent income tax compliance cost, rent income tax knowledge and education, effect of fines and penalties and perceived opportunity for rent income tax evasion.

The regression model used is shown below:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \mathcal{E}$$

Where;   Y = Rent Income Tax compliance

α = Constant

β_1, β_2, β_3 and β_4 - Coefficient indicating rate of change of tax compliances as tax compliance cost, tax knowledge and education, fines and penalties and perceived opportunity for tax evasion changes

X_1 – Rent income tax compliance cost

X_2 – Rent income tax knowledge and education

X_3 - Rent income tax fines and penalties

X_4 - perceived opportunity for rent income tax evasion

$\mathcal{E}$ - Error term

The data was analysed using the Statistical Package for Social Sciences (SPSS). The tests were two-tailed. Significant levels were measured at 95% confidence level with significant differences recorded at $p < 0.05$. In addition, the β coefficients for each independent variable generated from the model were subjected to a z – test, to test or address the research questions under the study. Data was described or summarized using descriptive statistics such as mean and frequencies which helped in meaningfully describing the distribution of responses

Chapter Summary

The study was conducted in the Tarkwa Nsuaem and Sefwi Wiawso Municipalities. 278 land/lords were selected using systematic sampling from a random starting point of 2 and a sampling interval of 3. Two hundred and fifty questionnaires were personally administered by the researchers. The remaining twenty-eight questionnaires were given to the respondent to fill, twenty

questionnaires out of the twenty-eight were filled and returned. Therefore, two hundred and seventy out of the two hundred and seventy-eight of the questionnaires were received.   Thus, the study used questionnaire, Ghana population and housing census 2010 report, internet searches, research journals inter alia. The questionnaire was designed in April 2016 and administered between September 2016 and March 2017 by the researcher and two research assistants. Content validity of the instrument was determined through piloting using 40 property owners in Tarkwa Tamso and Sefwi Bekwai townships. Reliability of the test items in the questionnaire were tested by calculating a Cronbach's alpha (0.75) which is acceptable. The data was analysed using Statistical Package for Social Sciences (SPSS).

Limitations include: Respondents unwillingness to discuss issues with respect to their rent income. It was difficult accessing rent income tax files of respondents (property owners) to determine their compliance levels. Inadequate funds for sourcing relevant materials, literature and information. The researcher simultaneously engaged in this study with other academic and normal occupational work. These reduced the time devoted to the study.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

Introduction

This chapter deals with the analysis and discussion of the data collected. The chapter assesses the impact of the factors that affect rent income tax compliance by property owners. The response rate is 97.22%, thus, 270 out of 278 questionnaires administered were received.

The chapter discusses the variables (Dependent and Independent) involved in the study and estimate the conceptual model described in chapter two. In the first two sections, data description and analysis are presented. The model estimation and analysis of the results are then discussed. Finally, concluding remarks are made. Data description involves a discussion on the sources of data and definition of the dependent and the independent variables. Data collected was quantitatively analysed and presented in tables inter alia. Research questions were addressed or tested using the p values and t test values.

The purpose of the study is to determine the factors affecting rent income tax compliance by property owners in Ghana.

Demographic Information of Respondents

This section focuses on the background characteristics of the respondents. Thus: sex, age, household size, highest educational status, religious affiliation marital status. These characteristics are presented in figures and tables shown below (table 4 and table 5).

Table 4: Descriptive statistics (Demographic Information of Respondents)

Variable	Frequency	Percentage (%)
1. Sex		
Male	150	55.6%
Female	120	44.4%
Total	**270**	**100%**
2. Marital status		
Married	159	59%
Single	111	41%
Total	**270**	**100%**
3. Age		
20 -29	21	7.8%
30- 39	74	27.4%
40 – 49	82	30.4%
50+	93	34.4%
Total	**270**	**100%**
4. Households		
1-5	69	25.6%
6-10	84	31.1%
11+	117	43.3%
Total	**270**	**100%**
5. Religious affiliation		
Christian	191	70.7%
Muslim	62	23%
Others	17	6.3%
Total	**270**	**100%**

Source: Field Survey, (2016)

As shown from table 1 above, about sex of the respondents, males were in the dominant position or category with a total of 150 (55.6%), female constituted

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44.4% thus 120 respondents. From the study, there are more male property owners than female. The male dominance is not surprising as the Ghanaian culture places responsibility of the family welfare on the man. (Al-Mumin, Entebang, Mansor, Yasser, Nathan & Rahman, 2014) concluded that female taxpayers are more tax compliant relative to their male counterpart. Thus, the level of rent tax non-compliance might be high due to the male dominance.

Regarding marriage of the respondents, the study shows that 159 (59%) of the respondents were married, 111 of the respondents representing (41%) were single and not in marriage as at the time or period of this research. This finding could be attributed to the fact that most couple pull resources together to undertake residential project(s) as a source of additional income to the family. However, property owners who were single as at the time of the study may have been in marriage before (divorced) and might have been supported to put up the facility by their former spouse or partner (Ameyaw & Dzaka, 2016).

On age, 7.8% representing 21 respondents were between the ages of 20-29, 74 respondents representing 27.4% were between the ages of 31 – 40 years, 82 respondents representing 30.4% were between the ages of 41 – 50 years and 93 (34.4%) of the respondents were in the category of 51 years and above. This means that majority of the respondents who took part in this study were above the age of 50 years. It is believed that the aging taxpayers tend be more tax compliant than the younger taxpayers. The young taxpayers are more risk seeking and less sensitive to penalties (Ameyaw & Dzaka, 2016).

With respect to Households, the Table 4, shows that 69 respondents have between 1-5 household, 84 of the respondents have 6-10 household and 117 respondents have 11 and more household. This means that most of the respondents have more than 10 households. Larger household places more responsibility on the breadwinner (land lord/lady), this may affect compliance as rent received may go into providing for the needs of the household.

On religious affiliation of the respondents, 191 (70.7%) were Christians, followed by Muslims 62 (23%) and 17 (6.3%) of the respondents represented those who are neither Christian nor Muslim. This means that majority of the respondents were Christians. This is not surprising because according to the 2010 population and housing census, Christians constitute over 70% of the total population of Ghana. Studies by Mohdali (2016) revealed that one of the possible reasons of taxpayers to willingly comply voluntarily with the tax laws is their religious values deeply rooted in them.

Educational background

Table 5: Educational status of the respondents

	Frequency	Percentage
Basic	90	33.3%
Secondary	84	31.1%
Tertiary	38	14.1%
Others (no formal edu.)	58	21.5%
Total	**270**	**100%**

Source: Field survey, (2016*)*

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From the data taken on educational background of the respondents. Referring to Table 2, respondents with basic education were 90 (33.3%), followed by secondary 84, (31.1%), tertiary 38, (14.1%) and 58, (21.5%) of the respondents had no formal education. This means that most of the respondents have basic or formal education. However, a significant proportion of the respondents have no formal education. Nevertheless, majority of the respondents were able to read and respond to the demands of the questions asked. Tax payers' level of education has a significant relationship with income level, perception of fairness in tax administration, sanction and detection thus encouraging evasion of taxes if not controlled (Ameyaw & Dzaka, 2016).

Section B: Background Information on House Ownership

This section gives background information on house ownership by residential property owners, it includes: number of year(s) respondent have owned a house, number of rooms for rental purpose, rent charge per room and yearly gross income.

Table 6: Number of years that respondents have owned a house

	Frequency	Percentage
1-3	46	17%
4-6	61	22.6%
7-9	137	50.8%
10 and above	26	9.6%
Total	**270**	**100%**

Source: Field survey, (2016)

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From Table 3, 46 (17%) of the respondents have owned their house(s) between 1-3 years, 61 (22.6%) of the respondents have owned their house(s) between 4-6 years, 137 (50.8%) have owned house(s) between 7-9 years while 26 (9.6%) have owned their house(s) for more than 9 years. This means that more than half of the respondents [property owners] have owned their house[s] for more than 6 years.

Table 7: Number of rooms for rent

	Frequency	Percentage
1-3	152	56.3%
4-6	93	34.4%
7-9	18	6.7%
10 and above	7	2.6%
Total	**270**	**100%**

Source: Field survey, (2016)

Table 4 shows that, 152 (56.3%) of the respondents have 1-3 rented rooms, followed by 93 (34.4%) of the respondents who have 4-6 rooms for rent. 18 (6.7%) of the respondents have 7-9 rooms and 7 of the respondents have more than 9 rooms for rental purpose. This means more than half of the respondents have less than 4 rooms in their various houses for rent.

Table 8: Residential rent rates per room

GHȻ	Frequency	Percentage
Below 50	211	78%
50 – 100	50	18.5%
Above 100	9	3.5%
Total	**270**	**100%**

Source: Field survey, (2016)

Table 5 shows that 211 (78%) of the respondents' charge below GHc 50.00 per month, followed by 50 of the respondents who charge between GHc 50.00- GHc100.00 and 9 of the respondents charged above GHc100.00 per room.

Table 9: Yearly rent income

GHȻ	Frequency	Percentage
Below 500	32	11.9%
500 – 1000	56	20.7%
Above 1000	182	67.4%
Total	**270**	**100%**

Source: Field survey, (2016)

Table 6 shows that, 32 of the respondents (11.9%) earn below Ghc 500, 56 (20.7%) of the respondents earned between Ghc 500 - GHc1000, 182 (67.4) of the respondents earned above Ghc 1000. This means that majority of the respondents earn above Ghc 1000 per annum.

Preliminary Information on Rent Income Tax

Respondents were asked, whether they know any law or regulation that require Landlords or ladies to pay tax on their gross rent income to the Ghana Revenue Authority and also how to declare rent income for tax purpose.

■ yes ■ no

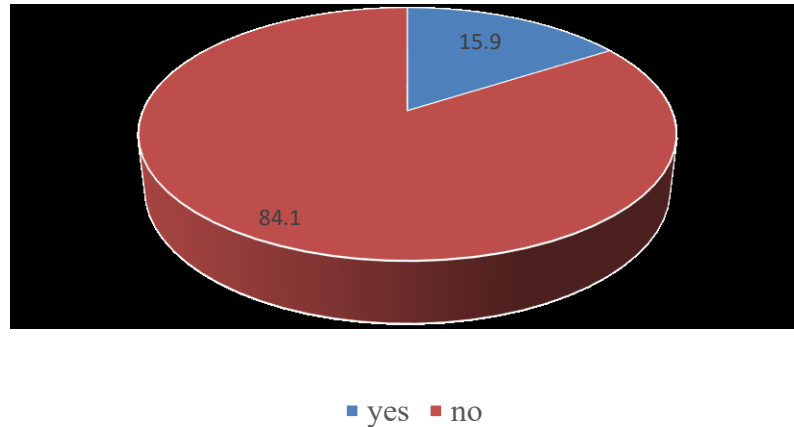**Figure 2: Respondents knowledge on rent tax law**

Source: Field survey, (2016*)*

Figure 5 shows 15.9% (43) of the respondents have heard about rent income tax law while 84.1% (227) are oblivious of the rent income tax law. This means that majority of the respondents have not heard of the rent income tax law.
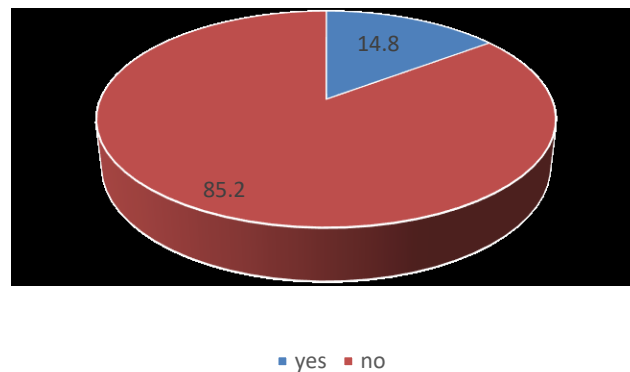

■ yes ■ no

Figure 3: Knowledge on declaring rent income

Source: Field survey, (2016)

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Figure 6 show that, only 14.8% (40) of the respondents have knowledge about how to declare their rent income, while 85.2% (230) have no idea about it. This means that majority of the respondents lack the requisite knowledge about how to declare their rent incomes for tax purpose.

Table 10: Rent Income Tax compliance level [Dependent variable]

	Mean	Std Deviation	Skewness	Kurtosis
Do you file your rent tax returns?	2.4	2.2	0.535	1.21
Do you file your rent tax returns on time?	2.2	0.1	-1.64	2.4
Rent Tax Compliance Level	2.3	1.15		

Source: Field survey, (2016)

Rent Income Tax Compliance Level [Dependent variable]

The results in table 7, shows that most rent owners do not file their rent income tax returns (mean = 2.4). The few who pay, do so late (behind time) (mean = 2.2). This result, show low level of rent income tax compliance among property owners. From the findings (table) above, the Ghana Revenue Authority (GRA), needs to monitor compliance of rent income tax by property owners by establishing and maintaining current accounts of land lords or ladies, set up information management systems covering land lords/ladies and third-party agents including tenants and tax consultants involved in rental business. This will help detect and pursue non-filers, nil filers and delayed payments. Establishing a

reasonable risk of detection as well as applying penalties effectively are required to arrest or ameliorate this problem. However, the ideal situation is to combine these measures so as to maximize their effect on compliance level (Masinde & Makau, 2016).

Independent Variables

These are the factors that the researcher has adopted or selected to cumulatively explain the dependent variable, they are: rent income tax compliance cost, knowledge and education on rent income tax, fines and penalties on rent income tax non-compliance and opportunity for rent income tax evasion.

Table 11: Rent Income Tax Compliance Cost

	Mean	Std Deviation	Skewness	Kurtosis
How do you rate the cost of filing rent income tax returns?	2.62	0.142	0.148	-1.20
How do you rate the cost of hiring rent income tax agent?	2.46	1.22	0.21	-1.025
How do you rate the cost of travelling to file a tax return?	2.8	1.012	-0.142	-0.35
Rent tax compliance cost	**2.62**	**0.7913**		

Source: Field survey, (2016)

Rent Income Tax Compliance Cost

Findings on rent income tax compliance cost shows that, averagely respondents were satisfied with the cost involved in filling their rent income tax

return (mean=2.62). Thus, respondents agreed that, the cost of filling a rent income tax return is fair or moderate. As well, respondents believe the cost of hiring a rent income tax agent is fair (mean= 2.46). Furthermore, the cost of travelling in order to fill a rent tax return is fair (mean=2.8).

Table 12: **Rent Tax Knowledge and Education**

	Mean	Std Deviation	Skewness	Kurtosis
Do you know how to declare actual rent income received to the GRA?	2.62	1.037	0.113	-1.003
Do you keep records on rent income and expenditure?	2.52	1.018	0.251	-0.82
Rent tax knowledge and education	**2.57**	**1.0275**		

Source: Field survey, (2016)

Rent Income Tax Knowledge and Education

The level of the interviewees' knowledge and education on rent income tax was inquired or assessed. However, respondents were not certain or were indifferent on how to declare their actual rent income received to the GRA (mean=2.62). Also, interviewees were not certain on how to keep records/documents on rent income and expenditure (mean=2.52). Thus, rent income tax knowledge and education was relatively low (mean=2.57).

Table 13: Perceived Opportunity for Tax Evasion

	Mean	Std Deviation	Skewness	Kurtosis
I can manipulate the figures in the rent tax return!	4.12	0.622	-1.13	2.34
Probability of being detected by the GRA for not declaring rent income are low!	2.58	1.24	0.016	-1.241
Can perceive other opportunities for rent tax evasion!	2.54	1.301	0.25	-1.029
Perceived opportunity for evasion	**3.08**	**1.054**		

Source: Field Survey, 2016

Perceived Opportunity for Rent Income Tax Evasion

Findings on Perceived opportunity for rent income tax evasion as per the survey and summarised in the table below indicate that, respondents (some) felt supporting documents do not need to be sent to the Ghana Revenue Authority (GRA), they believed they could massage or manipulate figures in the rent income tax return (mean =4.12), respondents were indifferent or uncertain of being detected by the tax authorities (mean=2.58), respondents were also uncertain of other opportunities for rent income tax evasion (mean=2.54). On the whole, findings on perceived opportunity for rent income tax evasion was found to be (mean = 3.08).

Table 14: Fines and Penalties

	Mean	Std Deviation	Skewness	Kurtosis
Rent tax penalty rates are low and I can afford to pay the penalty	2.97	1.042	0.012	-1.123
Have you ever been penalised for:				
- Not filing a rent tax return	2.82	1.148	-0.241	-1.002
- Late filing of rent tax return	2.86	1.175	-0.054	-1.124
- Under reporting rent income	2.78	1.23	-0.004	-1.146
Fines and penalties	**2.86**	**1.487**		

Source: Field survey, (2016)

Fines and Penalties

Findings on Fines and Penalties on rent income tax as summarised in table 8 shows that, penalty for rent income tax non-compliance is not so high (mean=2.97), respondents were not certain if there is penalty for not filing their rent income tax return (mean=2.82), late filing of rent income tax (mean= 2.81) and finally under reporting of rent income (2.86).

Correlation Statistics

This is a method of assessing the relationship or association between variables/factors. To be precise, it measures the extent of association between the ordering of two random variables although, a significant or strong correlation indicates a *common linkage* in a sequence of events and not necessarily causality. Thus, the study analysed the relationships that are inherent among the

independent and dependent variables as well as among the independent variables/ factors. The results regarding this were summarized and presented in table 12.

Pearson Correlations results in table 12 showed that rent income tax knowledge and education was positively and significantly correlated to rent income tax compliance level (r=0.602, $\rho<0.05$). Thus, knowledge and education on rent tax had 60.2% positive relationship with rent income tax compliance level. Tax fines and penalties was the second component to be positively related with rent income tax compliance level (r = 0.692, $\rho<0.05$) an indication that tax fines and penalties had 69.2% significantly positive relationship with rent income tax compliance level. Perceived opportunity for rent income tax evasion showed a negative significant association with rent income tax compliance level as shown by (r = -0.257, $\rho<0.05$) implying that perceived opportunity for tax evasion had a 25.7% negative relationship with tax compliance. Finally, rent income tax compliance cost was negatively correlated to rent income tax compliance level (r=-0.601, $\rho<0.05$). Therefore, rent income tax compliance cost had 60.1% negative relationship with rent income tax compliance level.

Table 15: Correlation statistics

Variables	V1	V2	V3	V4	V5
Level of Rent Tax Compliance	1				
Rent Tax Compliance	-0.601*	1			
Rent Tax Knowledge and education	0.602*	.638*	1		
Rent Tax fines and penalties	0.692*	.402*	.511*	1	
Perceived opportunity for tax evasion	-257*	.145*	.234*	.214*	1

Source: Field survey, (2016)

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* Correlation is significant at the level 0.05

V1= Level of Rent Tax Compliance

V2= Rent Tax Compliance

V3= Rent Tax Knowledge and education

V4= Rent Tax fines and penalties

V5 = Perceived opportunity for tax evasion

Regression

Multiple linear regression model, was used to predict rent income tax compliance level in the study. The prediction was carried out basing on the effect of the four independent factors: rent income tax compliance cost, rent income tax knowledge and education, rent income tax fines and penalties and perceived opportunity for rent tax evasion. As well, the b coefficients for every independent variable or predictor generated from the model were subjected to a t-test, in order to address or test the questions under study.

The study thus came up with a model summary, the Anova for the effect sizes and the regression model as presented in table 13, below. The findings indicated that the model correlation coefficient was 0.764 which indicated that the model predicted over 76.4% of the change in the dependent variable. This relationship was significant considering the coefficient of determination value of 0.764. The model was adequate in this case as indicated by the Durbin-Watson statistic value of 1.827 which is in the range of 1 to 2.

Table 16: Model Summary

R	R – SQUARE	Adjusted R Square	Std. Error of the Estimate	Durbin – Watson
0.824	0.801	0.764	0.5306	1.827

Source: Field survey, (2016)

a) Predictors: (Constant), Rent Income Tax Compliance Cost, Rent Income Tax Knowledge and Education, Rent Income Tax Fines and Penalties, Perceived Opportunity for Rent Income Tax Evasion.

b) Dependent Variable: Rent Income Tax Compliance Level

ANOVA

The ANOVA model in the table below shows, the regression model was adequate. The effect size of the regression model was shown to be over 74 that contributed by the residual mean sum of squares. The F-ratio was 74.512 at 3 degrees of freedom which are the four factors. This represented the effect size of the regression model and was significant with a p-value of 0.000.

Table 17: ANOVA statistics

	Sum of squares	Df	Mean square	F	Sig.
Regression	118.02	3	23.24	74.512	0.000
Residual	64.057	264	0.305		
Total					

Source: Field survey, (2016)

a) Predictors: (Constant), Rent Income Tax Compliance Cost, Rent Income Tax Knowledge and Education, Rent Income Tax Fines and Penalties, Perceived Opportunity for Rent Income Tax Evasion.

b) Dependent Variable: Rent Income Tax Compliance Level

Coefficients Model

The regression results in table 15 show that each of the predicted parameters in relation to the independent factors were significant; $\beta_1 = -.312$ (p-value = 0.000 which is less than $\alpha = 0.05$) which implies that we reject the null hypothesis stating that there is no significant relationship between rent tax compliance cost and rent tax compliance level. This indicates that for each unit increase in the negative effect of rent tax compliance cost, there is 0.312 units decrease in rent tax compliance level. Furthermore, the effect of rent tax compliance cost was stated by the t-test value = 6.371 which implies that the standard error associated with the parameter is less than the effect of the parameter.

Table 15, also shows that $\beta_2 = 0.329$ (p-value = 0.000 which is less than $\alpha = 0.05$) which indicates that we reject the null hypothesis stating that there is no significant relationship between rent tax knowledge and education and rent tax compliance level. This implies that for each unit increase in tax knowledge and education, there is up to 0.329-unit increase in rent tax compliance level.

Also, the effect of rent tax knowledge and education is shown by the t-test value of 6.382 implies that, the effect of rent tax knowledge and education surpasses that of the error by over 6 times. The value of $\beta_3 = 0.110$ (p-value =

0.019 which is less than α = 0.05) implies that we reject the null hypothesis stating that there is no significant relationship between rent tax fines and penalties and rent tax compliance. This indicates that for each unit increase in tax fines and penalties, there is up to 0.110 units increase in rent tax compliance level. The effect of tax fines and penalties is stated by the t-test value = 2.304 which indicates that the effect of tax penalties and fines is over 2 times that of the error associated with it.

The findings also showed that β_4 was -0.187 (p-value = 0.000 which is less than α = 0.05) which implies that we reject the null hypothesis that states that there is no significant relationship between perceived opportunity for tax evasion and tax compliance levels. This implies that there is up to 0.187-unit decrease in tax compliance for each unit increase in perceived opportunity for rent tax evasion. The rule of thumb was applied in the interpretation of the variance inflation factor (VIF). From the table, the VIF for all the estimated parameters was found to be less than 4 which indicate the absence of multi-collinearity among the independent factors. This implies that the variation contributed by each of the independent factors was significantly independent and all the factors should be included in the prediction model.

Table 18: **Coefficients Model**

	Unstandardized Coefficients		Standardised Coefficients			Collinearity Statistics	
	B	Std.Error	Beta	T	Sig.	Tolerance	VIF
Constant	-0.38	0.27		-1.41	0.015		
Rent Tax Compliance Cost	-0.30	0.04	-0.312	-6.37	0.000	0.712	1.312
Rent Tax Knowledge and Education	0.34	0.05	0.329	6.38	0.000	0.658	1.423
Rent Tax Fines and Penalties	0.15	0.06	0.110	2.30	0.019	0.728	1.310
Perceived Opportunity for Rent Tax Evasion	-0.20	0.05	-0.187	-3.32	0.000	0.505	1.456

Source: Field survey, (2016)

Dependent Variable: Rent Tax Compliance

Discussion of the Findings

The first objective is to determine the effect of rent income tax compliance cost on rent income tax compliance level. This is addressed by answering the first question which asked whether, rent income tax compliance cost has any significant effect on rent income tax compliance level; Sandford, et al. (2009) defined Tax compliance costs as the costs or expenses incurred by taxpayers in meeting the requirements laid on them by the tax law. Similarly, rent tax compliance cost can be defined as the cost or expenses incurred by land

lords/ladies in meeting their rent income tax obligations. Sandford, distinguished between gross tax compliance costs and net tax compliance costs (gross tax compliance costs less tax compliance benefits which include tax deductibility benefits, cash flow benefits, and managerial benefits). This was aimed at enhancing compliance especially when the tax is calculated on the net income which is seen as fair by property owners.

The research findings showed that, rent income tax compliance cost was negatively associated with rent income tax compliance level (coefficient estimate (β_1 = -0.312, p value =0.000). Thus, as compliance cost increases, compliance level reduces. Pope and Hijattulah (2015) argued that compliance costs include costs that are incurred by a company but are beyond the control of its management hence rent income tax compliance cost is likely to affect rent income tax compliance level. Earlier research by (Franzoni, 2014) concluded that taxpayers will develop resentment against tax authorities who impose high levies and complex tax systems. This will lead to rent income tax evasion as landlords would connive with their tenants to understate rent rates in the absence of a rent agreement and the ineffectiveness of the rent control department. Most districts/municipalities including Sefwi Wiawso do not have rent control department when this research was executed. In addition, the complexity of a tax system requires taxpayers: individual or companies to rely on external tax professionals or consultants who by means of sophisticated tax avoidance engineering could minimize the tax incidence (Franzoni, 2014). Thus, acknowledging the fact that high compliance costs diminishes the level of rent

income tax compliance, tax authorities should be interested in making the rent income tax regulation simpler to avoid this situation. In addition, the situation where rent income tax is paid on the gross rent income received increases the incidence of the rent income tax, it is therefore imperative to enforce appropriate deductions such as maintenance cost which could be allowed after physical inspection or submission of appropriate documents by property owners to back their claims inter alia.

In summary, as the cost of complying with the rent income tax increases, the level of compliance decline thus they move in the opposite/reverse direction.

The second objective which is to examine the effect of rent income tax knowledge and education on rent income tax compliance level is addressed by answering the second question which is: whether knowledge and education on rent income tax have any effect on rent income tax compliance level. Findings of the research indicate that, as knowledge and education on rent income tax increase, the level of rent income tax compliance also increase. Therefore, knowledge and education have effect on rent income tax compliance level (coefficient estimates (β_2 = 0.329, p value =0.000). This is in agreement with studies by (Kasipillai, *et al.,* 2016) who stated that knowledge relates to compliance due to its effect on understanding of the tax system. Also, study by (Mohd, 2014) asserts that, tax knowledge is necessary to increase public awareness on taxation rules and the role of taxation in national development. Once property owners have knowledge on the importance tax income or the need

to pay their rent income tax out of the rent income received, where and when coupled with the effects of non-complying they will voluntarily comply.

As posited by Eriksen and Fallan, (2013), attitude towards rent income tax compliance can be improved by educating property owners on the need to fulfil their rent income tax obligations. When a property owner has a positive attitude towards the payment of his/her rent income tax, it reduces his or her inclination to evade the payment of the rent income tax. Educated property owners may be aware of non-compliance opportunities, but their understanding of the rent income tax system and their level of moral development may promote favourable taxpayer attitude. One of the measures necessary for voluntary compliance of the rent income tax is by ensuring that property owners have adequate knowledge about the rent income tax law, this will enhance their ability and confidence to exercise their rent tax responsibility (Mohani, 2014).

Educational programmes by the tax authority (GRA) and other public educational institutions such as the Universities and professional bodies including state institutions such as the National Commission for Civic Education (NCCE) and the Information Service Department (ISD) are needed to enhance property owners' ability to understand the processes involved in paying their rent income tax among others. If rent income tax knowledge is enhanced, tax payers especially land lords or ladies will readily accept and honour their civic responsibility.

Chan et. al. (2013) argued that, greater education leads to high compliance since individuals who are well educated understand well the tax system. Also, they will acquire high levels of moral development and thus would comply.

Interactions with some officers at the GRA offices where I did my studies revealed that educating taxpayers on their social responsibility to pay their taxes had influenced tax payers to comply with the payment of tax in general but my study also revealed that the GRA is not educating property owners on their rent income tax obligation. Enhancing rent tax knowledge could easily be done, since every community has Landlords/ladies association, therefore meeting them at their meeting time and place could enable the Ghana Revenue Authority enlighten them (property owners) on the rent income tax law.

Therefore, assisting property owners by ensuring proper flow of information using the media and other appropriate channels could enhance compliance.

The third objective is to evaluate the effect of perceived opportunity for rent income tax evasion on rent income tax compliance level. This objective is addressed by solving the third question which asked whether rent income tax fines and penalties have any significant effect on rent income tax compliance. Research findings shows that the threat of fines and penalties on rent income tax non-compliance is positively associated with rent income tax compliance level. Thus, fines and penalties have coefficient estimate ($\beta_3 = 0.110$, p value $=0.019$), Higher fines on rent income tax defaulters has a high potential of reducing rent income tax non-compliance, thus encouraging rent owners to comply. This agrees with studies by Friedland et al. (2014) who posited that, tax compliance was strongly affected by the level or quantum of fines than by audit probabilities. Studies by Allingham and Sandmo indicated that penalties as well as audit probabilities have

an effect on tax compliance. Relatively high penalty on rent income tax non-compliance and potential audit probability will discourage potential rent income tax evaders. This research does support the work by (Kirchler et al., 2015) who posited in his work that increasing penalties would deter would be defaulters when the rent income tax system and audit probabilities are strengthened. Therefore, the dual effects of fines and penalties coupled with audit probabilities could influence compliance.

The fourth objective is to assess the effect of threats, fines and penalties on rent income tax compliance level. This objective was addressed by answering the fourth question: whether, perceived opportunity for rent income tax evasion has any significant effect on rent income tax compliance level. Findings from the studies show that, perceived opportunity for rent income tax evasion was associated with the level of rent income tax compliance, (coefficient estimates (β_4 = -0.187, p value =0.000). Opportunity to evade the payment of rent income tax may lead to an increase in intended and unintended non-compliance. Robben et al. (2015) indicated in his findings that, an experimentally induced opportunity to cheat increased non-compliance regardless of whether the participants actually intended to be compliant or not.

The study findings are also in agreement with Slemrod et al. (2013) in a study where taxpayers were informed that their tax files would be closely examined. Small business owners who had opportunity to evade payment of tax reacted to this message by increasing their tax payment in order to avoid errors. Thus, property owners facing high opportunity to evade tax might feel less certain

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about how to pay their taxes correctly. If incomes are not subject to automated third-party reporting, or if taxes are not withheld at source thus, deducted from the gross income by the tenants before payment to landlords, opportunities to evade taxes exist (Williams & Round, 2016). Consequently, threats may also elicit partly unintentional over-reporting; just to be on the safe side (Ahmed & Braithwaite, 2015). It is therefore worthy to note that opportunity to evade rent income tax is a key constituent / factor affecting rent income tax compliance level.

Chapter Summary

In summary, as the cost of complying with the rent income tax increases, the level of compliance by property owners decline thus they move in the opposite/reverse direction.

As knowledge and education on rent income tax increases, the level of rent income tax compliance also increases. Therefore, knowledge and education have positive effect on rent income tax compliance level.

Research findings shows that the threat of fines and penalties of rent income tax non-compliance is positively associated with rent tax compliance level. They are positively related.

Perceived opportunity for rent tax evasion was negatively associated with the level of rent income tax compliance. Thus, perceived opportunity to evade the payment of rent income tax may lead to an increase in intended and unintended non-compliance.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECCOMENDATIONS

Introduction

This is the final chapter of the study. It contains summary of the study, major findings of the research, recommendations based on the findings to enable the relevant authorities take appropriate measures aimed at improving rent income tax collection.

Summary of the Study

The general objective of this study is to analyse the factors affecting rent income tax compliance in the real estate sector in Ghana. The target population consisted of all the residential property investors or owners within Tarkwa Nsuaem and Sefwi Wiawso Municipalities, all in the Western Region of Ghana. Two hundred and seventy (270) questionnaires were received. Initial sample size was two hundred and seventy-eight (278) respondents selected from a target population of one thousand property owners. The study assessed, whether the following independent factors: rent income tax compliance cost, rent income tax knowledge and education, fines and penalties on rent income tax defaulters and perceived opportunity for rent income tax evasion have any significant effect on rent income tax compliance level (Dependent variable).

Major Findings

Findings on gender revealed that, there are more land lords than land ladies. It was also revealed that majority of the respondents were more than fifty years old (51^+). From the findings, majority of respondents had basic education.

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Findings on information about house or real estate ownership revealed that majority of the estates have been in existence between 7-9 years. With respect to annual turnover, majority of property owners made a turnover of more than GHc 1000.00 annually.

Findings on preliminary information on rent income tax revealed that majority (84.1%) of the respondents have not heard of the rent income tax law and 85.2% of respondents do not know how to declare their rent income for tax purpose.

The study found that, rent income tax compliance level among property owners (Landlords) was low. There is therefore an urgent need for the Ghana Revenue Authority (GRA) to collaborate with other governmental agencies or institutions such as National Commission for Civic Education (NCCE), Information Service Department inter alia, to sensitize property owners on their civic responsibility. On matters pertaining to punishment by GRA as a result of not filing rent income tax returns, late filing of rent tax returns and under reporting rent income, majority of the respondents indicated that, they have never been penalized for such offence(s).

Furthermore, a determination of the effect of rent income tax compliance cost on rent income tax compliance level revealed a strong negative correlation, meaning, rent income tax compliance cost has a significant effect on the level of rent income tax compliance level. Thus, high compliance costs will reduce rent income tax compliance level. This finding supports the findings by Franzoni (2014) who posited that, high tax rates and complex tax legislation could induce

fraud. Thus, property owners could develop some resentment against tax authorities who imposed relatively high taxes and complex tax systems. This could lead to rent income tax evasion because of the perceive financial advantage that may accrue to evaders.

As well, effect of rent income tax knowledge and education on rent income tax compliance level showed a strong positive relationship between the two implying that, enhanced knowledge on rent income tax, will enhance rent income tax compliance level. This finding supports the work by Mohd (2014) who posited that: Taxation knowledge is necessary to increase public awareness on tax laws (such as the rent income tax law), the role of tax in national development, and especially to explain how and where the money collected is spent by the government. Findings by Eriksen and Fallan (2013) also posit that, when a property owner has a positive attitude towards the payment of his rent income tax it reduces his or her inclination to evade rent income tax. Therefore, attitude toward rent income tax compliance level can be improved by educating property owners on the need to fulfil their rent income tax obligation.

An assessment of the effect of fines and penalties on rent income tax compliance level revealed that, there is significantly a positive relationship between them. This implies that an effective use (enforcement) of fines and penalties on rent income tax defaulters or offenders could improve rent income tax compliance. The study provides some preliminary evidence to the effect that fines and penalties play vital roles in improving rent income tax compliance level. Specifically, a rent income tax system with fair rates of fines and penalties, rent

income tax compliance is likely to be enhanced. (Kirchler et al., 2015) stated that tax compliance could be enhanced if fines are supported with frequent audit probabilities.

The results of the study also indicated that perceived opportunity for rent income tax evasion has a significant effect on rent income tax compliance level. This is because opportunity and induced opportunity to cheat increased rent income tax non-compliance regardless of whether the participants actually intended to be compliant or not. This finding is corroborated by the work of (Ahmed & Braithwaite, 2015) who noted that, tax payers (property owners) facing high opportunities to evade might feel less certain about how to pay their taxes correctly.

Finally, knowledge and education on rent income tax have a significant effect on rent income tax compliance level. It is therefore necessary for the tax authority [Ghana Revenue Authority - GRA], to improve education on how to file rent income tax returns and the importance of paying rent income tax as a civic responsibility by property owners. This finding supports the research by (Kirchler *et al.* 2015) who were of the view that rent income tax compliance is influenced by the extent to which landlords trust their governments, therefore to build trust, tax authorities must periodically engage tax payers in a dialogue to address any perception/concern that might negatively affect compliance. This finding also supports the work by (Moore 2014) who propounded the fiscal exchange theory which suggested that the presence of government expenditure(s) may enhance compliance and that governments can increase compliance by providing goods

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and services that citizens need in a more efficient, effective and accessible manner. This view was corroborated by Alm *et al.* (2016) who noted that, tax compliance increased with the availability of public goods and services. Thus, the main concerns of taxpayers are the benefits in return (directly) for the tax paid in the form of public services (*quid pro quo*). Therefore, taxation and the provision of public goods and services are interpreted as a contractual relationship between taxpayers (land lord/ladies) and the government (Moore 2014). However, rent income tax compliance could be influenced positively by educating property owners of their social and civic responsibilities to pay and thus their intention would be to comply.

Conclusion

Findings from the study provide evidence that, rent income tax compliance cost is a contributory factor in the level of rent income tax compliance by property owners. As noted by Franzoni (2014), high tax rates and complex tax legislations could induce fraud. Thus, the findings provide enough proof to conclude that rent income tax compliance cost is associated with the level of rent income tax compliance. Robben et al. (2015) stated that an experimentally induced opportunity to cheat (opportunity to deduct, non-deductible expenses) increased non-compliance regardless of whether the participants intended to be compliant or not.

The study also provided evidence that fines and penalties play a vital role in improving rent income tax compliance level. Specifically, for a tax system with

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relatively high rates of fines and penalties, the level of rent income tax compliance is likely to improve.

In addition, the results indicated that, perceived opportunity for rent income tax evasion had a significant effect on rent income tax compliance level. Thus, induced opportunity to cheat increased non-compliance, regardless of whether property owners intended to be compliant or not. Therefore, as Allingham and Sandmo indicated, penalties as well as audit probabilities have positive impact on (rent) tax compliance. Relatively, the higher the penalty and the potential audit probability, the greater discouragement for potential tax evaders.

Finally, knowledge and education on rent income tax have significant effect on rent income tax compliance level. One of the measures to increase voluntary compliance of the rent income tax is by ensuring that property owners have adequate knowledge about the rent income tax law, this will enhance their ability and confidence to exercise/fulfil their rent income tax responsibility (Mohani, 2014). It is prudent for tax authorities to enhance education on how to file rent income tax returns and the importance of paying rent income tax which is a civic duty imposed on every citizen and for this matter, property owners. Thus, with respect to providing rent income tax awareness training, it is the responsibility of the tax authority (Ghana Revenue Authority) to conduct series of training programmes to enhance rent income tax payers' knowledge. However, the research indicated that majority of the respondents have not attended any rent income tax training. This may be the result of poor control and lack of proper

monitoring mechanism by the tax authority or lack of awareness/knowledge by rental tax payers of any training programme being organised by the GRA or other institutions. Therefore, it can be concluded that many respondents [property owners] are oblivious of the rent income tax law and therefore need training on the law.

Recommendations

The Government must enforce a tenancy agreement (written contract) between land lords and tenants. This will facilitate fair determination of the rent income tax.

Rent Control Department should be established in every district in the country and resourced adequately to play an intermediary role between landlords and the Ghana Revenue Authority.

From the findings, rent income tax compliance cost has a significant effect on rent tax compliance level. Therefore, a rent income tax system with relatively moderate rent income tax compliance costs will enhance compliance. Thus, the government and the Ghana Revenue Authority must ensure that, rent tax compliance cost are kept at the barest minimum relatively so that it does not encourage property owners to evade the payment of rent income tax. A possible cost embedded in compliance cost is the cost of transportation, this could be addressed by providing a system that enable property owners to pay their rent income tax online or via the mobile money system to avoid transport cost and risks, as well as reduce human contact inter alia.

The findings show that, fines and penalties have a direct impact on rent income tax compliance level. It is suggested that, the Ghana Revenue Authority must ensure, there are relatively high levels of fines and penalties coupled with periodic audit to encourage property owners to comply for fear of paying unnecessary fines or penalties.

Furthermore, rent income tax knowledge and education have significant effect on rent income tax compliance level. Thus, the rent income tax system should not only provide a clear and simple guideline on how to fill the rent tax returns but also the Ghana Revenue Authority, should improve rent income tax payer education by engaging property owners in seminars, road shows inter alia.

Finally, perceived opportunity for rent income tax evasion has significant effect on rent income tax compliance level, therefore the Government (Ministry of Finance) and the Ghana Revenue Authority, should target property owners at all levels and seal loopholes that may facilitate rent income tax evasion. There should be mapping of all rental properties by the GRA and the rent control department and a formal contract or agreement between land lords and tenants that would indicate rent rates charged based on which the rent income tax could be calculated or determined showed be enforced.

Suggestions for Further Studies

In future, researchers can replicate this study in other parts of the country if not the entire country.

An examination of the concept of fairness in fiscal exchange could be carried out. Critical factors in this respect are citizens' perceptions about the role

of the state, how the tax law is administrated, perceptions about enforcement and government trustworthiness.

Research focusing on fairness in tax collection and comparative treatments of taxpayers could also be undertaken.

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APPENDIX I

QUESTIONNAIRE

SECTION A: BACKGROUND INFORMATION OF THE RESPONDENT

[PLEASE TICK APPROPRIATELLY]

Gender	I. Male	[ ]	II. Female	[ ]
Marital Status	I. Married	[ ]	II. Single	[ ]

Household Size	I. 1-5	[ ]
	II. 6-10	[ ]
	III. 11 And Above	[ ]
Age	I. 20-30	[ ]
	II. 31-40	[ ]
	III. 41-50	[ ]
	IV. 51and Above	[ ]
Religion	I. Christian	[ ]
	II. Muslim	[ ]
	III. Any Other	[ ]
Level of Education	I. Basic	[ ]
	II. Secondary	[ ]
	III. Tertiary	[ ]
	IV. Any Other	[ ]

SECTION B: BACKGROUND INFORMATION ON HOUSEHOLD

How long have you owned a house	I. 1-3?	[ ]
	II. 4-6	[ ]
	III. 7-9	[ ]
	IV. 10 and above	[ ]
Do you use it for rental purpose	I. Yes	[ ]
	II. No	[ ]

How many rooms do you have for rental purpose

	I. 1-3	[ ]
	II. 4-6	[ ]
	III. 7-9	[ ]
	IV. 10 And Above	[ ]

What is the rent charge per room?

Residential	I. Below Ghc 50.00	[ ]
	II. Ghc 50.00-100.00	[ ]
	III. Above Ghc 100.00	[ ]
Commercial	Below Ghc 50.00	[ ]
	Ghc 50.00-100.00	[ ]
	Above Ghc 100.00	[ ]

How much do you earn from rent per year?

Below	Ghc 500.00	[ ]
Between	Ghc 500.00-1000.00	[ ]
Above	Ghc 1000.00	[ ]

PRELIMINARY INFORMATION ON THE RENT TAX LAW

Have you heard of the rent tax law   I. YES [ ]   II. NO [ ]

If yes, what are the rates: I. RESIDENTIAL ………

II. COMMERCIAL…………

Have you attended any course on rent tax   I. YES[ ]   II. NO[ ]

If yes, who provided the course/training   I. GRA[ ]   II. ANY OTHER [ ]

Are there any there any means of evading rent tax   I. YES [ ]   II. NO [ ]

If yes, what are some of the means ……………………………………………

SECTION C: RENT TAX COMPLIANCE LEVEL

Tick Appropriately	Strongly Disagree (1) Disagree (2) Not Certain (3) Agree (4) Strongly Agree (5)				
	1	2	3	4	5
Files your rent tax returns!					
Files your rent tax returns on time!					

SECTION D: RENT TAX KNOWLEDGE AND EDUCATION

Tick Appropriately	Strongly Disagree (1) Disagree (2) Not Certain (3) Agree (4) Strongly Agree (5)				
	1	2	3	4	5
Knows how to declare rent income received!					
Keeps record on rent income and rent expenditure!					

SECTION E: RENT TAX COMPLIANCE COST

Tick Appropriately	Very Low (1) Low (2) Fair (3) High (4) Very high (5)

	1	2	3	4	5
How do you rate the cost filing rent tax returns?					
How do you rate the cost of hiring a rent tax agent?					
How do you rate the cost of travelling to file rent tax returns?					

SECTION F: RENT FINES AND PENALTIES

Tick Appropriately	Strongly Disagree (1) Disagree (2) Not Certain (3) Agree (4) Strongly Agree (5)				
	1	2	3	4	5
Rent tax penalties are low					
Have you ever been penalized for the ff:-					
Not filing rent tax returns					
Late filing rent tax returns					
Under reporting rent income					

SECTION G: PERCEIVED OPPORTUNITY FOR RENT TAX EVASION

Tick Appropriately	Strongly Disagree (1) Disagree (2) Not Certain (3) Agree (4) Strongly Agree (5)				
	1	2	3	4	5
I can manipulate the figures in the rent tax returns!					
The probability of been detected by the GRA for under stating rent income is low!					

THANK YOU