Assessment of the Tax Stamp Strategies and Income Tax Compliance among Private Enterprises in Ghana

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Abstract:
Private enterprises occupy a significant position in the economic sphere of most countries both developed and developing. Most work forces are employed in these sectors and therefore most of the domestic income generated by way of taxes would have been expected from these sectors. To take advantage of this, government has over the years introduced a series of tax reforms, among which include the tax stamp for very small and micro enterprises (VSMEs).Although these reforms led to a significant increase in government revenue, its percentage to GDP was very low. The paper's objective was to investigate how the tax stamp strategy has enhanced income tax compliance by micro-enterprises. It specifically assessed the performance of the Tax Stamp strategy in terms of revenue mobilization and the challenges confronting it. The methodology applied was the mixed method under the multiple methods choices which embraces the complementarities of both qualitative and quantitative techniques. The findings were that the tax stamp strategy has great potential in-terms of revenue mobilization. It increased income tax revenue from the Small and Micro Taxpayers (SMTs) in the informal sector by about 4 times (393%) for the period 2005 to 2013. Its introduction has made some tax payers' become aware of their obligations under the tax law. Nonetheless some deficiencies in the implementation strategies did not effectively translate the awareness to compliance.
The paper recommends that to improve the level of income tax compliance by the informal sector, a concerted, long-term, and well coordinated tutoring and enforcement plans should be developed and backed by all stakeholders with a high level of commitment aside from politics.

Keywords: Tax stamp, micro-enterprises, tax compliance, Ghana

1. Introduction

Taxation is the inherent power of the state to impose and demand contribution upon persons, properties, or rights for the purpose of generating revenue for public purposes. Ghana made impressive progress over the early post independence years in developing its economic and social structures. Sustaining the financing of these expenditures through tax revenue has increasingly been called into question following the crisis in 1980's and 1990's (Thisen, 2003). During this period, many Sub-Saharan African (SSA) countries faced difficulties in raising the needed revenue for public purposes. This necessitated tax reforms by several Sub-Saharan African countries including Ghana within the general framework of Structural Adjustment Programmes (SAPs) in the early 1980's. The aim of these reforms was to provide countries with effective revenue mobilization mechanisms that are fairer and more economically efficient so as to increase the tax ratio to GDP, (Kusi, 1991). The study sought to determine whether, the tax stamp policy has achieved its objectives of widening the tax net and improving voluntary compliance by Small and Micro Tax-payers'. The problem statement identified in the afore-mentioned sentence has set the scene for the review of relevant literature, which is the focus of the next section.

2. Review of Relevant Literature

This section is dedicated to review literature by first looking at the relevance of the tax stamp policy in the Ghanaian Tax reforms, the effect of the tax stamp in revenue mobilization, the tax stamp's contribution to tax compliance, and the challenges confronting the policy.

2.1. Tax Stamp and its Relevance in Ghana's Tax Reforms

The tax stamp is an adhesive label used in collecting taxes from small and medium-size enterprises on quarterly basis. Ghana's fiscal performance between 1970 and 1982 was considered disappointing with revenue to GDP ratio declining from 19.3% in 1970 to 5.4% in 1982 (Kusi, 1998). This was probably because the fiscal policy measures were taken on ad hoc basis, uncoordinated and haphazardly implemented leading to significant degeneration in the country's public finances. The Economic Recovery Programme (ERP) launched in 1983 empowered the Internal Revenue Service (IRS)into semi-autonomous entity (PNDCL 143, 1986). The reforms initially registered positive results but far below the African Continent's average revenue as percentage of GDP. (GRA, 2010). According to Kusi (1998), tax revenue was 14.6% of GDP between 1986 and 1991 as against 24.4% and 25% for Africa and the developing world respectively. These declines necessitated the promulgation of the tax stamp to bridge the tax gap by targeting the majority micro-enterprises in the economy.

2.2. The Effect of the Tax Stamp in Revenue Mobilization

IRS is yet to make serious breakthrough in terms of effective taxation of informal sector which according to Joshi and Aryee, (2006) employs about 80% of Ghana's labour force. Tax has become the main means of transferring privately owned resources from this business category to public use. According to Aglorh-Quarcoo (2006), data at IRS reveals that over the years, revenue from the self-employed who constitute the larger percentage of the economically active population continue to diminish from a revenue level of 5.4% of the total revenue collection in 2000 to 4.9% in 2005. He indicated clearly that this was at variance with the apparent boom in the informal sector. Thus implying the presence of a significant tax gap between what is theoretically collectible from economically active people (informal sector) and the actual tax collection annually. The main reason for this tax gap is non-compliance by taxpayers and potential taxpayers with the tax laws.

2.3. Tax Compliance

Tax compliance has been defined differently by academics, professionals, and government agencies; Alm (1991) defined tax compliance as reporting of all incomes and paying of all taxes by fulfilling the provisions of tax laws, regulations and court judgments. Another definition of tax compliance is a person's act of filing income Tax Forms, declaring all taxable income accurately, and paying off all taxes liabilities within the stipulated period without having to wait for follow-up actions from the tax authority (Singh, 2003). Roth et al (1998) explained that taxpayers need to prepare all the relevant information in the Income Tax Forms within the period given, and the forms must report accurate tax liability in accordance with the needs of laws, regulations and court judgments.

However, for the purpose of this study which involves small and medium-size taxpayer (SMT's) who hardly file tax returns, tax compliance is the responsiveness of taxpayers in meeting their tax obligation voluntarily or when called upon to do so by tax authorities.

2.4. Challenges Confronting the Tax Stamp Policy

The main challenges associated with the Tax Stamp policy has to do with the two main factors- compliance and evasion. Theories of tax compliance behaviour tend to reflect on one of three schools of thought commonly referred to as economic deterrence, social deterrence, and fiscal psychology (McKerchar and Evans, 2009).

Becker (1968) describes the economic deterrence models in relation to the tax payer's behaviour of evasion of the tax liabilities and it's responsiveness to the punishment or sanctions therein. The key challenge of these models on the tax stamp policy in Ghana is effectiveness of tax inspectors and the honesty in implementing their roles.

Azjen and Fishbein (1980) argued that Social psychological models are concerned with the prediction and understanding of human behaviour in taking decision. People consider the implications of their actions before they decide, or form an intention, to engage or not to engage in a given behaviour. The model explains the correlation between intention and behaviour. This supports Cialdini's (1989) theory of reasoned action that, an individual's intention is a function of his or her person(his/her nature) and the influence of society. Will the nature of the individual Ghanaian micro-entrepreneur or the influence of society on this individual enhance / facilitate his or her support for the policy?

Will Kelly's (1973) attribution theory have any effect on the SMTs to comply and support the policy? This theory of attribution assumes that individuals rationally interpret and analyze events in order to understand casual structures. In judging the behaviour of others, people will generally attribute the outcome as being caused by their own internal attributes. In judging their own behaviour, people tend to believe the cause is due to external attribute. For example, he is a tax evader because he is a bad person; I am a tax evader because the government wastes my taxes (and that's not my fault). Has the actions of government spending agencies been strategically targeted to demonstrate judicious utilization of the funds mobilized under the policy?

Is the policy seen by the tax payer to be equitable? According to Adams (1965) and Thibant et al (1974) in the study of compliance and tax payer behaviour, individuals are more likely to comply with rules if they perceive the system that determines those rules to be equitable.

According to Adams Smith (1776) there are four basic canons of taxation equality, certainty, convenience and economy. These canons are still regarded as characteristics or features of a good tax system (i.e. a tax system which strikes a balance between the interest of the taxpayer and that of tax authorities). The canon of equality arises from the fact that the subjects of every state ought to contribute and support the government as nearly as possible in proportion to their respective revenue generating abilities they enjoy under the

protection of the state. This canon embodies the principle of equity or justice and lays down the moral foundation of the tax system.

2.5. Definition of Concepts
Taxation is a compulsory levy imposed on the citizens of a nation by an authority so as to raise financial resources to finance the Government's expenditure over a given fiscal year. Thus it is the inherent power of the state to impose and demand contribution upon persons, properties, or rights for the purpose of generating revenue for public purposes. The tax stamp is an element of taxation which focuses on petty income generators. It is an adhesive label used in collecting taxes from small and medium-size enterprises on quarterly basis. The different categories of the micro enterprises are taxed using varying stamp values as per the table below.

A	40 footer container/ large kiosk operator	GH¢15.00
B	20 footer container/ medium kiosk operator	GH¢10.00
C	Small kiosk/ container operators market and itinerant (travelling from place to place) trader	GH¢5.00
D	Table tops operators	GH¢3.00

Table 1

In the transport industry, vehicles are categorised in a similar manner and taxed proportionally based on the capacities. Below are some samples of tax stamps.

Figure 1: Sample Tax Stamp Labels.
Ghana Revenue Authority LI 1997 Internal Revenue (Amendment) Regulations, (2011))

2.6. Objectives of Taxation
The overriding objective of taxation is to generate revenue from citizens and economically active residents, their property and rights in a nation so as to finance government expenditures. Although the benefits of taxation are not necessarily felt by the individual tax payer directly, the tax payer is under law to be responsible towards the financing of the state by contributing proportionately from the revenue he/she earns periodically. This compulsory national responsibility exposes, especially, the non-human tax payer (i.e. business entities) to many opportunities including access to; external market, participate by bidding in government contracts / procurements, and formal credit market among others. The tax stamp seeks to enable the small and medium-size enterprises' to conveniently participate in the tax regime. Until then, the SMTs were mostly outside the tax net.

2.7. Factors that Influence Tax Compliance or Evasion
According to the Australian Cash Economy Task Force, (1998) the taxpayer's compliance decision can be affected by psychological, sociological, economic and industrial factors. Jackson and Milliron (1986) listed 14 main factors- age, gender, education, income,

occupation, status, peers or other taxpayers influence, ethics, legal sanctions complexity, relation with tax authority (IRS), income sources, perceived fairness of tax system, possibility of being audited and tax rate; that have influenced income tax compliance. Various researchers have listed similar factors such as demographic, income, compliance cost and tax agents (Mohani, 2003) in addition to moral or ethical factors (Singh, 2003; Kasipillai 2003). Sour, (2002); Keller, (1997); Tivedi, (1997); Hamm (1995) listed enforcement elements /factors (such as penalty, audit and tax rates) as having a great influence on tax compliance behaviours. None of these factors, in isolation, can significantly influence the taxpayer's compliance decision. This makes it difficult to study a taxpayer's attitude towards taxation, (Fallan 1999).

Income tax non compliance (i.e. evasion) encapsulates failure to submit tax returns when legally obliged to do so, understatement of income tax returns, overstatement of deductions on tax returns, and failure to pay assessed taxes by the due date (Ali-Nakyea Abdallah 2006). It is non-gender sensitive Friedland, Maital and Rutenberg (1978), recorded more females evading tax while Webley et al, (1992) in three out of four different studies found that men evaded more often than women.

According to Webley et al (1991), people use the unfairness of the tax system as a justification for evasion. They also note that people who are not society oriented, young, and employed are also most likely to be associated with tax evasion behaviour. Dean et al, (1980) identified greed and financial hardship, government wastage, low chance of detection and the desire to break through the system. The study indicated that tax evasion increases if people believe that they will not be detected.

Slemrod's (1992) summary of Kent Smith's reinforced effective detection, particularly for tax laws rooted in value based on the relationship among individuals. Terkper (2003) identified high compliance cost, large number of entities operating in the informal sector, inadequate record keeping and non-separation of business and private transactions lack of comprehensive SMT's strategies by tax authorities and mobility problems as reasons for tax non-compliance.

Bear (2002) also listed aspects of tax structure that can discourage business from joining the formal economy such as; high tax rates, complex tax systems, overly complex procedures (high compliance cost) , discretionary application of the tax laws and low risk of evasion been detected. Oberholzer (2005) shows that a significant percentage of respondents believe that government should be transparent in the utilization of taxpayers' money. Delport (2003) notes that taxpayers dislike paying taxes due to the perception that the system is unfair, whiles DeVilliers (1996) postulates that one reason for millions of South Africans not paying tax may be that they are not well informed about tax issues

3. Methodology Adopted for the Study
The methodology adopted involved the conduct of interviews; and a number of questionnaires administered. This section is addressed chronologically as follows: the research design, the population, the sample, the data collection and data analysis.

3.1. The Research Design
The research design is the mixed method under the multiple methods choices (Curran & Blackburn, 2001; Tashakkori & Teddlie, 2003).The researchers used quantitative and qualitative techniques and procedures in combination. Specifically, the techniques applied in this study are an empirical ethnographic and statistical survey.

3.2. The Population of the Study
The study population covers the entire micro entrepreneurs in Ghana. It is estimated that more than 46% of the population of Ghana are, in one way or the other, engaged in micro entrepreneurship (Ghana Statistical Services, 2012). Focus was, however, placed on the micro entrepreneurs in the TamaleCentral market square[1] where there were 580 micro entrepreneurs, representing 17% of the 3,385 in the Tamale Tax Municipality (TMA Fee Fixing Resolution 2011).

3.3. The Sample of the Study
A sample size of 97 respondents was chosen for the study using the Slovin Formula (Umar, 2000). Sample$n = \frac{N}{1+N(e)^2}$

Where: n= sample size
N= population size (number of head teachers in the Municipal)
e= significance level in percentage of error that is allowed is five percent.
The respondents were sampled from major identifiable groups. Four of these groups were selected using stratified sampling and included hairdressers/barbers (H&B), tailor/seamstress (T&S), chop bar operators (CBO) and susu collectors (SC).

3.4. The Data Collection Techniques
The use of both quantitative and qualitative research design methods necessitated the collection of both qualitative and quantitative data. The data mainly covered the following areas: the profile of the respondent; theiroperational capacities and income; how compliant or otherwise is the micro entrepreneur in paying his/her taxes; and the taxpayers' awareness of the tax laws of the land.
The researchers administered the questionnaires to the respondents to elicit answers covering the above issues. The questions were both close and open ended. In general, the response rate was quite high as only a few people actually refused to take part in the survey.

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[1] Market square, as referred to in this study, is a geographical location where buyers and sellers converge to buy and sell goods and services.

3.5. Method of Data Analysis
The deduction approach was applied in the data analysis. Under this approach, hypotheses generated from the study objectives were expressed in operational terms and tested (Robson, 2002).Due to the nature of the research, the descriptive statistics approach was employed in the presentation and analysis of results, which is the focus of the next section.

4. Research Findings, Analysis and Discussions
The present section is dedicated to discuss and present the research data in line with the research objectives and literature by first looking at the background of the respondents, the performance of the Tax Stamp strategy in terms of revenue mobilization, the compliance level of Tax Stamp payers, the challenges confronting it, and the linkage between taxpayer perceptions and tax compliance.

4.1. Background Characteristics of the Respondents and Their Businesses

4.1.1. Age Group
Ninety out of the ninety seven sampled respondents eventually participated in the research. The Bar chart in figure 2 below represents the age distribution of the sampled respondents. The dominating age group is the very youthful active labour force within ages 21-40. These age groups (i.e. 21-30 and 31-40 years' groups) together represent 69 percent and the least being those above 50 years (2%). Thus indicating that as the micro-entrepreneurs advance in age, their businesses either migrate from micro and small to medium and larger organisations, or fold up.
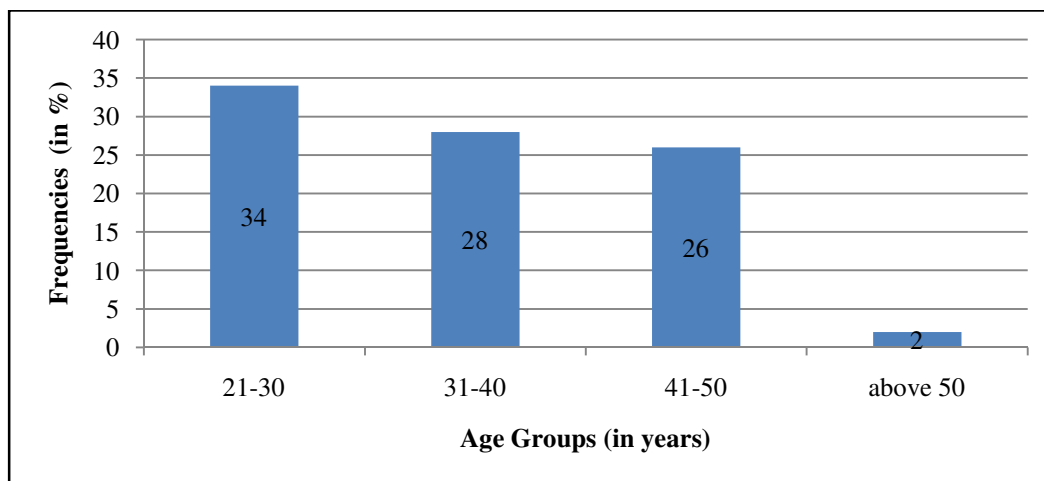

Figure 2: Bar Chart of respondents by age groups
Source: Field Survey 2014

4.1.2. Gender Distribution
Figure 3 below depicts the gender distribution of respondents in the survey. The female population of 56 is made up of 24 hairdressers in the hairdressers/barbers (H&B) group, 20 Seamstress in the Taylors/Seamstress (T&S) group, 11 chop bar operators in the fast food and chop bar operators (CBO) group and only 1 susu collector (SC). The male respondents of 34 on the other hand, include 14 barbers (H&B), 13 tailors (T&S), 2 fast food vendors (CBO) and 5 susu collectors (SC). The high female percentage may be attributed to the Ghanaian culture which permits females to dominate the chop bar as well as hairdressing business. It is also in conformity to the population dynamics where females out number males in most urban settlements and for that matter in the national population census. Males only dominated in the Susu collection business.
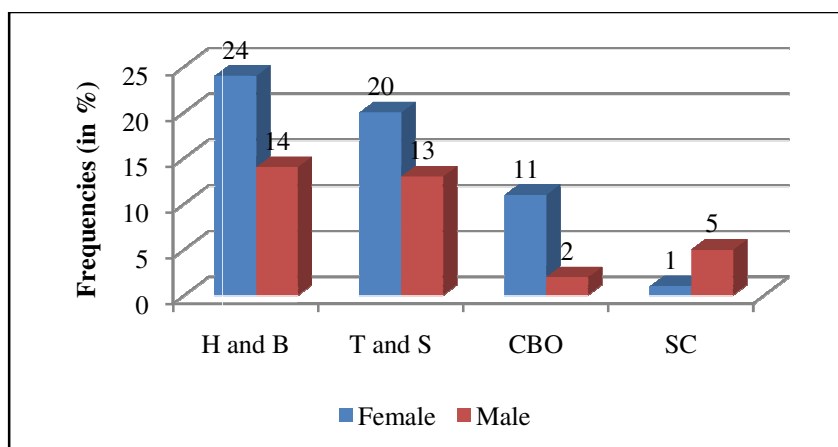
Figure 3: Bar Chart of Respondents by Gender in the sampled businesses
Source: Field Survey 2014

4.1.3. Business/ Trade

The distribution of respondents in terms of business/ trade as presented in figure 4 below reveals that; out of the sample size of 90 respondents, hairdressers and barbers dominated (42%), in the case of tailors and dressmakers the representation was 37% while chop bar operators and susu collectors represented 14% and 7% respectively.
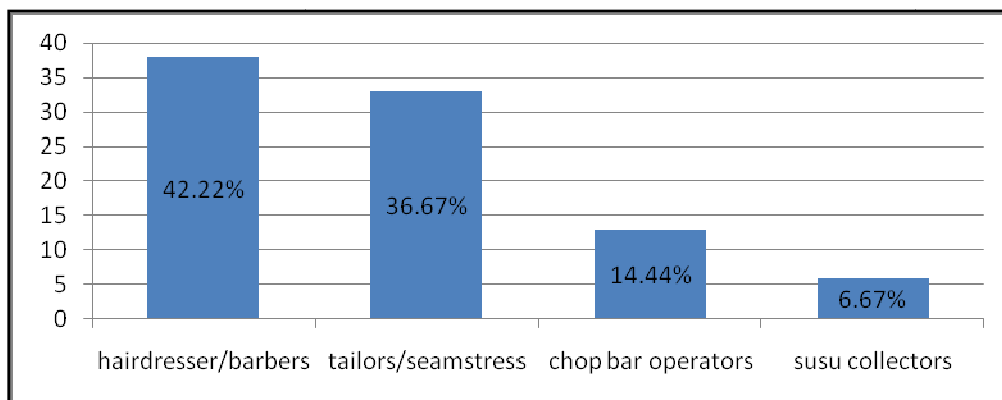

Figure 4: Business/Trade
Source: Field Survey 2014

The chop bar operators are probably few because the business requires a relatively high initial outlay and working capital. The risk of cooked food not finishing and going bad the next day due to poor storage systems also makes it not so attractive to most risk adverse entrepreneurs. Susu collection on the other hand is trust oriented such that those in the industry build their trust from the contributors over time and are hardly out-performed by new entrants. These explain their reasons for being minority in the study area.

4.1.4. Educational Background

Although education is not a pre-requisite for the establishment of a micro enterprise, all the respondents had some level of formal education. The majority of these respondents 57 percent completed Senior High School. Those with tertiary education were the minority representing 6 percent. Interestingly four (4) out of the five (5) tertiary graduates among the respondents are into non-banking micro savings mobilisation popularly called "Susu Collectors" while the last person is a hairdresser. This is presented in figure 5 below.
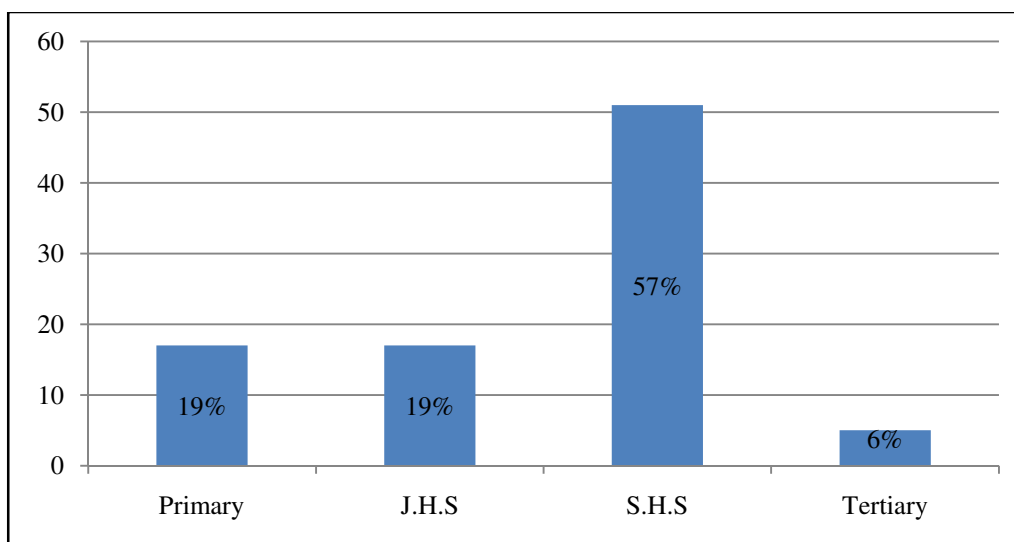
Figure 5: Educational Background
Source: Field Survey 2014

4.1.5. Number of Years Worked

As shown in figure 6 below, more than half of the micro enterprises are within their third year of establishment. About 26 percent and 18 percent had been in existence between the periods of 4-6 years and 7-10 years respectively. Those with over 10 years working experience as micro entrepreneurs represent 2 percent of the respondents. The persistent increasing trend of micro enterprises being established is an indication that many people are joining the private sector as self-employed. This indicates a great potential in contributing to an increase in Government revenue through the tax stamp system.
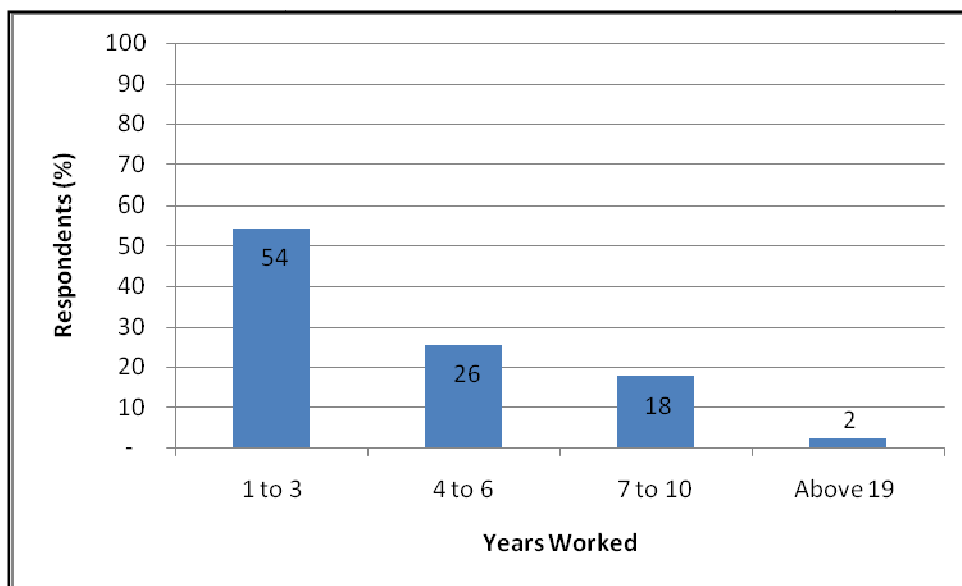

Figure 6: Number of years worked
Source: Field Survey (2014)

4.2. Tax Awareness

To assess the taxpayers' awareness of their responsibilities or obligations under the tax stamp policy, the following responses were obtained:

i.   Over eighty percent of the respondents were very much aware that the tax stamp was to be purchased in advance (Pre-paid) and over ninety percent also knew that non-compliance attracts some penalties against the taxpayer;

ii. About half of them were also aware that they needed to register with the tax authority to enable them be assessed; however

iii. Over seventy percent of the respondents were not aware that after registering with the tax authority, they needed to file their annual returns to enable the tax authority to assess their tax liabilities. As such, the current high level of awareness has not translated sufficiently into compliance.
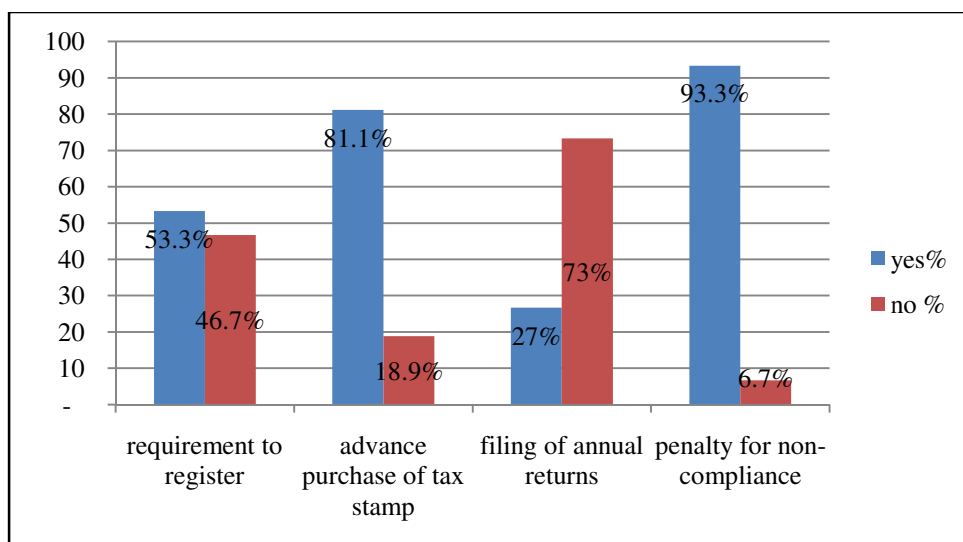
Figure 7: Awareness of tax stamp obligation
Source: Field Survey (2014)

4.3. Revenue Performance

Figure 8 below summarizes the outcome of the tax stamp from February 2005 to December 2013. The overall revenue collection from tax stamp grew from GH¢8,634.00 in 2005 to GH¢25,686.00 in 2007 representing a nominal growth rate of 2.97 times (or 297.5%). As compared to 2007, there was a sudden decrease in revenue in 2008 and 2009. In 2010 the revenue collected as a result of the tax stamp, increased by about 85 percentage (i.e. 84.97%) with a growth in collection of GH¢13,972.00 over that of 2009. 2011, like 2008 recorded a decrease in revenue as compared to 2010. A similar cycle of decrease was recorded in 2013 as against 2012.

The general outlook, however, indicates a normal bull and bear flows of revenue where bears are registered during the beginning (i.e. first quarter) of each fiscal year except in 2007 and 2012. The bull flows then takeover for the rest of the quarters. It is also worth noting that it was only in 2013 that the first quarter recorded a revenue inflow higher than the second quarter.
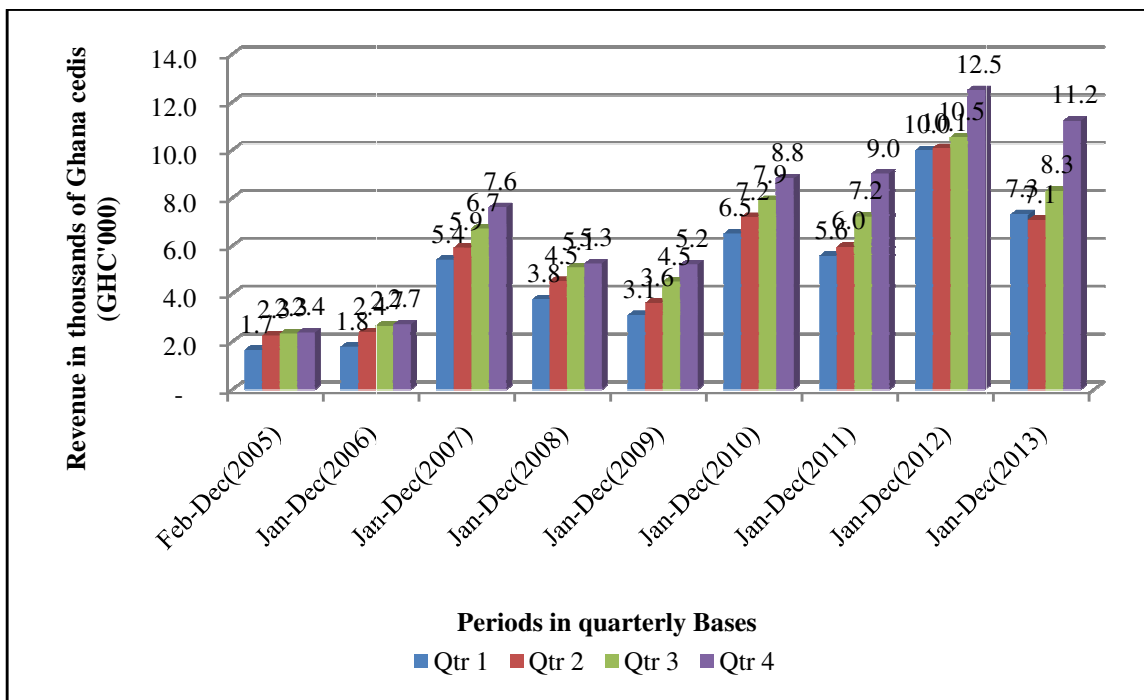

Figure 8: Revenue Mobilisation Performance
Source: Field Survey, (2014)

4.4. Forecasting

In figure 8 above, it shows the actual values from the first quarter of 2005 to the fourth quarter of 2013. These values were analysed and plotted in figure 9 below. The seasonal values were deseasonalised to remove all fluctuations as shown in figure 9 below, so that

the trend can be studied. After removing seasonal fluctuations, the graph shows that, the revenue generated by the tax stamp increased a little within the first year i.e. from 2005 to 2006. In 2007 there was a wide increase of revenue generated by the tax stamp, this was because the system was now known and traders had the willingness to purchase the tax stamp. The IRS (Tamale Municipality) identified many of the traders obtaining an annual income above GH¢5,000.00 and therefore opened a permanent tax file for them. This resulted in a vast decline of revenue generated by the tax stamp within the years of 2008 and 2009. As from 2010 the IRS (Tamale Municipal) intensified it collection efforts within the city as well as covering most of the villages and towns of the municipality. The significant decrease in the revenue in 2013 could be attributed to the lost of tax stamp income from the communities that were calved out of the municipality to form the new District, Sanerigu District.
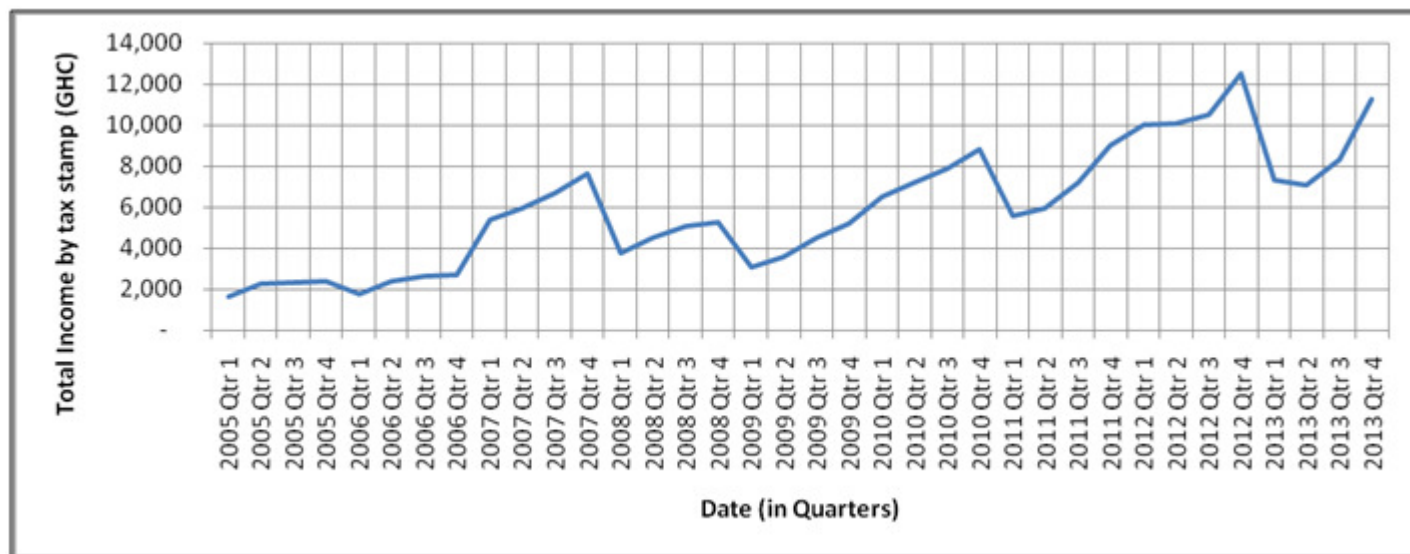

Figure 9: Seasonal fluctuation
Source: Field Survey (2014)

4.4.1. Forecasted Values and Trend

Table 2 in the list of tables, shows the values that were obtained after forecasting. These values are the predicted quarterly incomes to be generated by the tax stamp between the years 2014 and 2016. The forecasted trend is being indicated by a green line in figure 10 and it shows that, as the year increases the revenue generated by the tax stamp will also be increasing. This is because many micro, small and medium scale enterprises will be introduced into the system as the years goby and majority of these businesses will fall under the tax stamp system. From the study about 77% of the respondents indicated that the SMT fraternity will readily comply if they are properly educated on the tax stamp and why they should pay taxes in general. The Youth Enterprise Support programme will also positively influence the establishment of SMEs as well as revamp those that were slowly folding up. Although the programme would aid other businesses to migrate outside the tax stamp category, majority will still remain within the bracket.

The time series model used was $y_t = \alpha + \beta_t$

Where:

y_t - represents revenue generated by tax stamp with t representing coded time measured per quarter of a year;

α -Is a constant of (y_t intercept); and

β - The coefficient of time and the gradient of the trend of revenue.

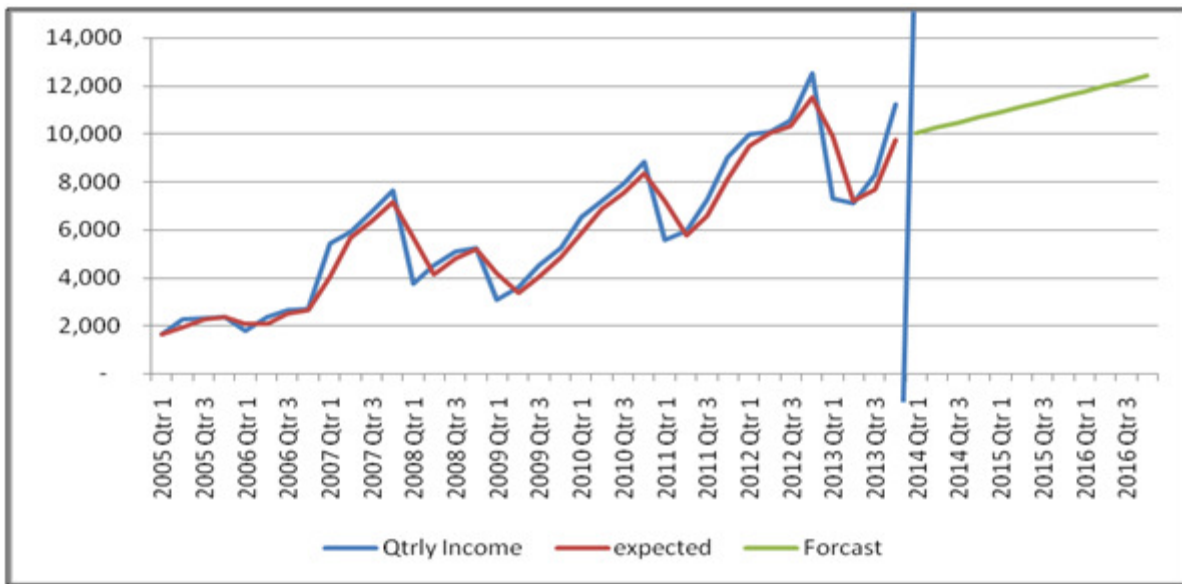$\alpha = 2038.108, \beta = 216.023$, and therefore $y_t = 2038.108 + 216.023_t$

Figure 10: Forecasted trend
Source: Field Survey (2014)

4.5. Challenges of Tax Stamp Compliance

With respect to tax stamp compliance challenges, figure 11 below shows that a relatively high percentage of between 35.6 percent and 80 percent of respondents agreed that, unfriendliness of tax officials, the locking up of defaulter's shops, the inefficient tax education programmes, little collaboration between executives of associations and tax officials and lack of clarity in the operations of tax stamp system are the main compliance challenges faced. Between 4.4 percent and 38.9 percent who however disagreed with this view, thought that the current tax stamp rates are high compared to their income levels. The remaining respondents (2.2 to 17.8 percent) who had no opinion believed that they should be exempted completely from the payment of any form of tax.
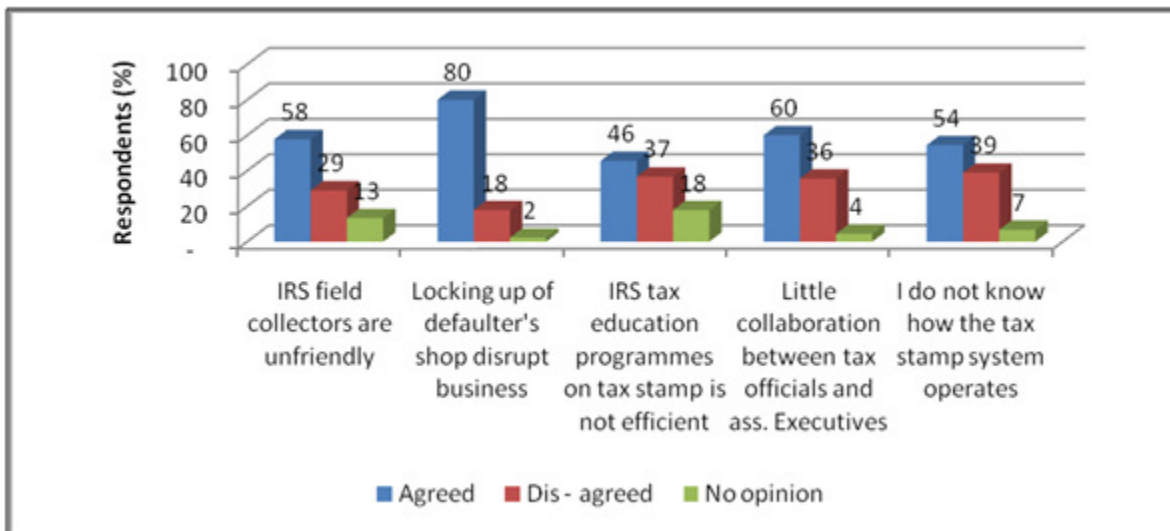

Figure 11: Challenges of the tax stamp system
Source: Field Survey 2011

4.6. Perceptions on Tax Compliance

In table 3 below, seventy percent of respondents indicated that paying tax without any direct benefit was unfair. About seventy seven percent (76.7%) were of the opinion that better education will improve their compliance level. A very significant proportion of the respondents (62.2 percent) believed that the government's inability to provide enough information on how the taxpayer money is used discourages tax payment. About thirty seven percent of the respondents believed that the tax stamps have largely reduced the loopholes in the tax system and improved compliance. About Forty seven percentare of the views that the tax burdenis heavy and endangers the survival of their businesses. Fifty percent of respondents claimed that many evade taxes because they are hardly confronted by the tax authorities for evading and even where the evasion is detected no severe punishment is mitted out to the culprit. These has accounted for the increasing rate of tax evasion among micro entrepreneurs.

STATEMENTS	RESPONSE			TOTAL
	Agree	Disagree	No opinion	100%
If I am well educated on why I should pay income tax I will readily comply	69 (76.7%)	13 (14.4%)	8 (8.9%)	100%
It is unfair to pay tax without any direct benefit in return	63 (70.0%)	25 (27.8%)	2 (2.2%)	100%
The government's inability to provide enough information on how the taxpayer money is used discourages tax payment	56 (62.2%)	22 (24.4%)	12 (13.3%)	100%
The tax system penalizes the honest and law abiding	19 (21.1%)	57 (63.3%)	14 (15.6%)	100%
The tax burden is so heavy that many people are forced to evade it so as to survive	42 (46.7%)	29 (32.2%)	19 (21.1%)	100%
People dodge tax payment because of the low risk of/on detection by tax authorities	45 (50.0%)	17 (18.9%)	28 (31.1%)	100%

Table 3: Perceptions on Tax Compliance
Source: Field Survey, (2013)

5. Summary of Findings

There was evidence that SMTs were very much aware of the tax stamps, and its operational concepts. SMTs knew that they were to register with the Tax Authorities; Pre-pay for the tax stamps on quarterly bases; and that a defaulter was liable to suffer some penalties when identified. SMTs were however, not aware that they needed to file their tax returns periodically (i.e. annually) for a complete assessment of their tax liabilities for any given tax period.

The tax stamp's overall revenue collection registered significant growths with the 297 and 393 percent growth between 2005 and 2007; and 2008 and2012 respectively being the highest. The least growth rate was recorded in 2007-2008. Using the time series model of $y_t = \alpha + \beta_t$ to predict the quarterly values of revenues for the 2014-2016 fiscal years, there was a constant growth in the future revenues.

The challenges of the system were found to be implementation weaknesses, information asymmetry or communication gaps on the policy. The Tax Payers complaint of not being well informed or educated on the tax stamp, probably accounted for them accusing the tax officials of being unfriendly and assertive. Other respondents who were of the opinion that they should be exempted completely from the payment of any form of tax are other challenged areas of the system.

6. Conclusions

The findings show that the tax stamp policy is a better strategic tool to widen the tax net and increase tax revenue from the informal sector of the economy. As a fast growing economy an efficient implementation of the policy will further boost the revenue from this source.

SMTs are very much aware of the tax stamp and the fact that there is a consequence on evading it. However, majority (70%) did not know that after registering with the tax authority, they needed to file their annual returns to enable the tax authority to assess their tax liabilities. The study indicates that tax compliance or evasion is mostly influenced by awareness creation through information flow from the tax authority to the tax payer.

The key challenges of the tax stamp policy are: information asymmetry to tax payers on the policy; low risk or insignificant punishment mitted out to arrested tax evaders; and high tax burden to law abiding citizens. The basis of taxation (i.e. size of business premises) leads to some small and micro entrepreneurs being unduly over taxed while others are also under taxed due the basis of taxes. A 40-feet containershop with less than GHC2000 monthly proceeds will be taxed higher than an entrepreneur in the same industry and operating in a 2m^2 container with a sales volume of over GHC10,000 a week.

7. Recommendations

Considering the critical role taxation plays in the development of a nation, and the contribution of small and micro enterprises in the Ghanaian economy, as well as the research findings, the following recommendations made to the various stakeholders must be embrace by all concern.

7.1. Tax Authorities

The Tax Authority should organise workshops and seminars or direct advocacy programmes at the market centres to educate the traders and other small and micro entrepreneurs on the importance of taxation to a nation and its mandatory requirement on the citizenry and all other residents in a nation. The tax payer should also be adequately informed on the tax stamp payment processes, those who are eligible to pay it, and the conditions under which a tax stamp payer may be migrated out of the tax stamp to another type of tax system as well as his or her responsibility thereafter.

The Internal Revenue Services (IRS) should simplify the Income Tax Filing system and educate the public on the available tax relieves and exemptions. The small and micro tax payers should also be encouraged to file their income tax returns for proper

assessment.

7.2. Small and Micro Tax Payer / Entrepreneur
The small and Micro entrepreneurs may form groups and create a pool of service providers including tax accounting personnel to keep their individual accounts for them and possibly prepare and file the various returns for them. This is most likely to be cheaper than each trader hiring the service of an accounting officer.

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Annexure

Model		Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Total Income By Tax Stamp in GH¢	Forecast	10,030.96	10,246.98	10,463.01	10,679.03	10,895.05	11,111.07	11,327.1	11,543.12	11,759.14	11,975.17	12,191.19	12,407.21
	UCL	11678.7	13046.9	14169.2	15164.2	16077.8	16933.6	17745.6	18523.0	19272.0	19997.3	20702.4	21389.9
	LCL	6574.7	5828.8	5328.9	4956.2	4665.0	4431.5	4241.8	4086.8	3960.1	3857.1	3774.4	3709.2

Table 1: Forecasted Values
Source: Analysis using SPSS

Level of Education	RESPONDENTS				Total
	Hairdresser/ Barber	Tailor/ Seamstress	Chop bar operator	Susu collector	
Primary	12	4	1	0	17
J H S	9	7	1	0	17
S H S	16	22	11	2	51
Tertiary	1	0	0	4	5
Total	38	33	13	6	90

Table 2: Educational Background
Source: Primary Data from Survey

Business/ Trade	Requirements to register		Advance Purchase of quarterly tax stamp		Filing of Annual return		Penalty for non - compliance	
	Yes	No	Yes	No	Yes	No	Yes	No
Hairdressers/ Barbers	14	24	30	8	7	31	33	5
Tailors/ Seamstress	18	15	26	7	4	29	33	0
Chop Bar Operators	10	3	11	2	7	6	12	1
Susu Collectors	6	0	6	0	6	0	6	0

Table 3: Awareness of tax stamp obligation
Source: Field Survey, (2013)

Years	Quarters GH¢				Total GH¢
	1	2	3	4	
Feb-Dec(2005)	1,658.50	2,258.50	2,338.50	2,378.50	8,634.00
Jan-Dec(2006)	1,786.00	2,386.00	2,656.00	2,716.00	9,544.00
Jan-Dec(2007)	5,421.50	5,930.50	6,721.50	7,612.50	25,686.00
Jan-Dec(2008)	3,762.75	4,530.75	5,092.75	5,264.75	18,651.00
Jan-Dec(2009)	3,114.50	3,614.50	4,501.50	5,227.50	16,458.00
Jan-Dec(2010)	6,507.50	7,199.50	7,907.50	8,815.50	30,430.00
Jan-Dec(2011)	14,573.03	15,420.17	15,076.73	16,188.52	61,258.45
Jan-Dec(2012)	30,449.18	30,714.48	26,484.34	27,299.84	114,947.84
Jan-Dec(2013)	67,427.30	65,017.59	49,833.90	49,450.11	231,728.90

Table 4: Revenue performance
Source: IRS Tamale Municipal, (2014)

CHALLENGES OF TAX STAMP COMPLIANCE	Agree	Disagree	No Opinion
IRS field collectors are sometimes unfriendly	52 (57.3%)	26 (28.9%)	12 (13.3%)
The locking up of defaulter's shop disrupt business leading to loss of income/ profit.	72 (80%)	16 (17.8%)	2 (2.2%)
IRS tax education programmes on tax stamp system has not been efficient in promoting awareness and compliance	41 (45.6%)	33 (36.7%)	16 (17.8%)
There is little collaboration between executives of associations and tax officials	54 (60.0%)	32 (35.6%)	4 (4.4%)
I do not know exactly how the Tax Stamp system operates	49 (54.4%)	35 (38.9%)	6 (6.7%)

Table 5: Challenges of the tax stamp system
Source: Field Survey, (2013)

	yes	no	
requirement to register	48	42	90
advance purchase of tax stamp	73	17	90
filing of annual returns	24	66	90
penalty for non-compliance	84	6	90

To resize chart data range, drag lower right corne

Table 6