TAX ACCOUNTABILITY

GHANA ANTI-CORRUPTION COALITION
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Ghana Anti - Corruption Coalition

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Every effort has been made to verify the accuracy of the information contained in this report. All information was believed to be correct and accurately analysed in the context of the study. Nevertheless, GACC cannot accept responsibility for the consequences of its use for other purposes or in other contexts.We would like to thank all the individuals who contributed to all stages of the research and preparation of the report.

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EXECUTIVE SUMMARY

Tax accountability is vital and it is believed to have direct impact on peoples' tax compliance decisions. In this study, a desk review is conducted to assess the level of tax accountability in Ghana. The review looked at the various tax laws and the regulatory frameworks for tax administration in the country. The results found very limited avenues for accounting for tax revenues in the country, as the laws do not make specific provisions for accounting for taxes separately from other national receipts in the consolidated account, aside from the annual budgetary process.

A survey of taxpayers, tax authority, finance ministry, tax experts and civil society advocates followed the desk review. The idea is to assess the level of tax accountability from the perspectives of tax experts/advocates, policymakers and taxpayers to give a more holistic view of government's tax accounting mechanisms in the system. The survey report concluded that both taxpayers and policymakers believe there's limited tax accountability in the system. Although there are no deliberate provisions to account for national tax receipts as per the existing tax laws, the survey results suggest that an improved tax accountability will enhance voluntary compliance, thereby reducing tax administration costs and improve receipts. Of course, accounting for the taxes put in the consolidated account will be difficult at this stage. It is therefore recommended that the government makes deliberate efforts to disclose the revenues and expenditures on earmarked taxes such as the communication service tax, sanitation levy and the e-levy. The finance minister proposed a quarterly accountability mechanism during the town hall meetings on the e-levy. This, if followed, could enhance revenue from this and other tax handles.

Among others, the budget must make provisions on accounting for earmarked taxes, and government should use national media and other platforms to periodically account for receipts. Such actions will build trust, enhance compliance and subsequently improve revenue.

INTRODUCTION

Transparency and accountability have direct influence on tax compliance of taxpayers. Tax payment is a psychological contract between taxpayers and the state (Feld and Frey, 2005). Tax compliance research has shown that the more transparent and accountable the tax authority is, the higher the trust, which directly enhances voluntary compliance (Kastlunger et., 2010). Put simply, accountability builds trust which subsequently evokes voluntary compliance. From the psychological tax contract theory, taxpayers and the tax authority see and treat each other as partners, which involves transparency and honesty towards each other. The theory thus assumes that if tax authorities treat taxpayers anything different from this 'partnership relationship', the psychological tax contract will be seen as violated and citizens may feel they have good reason not to stick to their part of the contract and may evade taxes (Frey & Feld, 2002, cited in Feld and Frey, 2006; p4).

Tax accountability in Ghana and platforms offered for interface with citizens should be viewed and assessed in relation to the public financial management cycle of the country. Public Financial Management in Ghana is governed by Act 921 of 2016 which regulates the management of public finances. It goes through five stages; strategic planning; budget preparation and approval; budget execution; record keeping accounting and reporting; and monitoring, evaluation, and auditing. The aforementioned challenges necessitate a closer look at these stages and the effectiveness of the accountability structures regarding domestic revenue mobilization and usage.

This research assesses and provides new information on the current governance and policy framework for ensuring tax accountability in Ghana and their effectiveness. Therefore, this study covered detailed understanding of the context of tax accountability in Ghana, the governance and policy framework, gaps and recommendations on how to improve tax accountability in Ghana to yield domestic resources for development, as well as boost tax paying culture and morale. The study employs a desk review and key stakeholder semi-structured interviews to achieve its objective.

To achieve the research objective, the study assesses the level of tax accountability mechanisms in the Ghanaian tax system, and how this consequently influences people's [voluntary] tax compliance intentions. The study is divided into three parts - the initial part uses documentary reviews to assess the availability and level of transparency and accountability in the system, whilst the second part uses a survey technique to assess taxpayers, tax officials and experts' opinion on the state of the current level of tax accountability in the country. The final part presents the recommendations and conclusions for future tax policies.

THE STUDY METHODOLOGY

The study adopts a mix method to assess the level of accountability in the current tax regime of Ghana.

Desk review

The initial part uses documentary evidence to evaluate the legal (accountability) provisions in the tax system. Here the emphasis is on assessing 'what are the specific provisions in Ghana's tax laws and practices on tax revenue accountability'. By reviewing existing documents, we are able to appraise government's direct commitments to transparency and accountability on taxation in Ghana. The first part starts with a general literature review on transparency and accountability in taxation and how these influence compliance intentions, followed by review of key government documents such as the Income Tax Act 2015 (ACT 896), the Public Financial Management Act (PFMA) 2016, (Act 921), the National Budget, the Finance Ministry's fiscal publications and provisions in the earmarked taxes. Whilst careful attention was taken to assess accountability issues within these documents, it must be noted that most of these are legally worded, and unless explicitly stated, it is possible, the researcher[1] may be unable to decode certain provisions which have similar meaning or intentions. Thus, the documentary reviews look for explicit (and easily decodable) provisions on accountability within these legal documents.

Survey data collection

The second phase of the study used the survey method to collect data from key stakeholders within the Ghana tax system. The questionnaire for the survey was divided into three parts for the three strata targeted by the study: tax payers, civil society and tax authorities;

Participants

- **Part 1** was for the taxpayers. The study used series of questions to assess their perception of transparency and accountability in the tax system and how this in turn influence their compliance decisions. The emphasis was on small scale businesses spread across four regions – Greater Accra, Ashanti, Western North and Northern Region. The choice of region was influenced by economic

[1] Chris Bellos Consulting

activity and location. Thus, to have a fair representation, participants were selected from the northern (Tamale), coastal (Accra) and the middle belt (Kumasi, Wiawso)

- **Part 2** is designed for tax practitioners, academia, Civil Society Organisations (CSOs) and other tax advocates. The idea here is to assess the perception of those with expertise in taxation and accountability.
- **Part 3** centered on the tax authorities – Ghana Revenue Authority (GRA) and the Ministry of Finance. The emphasis is to assess the regulator's own perception of the quality of accountability mechanisms incorporated into the tax system. Here, the study tries to find if 'there is enough accountability from the authorities' or they believe there should be new/more provisions. Again, this section seeks to assess whether the authorities see accountability provisions as crucial in tax administration.

Approach

The study was conducted with the support of 8 research assistants [two for each region] who used mobile devices installed with Kobo Collect to administer open ended survey questions. The research assistants supported in distributing and at times assisting in completion of questions. They used a purposive sampling technique through a 'search, identify and interview' approach and snowballing to select participants. Adopting this approach and using the research assistants helped to reduce the tendency of no or low responses.

The study targeted 208 respondents. In total, 200 out of 208 were usable responses, representing 96.2% response rate. The breakdown of responses and participants is presented in section 3 (survey data analysis) of the work.

SECTION ONE – DESK REVIEW

This section presents a literature review of tax accountability broadly and concludes with key tax legal framework in Ghana – to assess how they individually or collectively address the issue of accountability in the tax regime.

Taxation and tax compliance

Taxation is defined as 'a compulsory levy, imposed by government or other tax raising body, on income, expenditure, or capital assets, for which the taxpayer receives nothing specific in return' (Lymer & Oats, 2015). However, not all payments to government are considered as taxes, for example, charges, tolls, and other levies that are paid to request specific services. As taxes are compulsory, generally people have very limited option not to comply if they fall within the defined thresholds. As a result, some taxpayers resort to evasion and avoidance practices to minimize their tax liability or escape it entirely. Tax avoidance is not illegal, but tax evasion is illegal and usually punishable by law hence, people use the former to minimize liability. This presupposes that any tax system or policy is bound to face a degree of resistance expressed through evasion or avoidance actions. Overcoming the non-compliance hurdle is the ultimate objective of most tax policymakers. Tax compliance thus, is the degree to which a taxpayer complies with the tax rules of his or her country, for example, by declaring income, filing a return, and paying the tax due on time (Cummings, 2007). On the other hand, tax non-compliance is the failure of a taxpayer to meet tax obligations, whether the act is done intentionally or unintentionally (James & Alley, 2004), and this may include failing to file a tax return; under reporting of taxable income; overstating tax claims such as deductions, reliefs and exemptions and failing to pay tax liabilities in a timely manner (Kirchler, 2007). Although tax compliance is influenced by a number of factors, visible signs and direct (noticeable) benefits of tax payment have been described as some of the key variables which evoke the psychological contract between taxpayers and the state and thus have direct relationship with citizens tax compliance intentions. According to the notion of psychological [tax] contract, citizens pay their taxes in return for transparent and accountable governance that delivers public goods (Tsai, Toral, Read, & Lipovsek, 2018). Information availability enhances transparency and accountability, and thus linking this to the 'visible signs of tax payment' argument, these variables intend to improve tax compliance.

Tax Accountability and Tax Compliance

Effective accountability mechanisms for any revenue, be it tax or any form of income, entrusted in the hands of authority is avowed to be significant for the success of any government or organization. In the context of public administration, accountability is the perspective of governance by individual citizen of how governments pursue the wishes or needs of the people and how well they have implemented these needs in their decisions, irrespective of whether they are encouraged to do so through mechanisms of authoritative exchange and control (Rolle, 2017; Mulgan, 2000). Therefore, it is indisputable as elaborated by Sobhkhiz, Ashrafi, Mojibi, & Otadi, (2020) that responding to genuine taxpayer expectations and requests through accountability mechanisms in the tax system improves taxpayers' voluntary compliance decisions. While the government is responsible for collecting revenue (taxes), this role also obligates the government to account for its operations, assume responsibility for them, and reveal the outcomes in a transparent manner. Current research (Boogaard et al. 2021; Resnick, 2020; Prichard, 2015) indicates that substantial tax relationships are more likely where taxpayers have the motive, means, and capacity to successfully demand reciprocity or accountability from governments.

Obtaining high levels of voluntary tax compliance and/or retaining present compliance rates, as well as boosting marginal levels, are challenges that fiscal policymakers in both developed and developing nations are concerned with (Abdul-Razak & Adafula, 2013). This is because, regardless of the structure of the economy, the primary goal of taxes is the same, that is, to generate revenue for the financing of public goods and services, as well as government spending (Abdul-Razak and Adafula, 2013; Martina et al., 2008). Tax compliance and the broader domestic revenue mobilization efforts are progressively becoming major topics in global development agenda (Sebele-Mpofu and Msipa, 2020; OECD, 2010). Meanwhile, Sebele-Mpofu and Msipa (2020) expounded on the fact that mobilization of domestic revenue in developing nations, particularly in Sub-Saharan Africa, is considered to be hindered by a vast and increasing informal sector (mostly SMEs) that mostly avoid paying taxes. This low compliance culture among informal sector operators is mainly influenced by weak tax knowledge (i.e. their understanding of tax laws) as well as their assessments of fairness of the tax system (Setyonugroho & Sardjono, 2013), the costs and complexities in the compliance process, trust in the government on judicious use of the tax revenue, and the officials and political dynamics and choices (Sebele-Mpofu, 2020). Everest-Phillips and Sandall (2009) emphasized that the informal sector remains a missing piece of the tax base, resulting in limited tax bases and insufficient tax revenue mobilization. Therefore, over the years in Ghana, for example, tax revenues have always been way short of government expenditures due to the relatively bigger size of the informal sector, weak tax knowledge and weak accountability of tax revenues.

This has been evident in recent reports (Bank of Ghana, 2020; Ghana Statistical Service, 2020) where government expenditure of GH¢96,400 million was far below tax revenue of GH¢53,903 million generated by government. Successive governments have instituted measures to expand tax base or make tax payment all-inclusive, easier and more convenient. Popular among them is the introduction of Taxpayer Identification Number (TIN) where all eligible tax payers are registered, the introduction of paperless port where payment of customs duties and other levies by importers and freight forwarders were done on a digital portal (Ghana Revenue Authority, 2020). Although these measures may enhance revenue in the short term, there are genuine concerns whether they would by themselves [without effective accountability and renewed trust in the state] generate and sustain the needed revenue for the country's growing expenditure needs.

Tax Accountability in Ghana – evidence from existing laws and practices.

This section analyses key tax documents in the country and how they address the issue of tax accountability. The documents are assessed to determine direct and/or indirect references to transparency and tax revenue accountability. The section assesses the regulatory and institutional framework for taxation in Ghana.

The institutional and regulatory environment of taxation in Ghana

Taxation in Ghana is governed by a number of laws (see discussion below), although the ultimate responsibility for tax administration in the country rests with the Ghana Revenue Authority (GRA).

Revenue administration in Ghana

Tax administration (agency) in Ghana has undergone a number of reforms since its establishment in 1943 as the Income Tax Department to administer Ghana's first formal taxation, the Income Tax Ordinance (No. 27) of 1943. The most recent reform was the one that resulted in the creation of the 'Ghana Revenue Authority' (GRA) in 2009 which merged all the three tax revenue agencies in the country – Value Added Tax (VAT) division, Customs Excise and Preventives Service (CEPS), the Internal Revenue Service (IRS), and

Revenue Agencies Governing Board (RAGB), (Ali-Nakyea, 2008). The governing board of the GRA provides the strategic direction for the organization, whilst the commissioner general takes the responsibility for the day to day administration of the affairs of the GRA, and answerable to the governing board. As per section 4 of Act 791 (2009), the governing board of the GRA consist of 9 people all of whom are appointed by the president, including the commissioner general. Despite the strong legal provisions granted the GRA for its operation by the relevant acts (e.g. ACT 791, 2009), the high level of political influence limits the exercise of the discretionary powers of the commissioner general and the GRA as an institution. The appointment of key leadership of the GRA by the president questions the neutrality and independence of the authority. For example, aside the commissioner general and the other eight members on the board, the three commissioners heading customs, domestic taxes and support services are all political appointees whose tenure are directly tired with the appointing president (government). The GRA's main mandate is assessing and collecting of taxes for the state. As the implementing agency, the authority does not have the power to go beyond the statutory provisions. The GRA is not mandated to be accountable [directly] to the people on the use of tax revenue in the country.

Section 174 of Ghana's constitution (1992) mandates Parliament as the main body responsible for enacting tax laws in the country. Section 174, subsection 1-3 states;

> *No taxation shall be imposed otherwise than by or under the authority of an Act of Parliament (1). Where an Act, enacted in accordance with clause (1) of this article, confers power on any person or authority to waive or vary a tax imposed by that Act, the exercise of the power of waiver or variation, in favour of any person or authority, shall be subject to the prior approval of Parliament by resolution (2).Parliament may be resolution, supported by the votes of not less than two-thirds of all members of Parliament, exempt the exercise of any power from the provisions of clause (2) of this article (3). (1992 Constitution, section 174).*

The constitution also contributes to the level of tax accountability in Ghana. For example, section 175 creates the consolidated account upon which tax receipts are to be paid into as directed by section 176 of the constitution.

In addition to Parliament and the revenue authority, there are a host of other government agencies who play vital roles in taxation in Ghana. For example, the Bank of Ghana ensures that the tax revenues are placed in the treasure, whilst the courts provide the avenue for settling tax disputes. In addition, the finance ministry advices government on tax laws/policies and the president accents all tax bills into laws. These bodies and agencies of government have clear responsibilities for tax administration in the country, and the efficiency of the tax system rests with effective institutional coordination and collaborations.

As the tax revenues are usually paid into the consolidated accounts together with other national receipts, it makes accounting (separately) of tax revenues difficult. The subsequent sections assess the available legal framework for tax accountability in Ghana.

The Income Tax Act 2015 (Act 896) and the Tax Administration Act 2016 (Act 915)

The Income Tax Act 2015 (Act 896) exists purposely to provide the legal framework for the imposition of income taxes and for other related purposes. As such, it spells out individuals and/or incomes liable for taxation, mode of computing tax liabilities including exemptions and basis of computations, payment schedules, associated sanctions for non-compliance, among others. The Tax Administration Act 2016 (Act 915) on the other hand provides for the administration and collection of revenue by the Ghana Revenue Authority (GRA). The Act defines the responsibilities and the powers of the revenue agency and taxpayers

and their rights and the taxes to be paid, among others. As such these two important documents do not have any provisions on how the tax revenues should be accounted for to the public by the state.

The National Budget

Currently there exist no laws that requires the government to specifically 'account for every tax revenue' as an aside relative to other national receipts. As some taxes are earmarked, a substantial of the taxes collected are put in the consolidated account, where together with other non-tax receipts are accounted for through the national budgeting process. Thus, the national budget offers the main avenue and provides a document which accounts for tax revenue usage in the country. However, as the budget includes all other receipts, there are no specifics on tax revenue as an aside, making it difficult to explicitly confirm allocations from tax revenues.

Quarterly fiscal data publications

The finance Ministry publishes quarterly fiscal data on its website (www.mofep.gov.gh) which captures all taxes collected for the period. The data further disaggregates each tax handle's contribution to the period's total and assesses their performance on meeting targets for the quarter. Whilst this is useful in providing vital information on the performances of the tax types, it is unclear how many of the tax paying public have access to or are able to understand the comprehensive data presented. Again, the information available complies with just an aspect of the overall transparency and accountability, in terms of what is collected. This document does not provide details on the spending of tax revenues.

Public Financial Management Act 2016 - PFMA (Act921)

The PFMA was established to regulate financial management mainly around revenue and expenditure of the Government. The PFMA aims to ensure that the government utilises financial resources effectively and efficiently in relation to the citizens' needs. In this way improved development outcomes will be facilitated. Although the PFMA regulates the revenues and expenditure of government including tax revenues, again, there is no specific provision in the Act on accounting for tax revenues aside other consolidated account bound receipts. Furthermore, section 83 of the Act makes provision for internal audit in key government agencies to enhance accountability, and sections 1, 6 and 13, have provisions for transparency. However, just as indicated in the previous sections, the Act makes no 'tax revenues specific' accountability provisions.

Earmarked Taxes

There are number of taxes which have earmarked components, making accountability easy. For example, as per Section 5 of Communications Service Tax Act 754 (2008) a minimum of 20% of the receipts from the Communication Service Tax[2] is earmarked for financing youth employment program. However, there is limited public information to assess if the regular minimum allocations are made or simply how much of the GHC2.933bn[3] raised since 2008 has been allocated to youth employment. Again, parliament passed the Energy Sector Levies Amendment Act, 2021 (Act 1064)) to amend the Energy Sector Levies Act, 2015 (Act 899). The new Act imposes energy sector recovery levy of 20 pesewas per litre on petrol and diesel and 18

[2] Communications Service Act 2008 (ACT 754)

[3] BFT (2021). Communication Service Tax (CST): GH¢ 2.93bn contribution to national development between 2008 and June 2020. Link: https://bit.ly/3qwN1st

pesewas per kilogram in liquified petroleum gas, and Sanitation and Pollution Levy of 10 pesewas per litre of petrol and diesel. However, just as the CST there is still limited transparency about how these tax revenues are spent.

SECTION TWO – SURVEY DATA ANALYSIS

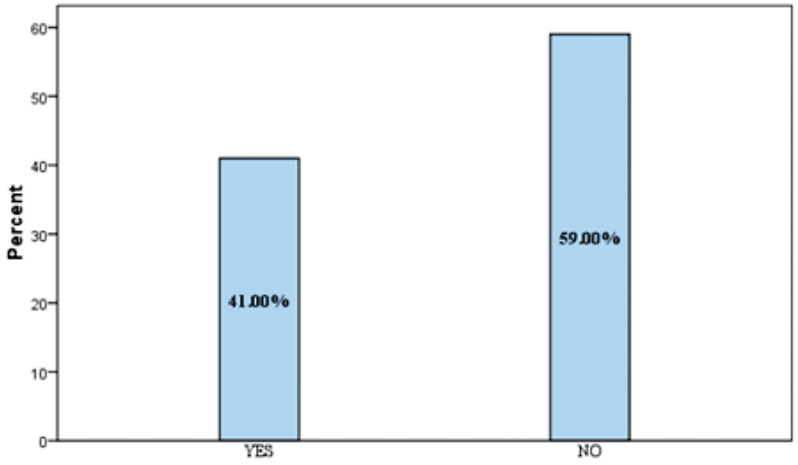
This section presents the findings and analysis of the results from the field survey. It is divided into two parts. The initial part discusses the views of taxpayers. The subsequent section presents the responses from tax experts, CSOs and the policymakers.

TAXPAYERS VIEWS OF TAX ACCOUNTABILITY IN GHANA

Adequacy of tax accountability in Ghana

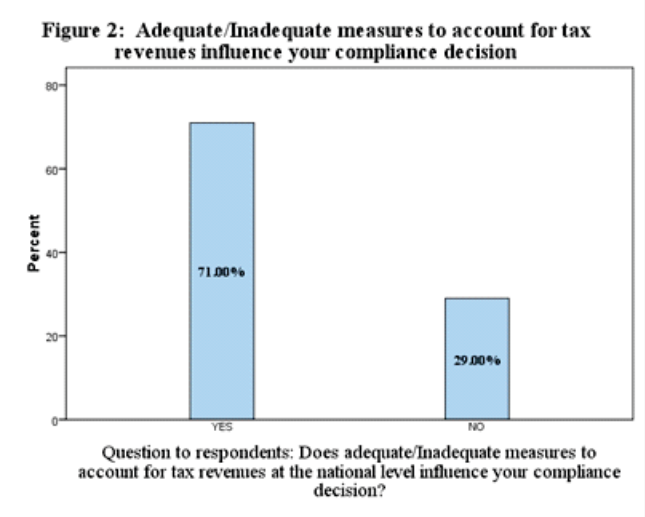
The results from the study suggest that majority of Ghanaians (59%) believe there are inadequate measures to account for tax revenue at the national level. However, about 41% of Ghanaians believes there are adequate measures (see figure 1). Out of the 59% who think measures to account for tax revenue at the national level are inadequate, about 81% are between the age of 25-50 years (this year group are the active tax paying proportion of the population) with the remaining 19% under 25 years or above 50 years. Majority (73%) of those who stated that measures to account for tax revenue at the national level is inadequate, had at least senior high or technical education (SHS and above), with the remaining 27% having no or basic education. Again, most of the responses were recorded from Western north region (36%) and Ashanti region (27%) with the least coming from Northern region (24%) and Greater Accra region (13%).

Figure 1: Adequate measures for tax revenues accountability at the national level



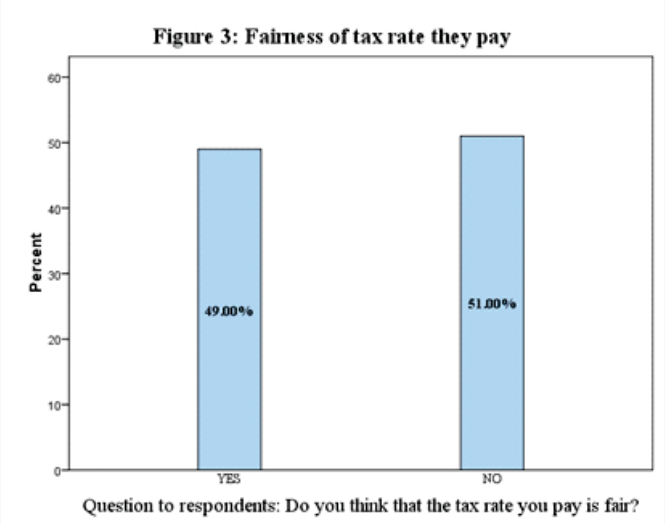
Question to respondents: Do you think there are adequate measures in place to account for the tax revenues at the national level

Majority of people (71%) stressed that adequate/Inadequate measure to account for tax revenues at the national level influence their compliance decision. However, 19% indicated that this does not influence their tax compliance decisions. Meanwhile, out of the 71% who indicated that the level of adequacy of tax accountability measures influence their compliance decision, a large number of people (85% of this group) were between 25-50 years old with only 15% from those below 25 years and above 50 years. Interestingly, majority (75%) of those influenced by the adequacy of tax accountability measures have only Senior High School (SHS) qualifications or lower, with about 25% coming from those who have at least an HND qualification.



Fairness of the tax system

The results from the survey indicate that a 49% of respondents consider the tax rate they pay to be fair whilst 51% believe they pay unfair tax rates (see figure 3 below). From those who considered their tax rates to be unfair, about 82% were between the ages of 25-50 years with 18% being those under 25 years and above 50 years. Likewise, most (72%) of those who suggested they are paying fair taxes were coming from those who have attained SHS and below with about 28% coming from those who have at least HND level qualifications. In addition, most of the these responses were coming from Northern region (37%) and Greater Accra region (25%) with the least coming from Western north region (20%) and Ashanti region (19%).

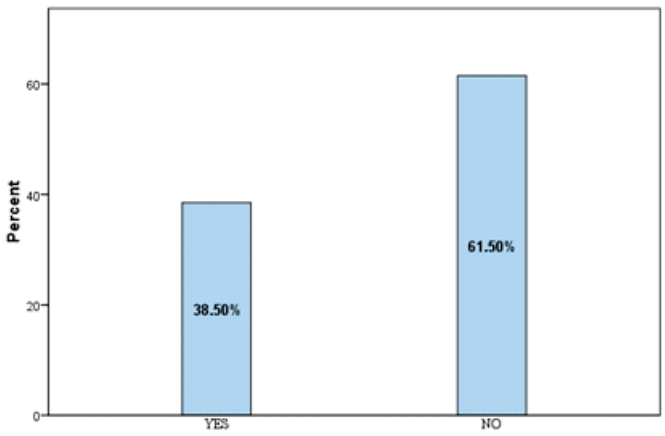


Awareness & effective utilization of tax revenue

From the study 60% of respondents articulated that they are unaware of how tax revenues are spent in the country, going with the usual mantra 'what do they use our tax revenues for'? However, about four out of every 10 citizens (40%) interviewed know the spending areas of the tax revenues. Out of the 60% who are unaware of how tax revenues are spent in the country, a large number of the respondents (84%) are between the ages of 25-50 years with only 16% below 25 years and above 50 years. Also, most citizens (72%) who gave the negative response were those who have at most senior high or technical education (SHS and below) with the remaining 27% having at least HND qualifications. Moreover, most of those who are

unaware of how tax revenues are spent are from the Ashanti (33%) and Western north (28%) regions with the least from Northern region (24%) and Greater Accra region (15%).

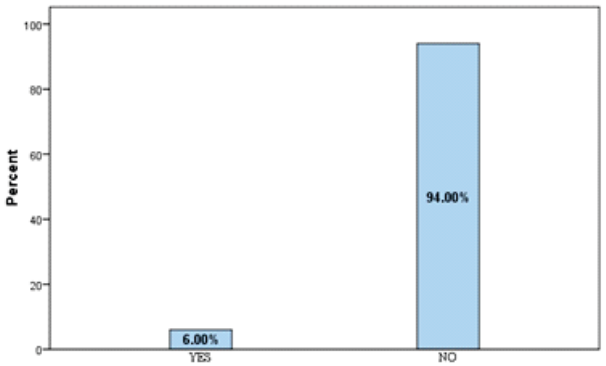
Figure 4: Awareness of tax revenues spending in the country



Questions to respondents: Are you aware of how tax revenues are spent in the country

In the survey, an overwhelming number of respondents (94%) stated that revenue from taxes in Ghana are not effectively spent. Meanwhile, very few people (6%) indicated that tax revenues are properly spent in the country. Out of the 94% respondents who indicated that tax revenue in Ghana are not effectively spent, majority (86%) are between the ages of 25-50 years with only 16% being those below 25 years and above 50 years. Survey indicated that those who have attained SHS or below were the majority (73%) of respondents who stated tax revenue are not effectively spent, with only 27% being those who have at least HND qualifications.

Figure 5: Effective utilization of tax revenues in Ghana



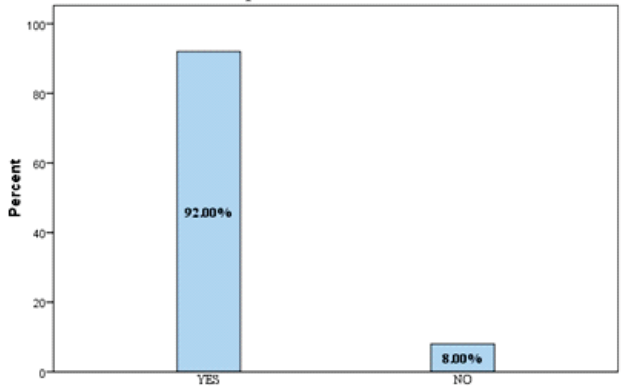
Question to respondents: Do you think that tax revenues in Ghana are effectively spent

Effective accountability and tax compliance

The survey suggests that over nine out of every 10 citizens (92%) in Ghana will be influenced positively by effective periodic tax revenue accountability. Thus, majority of respondents (i.e. 92%) indicate that periodic accountability of tax revenue, especially, earmarked funds will change their compliance decisions. A little below one out of 10 citizens (8%) believe this will not change their compliance intentions. Meanwhile, out of those (92%) who are influenced by tax revenue accountability, greater population (85%) are from people between 25-50 years old with only 15% responses from those below 25 years and above 50 years. Similarly,

greater number of people (71%) who are positively influenced by periodic accountability have SHS qualifications or below, and the remaining 29% having at least HND and above. Correspondingly, the number of citizens who believe in periodic accountability are evenly spread between the selected regions.

Figure 6: Will periodic accountability of tax revenue change compliance decision?

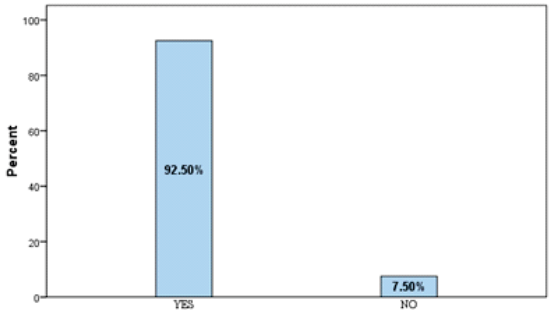


Question to respondent: Do you think a deliberately effort to periodically account for tax revenue, especially earmarked funds change your compliance decision?

Factors influencing tax accountability

As per the study, 93% of taxpayers believe that having fair tax rate, being aware of how tax revenues are spent, spending tax revenue effectively and periodic accounting of tax revenue usage determine the level of tax accountability sufficiency in the tax system. The higher the prevalence of these measures, the higher the level of accountability in the system and ultimately the higher the level of voluntary compliance. Very few or below one out of every 10 respondents (7%) thinks otherwise. However, out of this large number of people making this positive association, a very significant number (86%) are aged 25-50 years with just a little above one out of every 10 [citizens] are either under 25 or above 50 years. Also, about 74% of the people making the positive assertion are those with lower qualifications (SHS or lower) with the remaining 26% having HND qualifications or above. Interestingly, results from positive association between tax accountability measures and tax compliance is evenly spread across the regions - Greater Accra, Ashanti, Western North and Northern regions recorded 26%, 25%, 25% and 24%, respectively.

Figure 7: What factors will imply a sufficient accountability in the tax system?



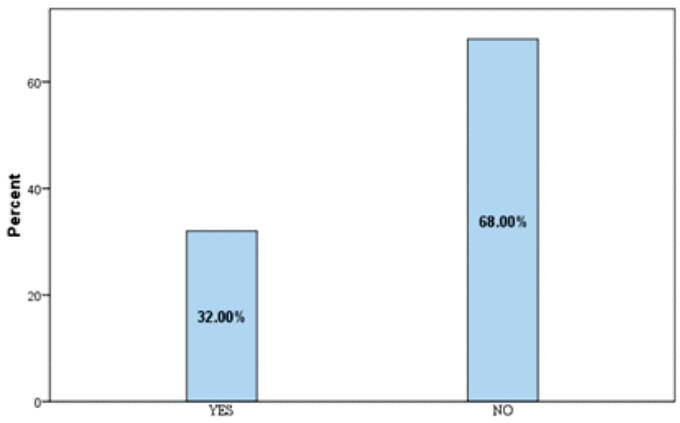
Question to respondents: Will having fair tax rate, people being aware of how tax revenue are spent, spending tax revenue effectively and periodically accounting of tax revenue imply a sufficient accountability in the tax system?

Availability of information on tax revenue usage

68% of respondents indicate that they believe 'ordinary persons' are not much privy to or have inadequate information on how tax revenues are spent. The emphasis here is on how local people get communication

on tax revenue expenditure to suit those less literate. From the study, a little over one-third of citizens interviewed (32%) said ordinary persons have enough information on how tax revenues are spent. Meanwhile, out of the 68% who believe ordinary persons have inadequate information on how tax revenues are spent, about 82% are aged between 25 years to 50 years with about 18% being persons under 25 years or above 50 years. Likewise, a little over seven out of 10 people (71%) are with SHS or lower qualification while a little fewer than three out of 10 people (29%) are those with at least HND qualifications. On a regional basis, we discovered that most of the people who indicated that ordinary persons have enough information on how tax revenues are spent are from Ashanti region (34%) with the least coming from Greater Accra (10%).

Figure8: Do ordinary persons have enough information on how tax revenues are spent?



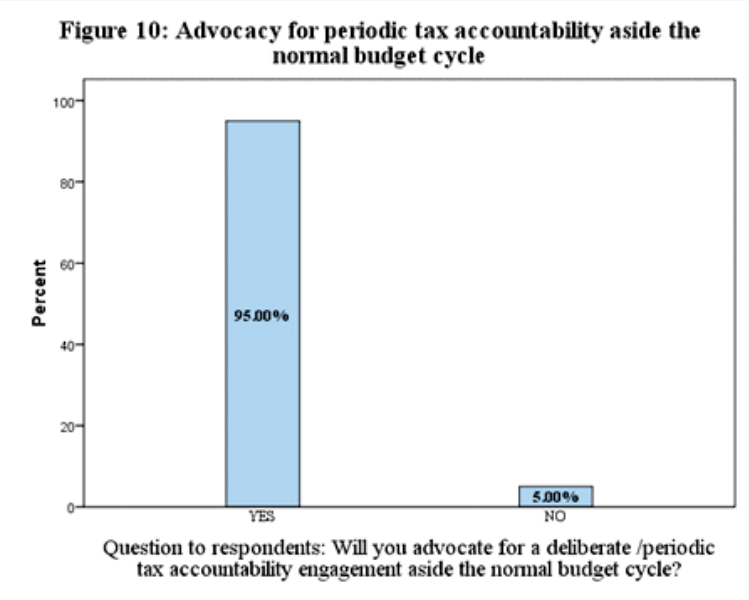
Question to respondents: To the ordinary person, do you think there's enough information on how tax revenues are spent?

The budget as tax accountability tool

The survey data further revealed that, over two-thirds of the citizens (72%) see the budget as one avenue to account for tax revenues. Nonetheless, a little below three out of 10 citizens (28%) indicated otherwise. Out of those who believe the budget is one avenue to account for tax revenues, a large number (87%) are in 25-50 years age range, with the remaining 13% from those under 25 years and above 50 years. Unsurprisingly, most citizens (73%) who believe the budget is a good tax accountability tool have received some form of education.

Advocacy for specific tax accountability measures aside the national budget

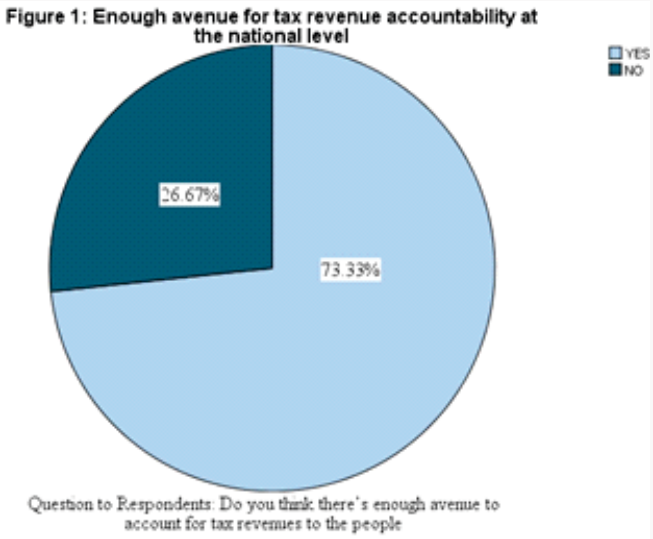
Based on the results from the survey, almost all the citizens (95%) will welcome a deliberate policy to provide periodic tax accountability engagement aside the normal budget cycle. However, less than one-tenth (5%) think the periodic budget engagement is adequate. Similarly, out of the 95% who specified that they would advocate for a deliberate /periodic tax accountability engagement, most (85%) are between the ages of 25 to 50 years with little below two out of 10 citizens (15%) being either below 25years or above 50years. People with lower qualifications (SHS or below) make up the majority (71%) calling for these deliberate measures for tax accountability aside the national budget with 29% being those with HND or above. There is a perfect spread on demand for deliberate measures on tax accountability across the regions. The response aggregation (for additional measures for tax accountability) are Northern region (26%) and Ashanti region (26%), Western north region (25%), and Greater Accra region (25%).



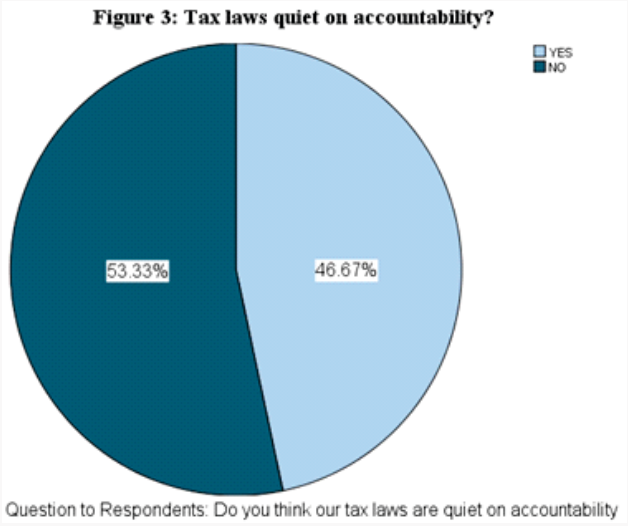
Policymakers Perspectives on Tax Accountability In Ghana

This section assesses the perception of the level of accountability in the system by the tax policymakers – GRA and MOFEP. For simplicity and ease of comparison, simple pie charts are used throughout the section and the section after (tax experts and advocates).

The results from the study suggest that a majority (73%) of those in tax authority [GRA/MOFEP] believe there is not enough avenue to account for tax revenue at the national level. This confirms the results from taxpayers (see above) that there are limited opportunities for tax accountability in the current legal framework governing taxation in Ghana.



On the current level of accountability in Ghana, the policymakers (authority) provided 100% responses indicating that all respondents from the ministry of finance and the Ghana revenue authority who participated in the study believe 'taxpayers are not happy with the current level of accountability of their taxes'. These responses are somewhat consistent with the earlier position that there are not enough avenue to account for taxes in the country.

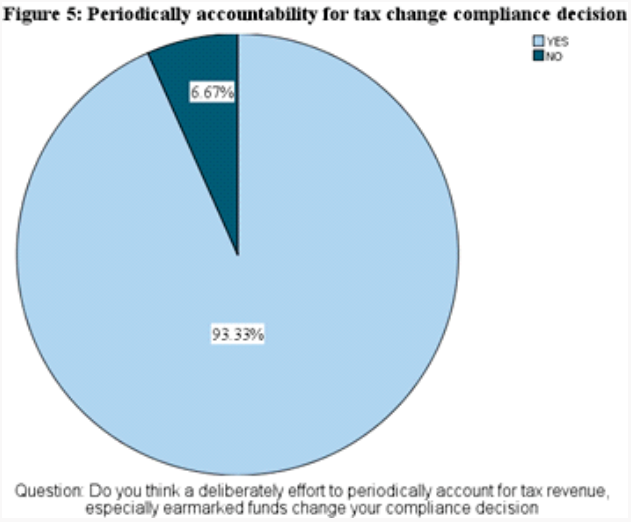


The survey results from the tax authorities suggest that a little over 46% of respondents believe Ghana's tax laws are quiet on accountability with a greater proportion (53%) of respondents indicating that the tax laws are not quiet on accountability. This is quite interesting as per the views of the GRA/MOFEP, the existing tax laws offer enough avenue for accounting for the tax revenue in the country. It clearly contradicts the views held by the taxpayers, as discussed above.

Despite holding the views that the current laws offer enough avenue for tax revenue accountability in the country, majority of the policymakers (93%) would advocate for deliberate periodic tax accountability aside from the normal budgetary cycle.

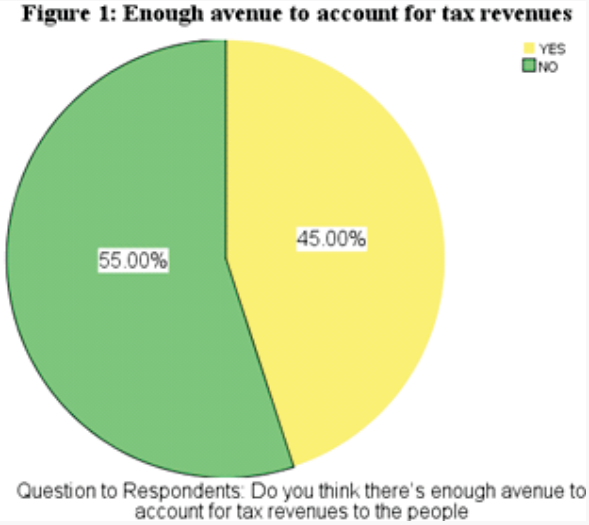
Furthermore, the responses suggest that the tax authority will support a deliberate tax accountability in the country. Putting in deliberate actions aside the budgetary cycle they (policymakers) believe will ignite citizens drive to seek for accountability which will undoubtedly enhance accountability as government is compelled to meet such regulatory demands.

Overall, the responses from the policymakers clearly suggest that there are limited opportunities in the current legal and regulatory framework to provide for adequate measured to account for tax revenue. The authorities further support a dedicated provision for tax revenue accounting.

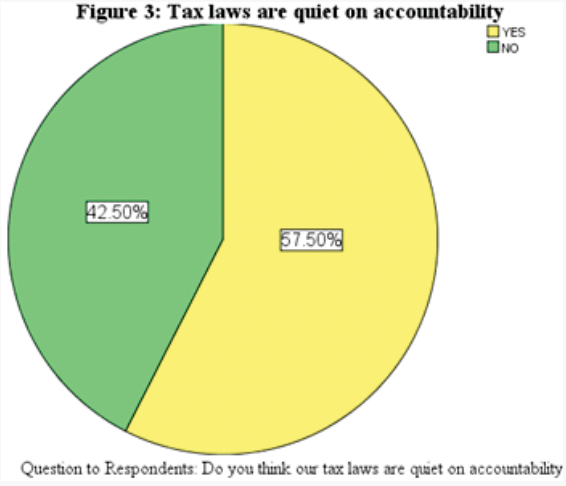


CSOs and tax experts' views on tax accountability in Ghana

On CSOs and experts' perspectives about accounting for tax revenues in Ghana, even though majority of the respondents accept that, currently, there are a limited level of accountability of tax revenue at the national level, a reasonable proportion (45%) of tax advocates and experts believe there are enough avenue to account for tax revenues, should authorities choose to do so. This presupposes that the current legislations have reasonable provisions for accounting for tax receipts in the country, although it is unclear which specific provision(s) support this aside from the regular annual budget cycle.



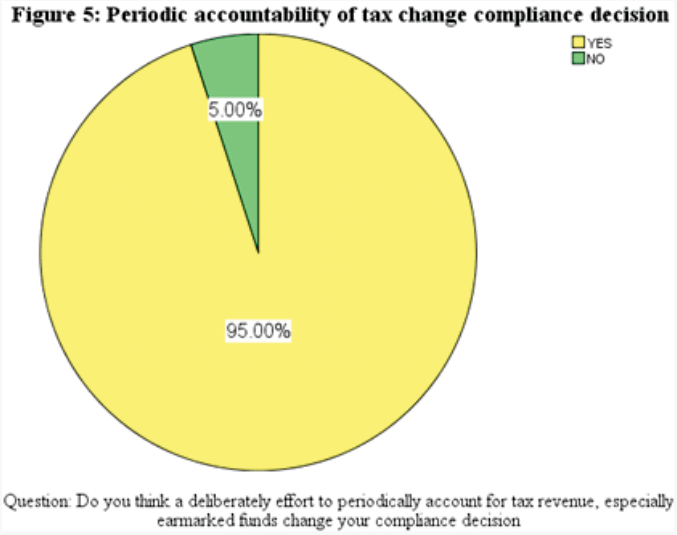
As the tax authorities provided 100% responses on their assessment of taxpayers' perception of tax accountability in Ghana (see above), responses from CSOs and tax advocates produced similar results. The results from the tax experts and CSOs also recorded an overwhelming majority (93%) that in their views, taxpayers are unhappy with the level of accountability in the system.



Despite the fact the policymakers hold the views that the current tax laws offer an ample opportunity for tax revenue to be accounted for, a larger proportion of tax experts and CSOs (58%) believe that the relevant tax laws in Ghana are quiet on accountability, mirroring the results from the taxpayers presented earlier. Even though, an encouraging proportion (42%) of the respondents believe that the current tax laws are not quiet on accountability, they will still recommend a policy to enhance accountability in the tax system.

Not differently from the position of the tax authority, all the tax experts and CSOs (100%) who took part in the survey also stated that aside the normal budgetary cycle they would advocate for deliberate periodic tax accountability. Again, this suggestion is shared by the taxpayers as discussed above. Assessing responses from these three stakeholders - taxpayers, experts and policymakers, revising the laws to provide explicit accountability mechanisms could be a better way to addressing the current accountability challenges.

Figure 5: Periodic accountability of tax change compliance decision



Question: Do you think a deliberately effort to periodically account for tax revenue, especially earmarked funds change your compliance decision

In response to the impact of deliberate tax accountability mechanisms on voluntary compliance decisions, the results from the ax advocates mirrors those from policymakers and taxpayers – all believing that such actions will enhance voluntary tax compliance. From the study, over 95% of respondents from the CSOs/experts articulated that a deliberate effort to account for tax revenue frequently, specifically earmarked funds, would change compliance decisions. There is no doubt that such actions will build trust and subsequently impact [positively] on compliance decisions.

Open-ended questionnaires were also included in the survey to access respondents from both tax experts/CSOs and tax authorities' contributions or thoughts on some statements.

First, the survey asked about what comes to their mind when they hear the statement "we don't know what they do with our tax revenues", and a majority of the respondents said what comes to their mind is 'corruption'. Explaining that citizens believe various stakeholders are not accountable and transparent to them when it comes to tax revenues, with some also stating that citizens 'do not have adequate information on how their taxes are spent' hence, citizens consider it as misappropriation and mismanagement of their tax revenues. Others believe the taxes citizens pay do not reflect in the development of their communities and their lives. Citing examples, most communities are still deprived of basic amenities like water, good roads, electricity, etc. despite taxes being collected from people within such deprived communities. Therefore, they conclude that their monies are being squandered.

Secondly, respondents were asked if they know of any mechanism available to deliberately account for tax revenues aside from the national budget cycle and the PFMA. A greater number of the respondents indicated that they know none with some of them indicating that even what they know, which is the audit report and public account committee report cannot be classified as a deliberate accountability mechanism. However, very few of them mentioned that reports from the Ministry of Finance and Ghana Revenue Authority could be classified as a deliberate accountability mechanism.

SECTION THREE – POLICY RECOMMENDATIONS & CONCLUSION

This section presents policy recommendations for the study to aid CSOs advocacy work for government's attention on the need to enhance tax accountability. This is followed by the final section, the conclusion.

Policy Recommendations

The results from both the desk review and the survey data suggest that there is limited avenue for tax accountability in the country. Taxpayers believe that they have limited opportunity to assess how their tax revenues are spent. Whilst taxes put in the consolidated account may be difficult if not impossible to be specifically accounted for, the earmarked taxes should be the starting point. For example, despite some taxes being clearly earmarked for specific projects or interventions many fiscal years ago, there remains limited information for the general public to assess government's performance on such commitments. This further deepens the resentments and creates an environment for low compliance. Stakeholders undertaking projects from funding sources such as GALOP, HIPC, GNPC, etc. need to have the specific funding sources boldly labeled on the executed project to help citizens know the component of tax used for that specific project and hence, improve transparency and accountability.

As indicated in the findings, people with lower level of education are those who have limited understanding of the tax revenue usage. Since the study further found that the less they understand the revenue usage, the less their willingness to pay taxes, it is vital for the government to take proactive steps for an enhanced education on tax revenue usage, particularly for earmarked funds. Disclosure of such revenue usage is very important and the government must take deliberate steps of periodically report on the earmarked taxes. Decentralization of accountability system for MMDAs to utilize existing platforms such as town hall meetings, and community forum, among others to undertake detailed accounting of tax revenues to taxpayers. Moreover, stakeholders can make good use of the existing state television and radio to do effective quarterly accountability on tax revenues to improve transparency and tax compliance.

Again, policymakers need to devise means to ensure that tax revenue usage especially for earmarked funds are used for the intended purposes. As majority believe that the revenues collected are not used judiciously, this has the tendency to affect the compliance intentions, and this will ultimately lead to higher taxes (as few pay), low revenue, increase tax administration costs (as voluntary compliance drops) and ultimately tax revenue. It thus pays to be transparent on the revenue use, especially those earmarked for specific interventions or projects, example the sanitation levy, the communications service tax.

Furthermore, it is recommended that government improves tax communication by creating a dedicated page (either on the GRA or MOFEP website) to provide quarterly reports on specific tax revenue usage. This can take the form of the citizens budget (presented in different local languages) with less technicalities to aid citizens understanding. Likewise, tax posters may be developed to publicize detailed accountability contents, which can be published on various websites, blogs, or online news platforms and even on billboards. Most respondents who are small business owners have no or very limited information on how their tax rates are determined. This also has the potential to create avenues for evasion as resentment intensifies and doubt is cast on the fairness of the tax system. Locally, a typical example of an area employing similar practices is the Shama District (Western Region), which is recording historically higher tax revenue. They attribute this relatively higher compliance to the district's effort to frequently account for their revenues through billboards and citizen engagement. Hence, the government emulating the same across the country can help build confidence and improve tax compliance.

Government should consider partnering CSO and other key stakeholders to harness the potentials from important platforms, example participating in national level engagements such as the tax dialogue series (tv and radio program to periodically educate and engage taxpayers on their tax revenues) and the national tax forum (to engage various stakeholders to assess challenges and opportunities in the system to enhance tax accountability).

Also, as part of the budgetary process, the government should dedicate a section to report on the revenues from earmarked taxes and their associated expenditures. It is believed that when trust is built on the usage of the earmarked funds, this will be transferred to those in the consolidated account.

From the results, there is an urgent need for policymakers to consider specific tax accountability measures outside of the annual budgeting process. Specifically accounting for taxes will enhance transparency, accountability, build trust and subsequently improve voluntary compliance and tax revenue. This will reduce the doubts taxpayers currently have on tax revenue usage and the quality of the spending. This will enhance the ownership of the tax process as taxpayers will be part of the process and have the opportunity to have concerns addressed directly. This is again necessary since majority see the budget as not an 'ample avenue' to account for taxes.

Conclusion

The study has demonstrated that tax accountability remains a key factor to tax compliance and in part explains the current level of tax compliance. The study clearly shows that a negative perception towards revenue usage and its associated accountability creates an avenue for doubts and reduces trust in the state. This subsequently reduces the level of voluntary tax compliance decisions – indicating that more will be spent on enforced compliance, thereby increasing tax administration and reducing tax revenues. This resentment, if not tackled, could have sustained effect on future receipts as it does not enhance creation of a tax compliance culture. Although the government will not be able to account for taxes put together with other national receipts in the consolidated account, there must be a clear policy directive to periodically account for earmarked taxes. In the long term, government may adopt some of the recommended solutions to promote accountability on all other taxes. Clearly, there's a direct link between an informed citizen (on accountability) and tax compliance and tax receipts by the state. During the e-levy town hall meetings, the finance minister promised to hold an accountability session (or provide evidence of the revenue usage from the e-levy). This was a strong promise in an attempt to build public confidence. This shows that the government appreciates the need to deepen accountability. The e-levy which is still in force should provide the basis of this shift (of tax revenue accounting), and further extended to other taxes. If accountability is enhanced, Ghana could easily move to high tax to GDP zone and be at par with its peers.

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Appendix A

Tax Accountability Study questionnaire

Key Question How tax accountability influence tax compliance in Ghana.
Desk sources: Income Tax Act 870 & the PFMA. Other indirect commitments such as the SGD commitments and the Addis Tax initiatives

PART – A – SOCIAL & DEMOGRAPHIC

1. **Gender** □ Male □ Female
2. **Which age group do you fall under?** □ Under 25 years □ 25-50 Years □ Over 50 Years
3. **Marital status** □ Married □ Single □ Cohabiting □ Divorced / Widowed
4. **Do you have any dependants (children, parents) etc?** □ Yes□ No
5. **Highest level of education** No education □ O'Level /A'level / SSCE □ Basic education HND/Professional □ Secondary/technical Degree □ HND / Degree & Above
6. **What is your Religious denomination** □ Christian □ Muslim □ Traditionalist/Occult □ Non-Believer/Atheist
7. **Region & District where you stay**…….

PART B. Questionnaire for GRA/MOFEP

Question	Response	
	YES	NO
1. Do you think there's enough avenues (currently) to account for tax revenues to the people?		
2. Do you think our tax laws address accountability?		
3. Do you think taxpayers are happy with the current level of accountability on their taxes?		
4. Will you advocate for a deliberate periodic tax accountability aside the normal budgetary cycle?		
5. Do you think a deliberately effort to account for tax revenue, especially earmarked funds will enhance compliance?		
6. We normally hear "we don't know what they do with our tax revenues". What comes to mind when you hear these statements?		
7. Aside the national budget cycle and the PFMA, is there any mechanism to deliberately account for tax revenue?		
8. What recommendation will you offer to enhance tax accountability in Ghana?		

PART C. Questionnaire for Tax Experts and CSOs

Question	Response	
	YES	NO
1. Do you think there's enough avenue to account for tax revenues to the people?		
2. Do you think our tax laws are quiet on accountability?		
3. Do you think taxpayers are happy with the current level of accountability on their taxes?		
4. Will you advocate for a deliberate periodic tax accountability aside the normal budgetary cycle?		
5. Do you think a deliberately effort to account for tax revenue, especially earmarked funds will enhance compliance?		
6. We normally hear "we don't know what they do with our tax revenues". What comes to mind when you hear these statements?		
7. Aside the national budget cycle and the PFMA, is there any mechanism to deliberately account for tax revenue?		
8. What recommendation will you offer to enhance tax accountability in Ghana?		

A. Taxpayers

Question	Response	
	YES	NO
1. Do you think there are adequate measures in place to account for the tax revenues at the national level?		
2. Does your response above influence your compliance decision?		
3. Do you think that the tax rate you pay is fair?		
4. Are you aware of how tax revenues are spent in the country?		
5. Do you think that tax revenues in Ghana are effectively spent?		
6. Do you think a deliberately effort to periodically account for tax revenue, especially earmarked funds change your compliance decision?		
7. Will positive responses from 3-6 above imply a sufficient accountability in the tax system		
8. To the ordinary person, do you think there's enough information on how tax revenues are spent		
9. Do you see the budget as one avenue to account for tax revenues?		
10. Will you advocate for a deliberate /periodic tax accountability engagement aside the normal budget cycle? *i.e., where periodically the relevant ministers come to tell us what has been achieved from each handle in plain language and how they will spend it*		
11. What recommendation will you offer to enhance tax accountability in Ghana? (include responses if you disagree with question 7).		