

Impact Of Tax Audit On Tax Compliance In Ghana; Evidence From Bolgatanga Taxpayers Centre Of The Ghana Revenue Authority

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Abstract

The study assessed the impact of tax audit on tax compliance in Ghana, with the focus on taxpayers and tax auditors in Bolgatanga Municipality. Several key findings were noted and discussed. Important issues such as tax compliance level of taxpayers, determinants of tax compliance among taxpayers, the effectiveness of tax audit and the relationship between tax audit and tax compliance were analysed and discussed in the study. The research used a descriptive research design and a quantitative approach. The determinants of tax compliance among taxpayers, as well as the relationship between tax audit and tax compliance were studied using regression and correlation analysis. The results indicated varied opinions on the part of the taxpayers on the issue of tax compliance. For instance, the taxpayers believed that it was obligatory to pay their taxes; they were sometimes hesitant in paying taxes; group norms and expectations influence tax compliance; the penalties accompanying tax evasion deter them from evading taxes; and paying taxes was their responsibility. However, the taxpayers do not honor their tax obligations; they do not comply with the tax laws; and there are no severe punitive measures for tax evaders. With reference to the determinants of tax compliance among taxpayers, it was identified that economic factors, tax knowledge, income level and tax fairness were positive and significant determinants of tax compliance, whereas physiological factors were negative but insignificant determinant of tax compliance. Also, on the effectiveness of tax audit within the Bolgatanga Municipality, it was noted that the tax audit was effective. When correlation analysis was performed, it was discovered that tax audit and tax compliance had a moderately positive and significant relationship. The study makes the following recommendations to address some of the issues identified in the study, based on the findings and discussions. The findings revealed that taxpayers do not comply with their tax duties. Based on this the study recommends that there should be tax education for the taxpayers concerning the need to honor their tax obligations. The education can be made on platforms such as the radio, television or information centers. It was also identified that the taxpayers do not pay accurate taxes. To deal with this situation, the tax authorities should organize workshops and seminars for the taxpayers about how to make appropriate payment for their taxes.

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I. Introduction

The amount of revenue earned and applied by the government on public infrastructure for the benefit of citizens of that society determines the growth of any nation. Without enough resources for infrastructure development and the provision of power, public utilities, and services, no economy can grow (Mebratu, 2016). Taxes and tax systems are critical components of any endeavor to construct a nation, particularly in emerging or transitional countries (McKerchar & Evans, 2009). Taxes are the lifeblood of governments in developing countries, allowing them to fund public goods and services (OECD, 2010; Paepe & Dickinson, 2014). However, there have been instances in which taxpayers have failed to pay their taxes. As a result, tax payers are now compelled to comply with the taxation system in every country.

Tax compliance concerns are inextricably linked to those of tax evasion, and they entail concepts of equality, efficiency, and law enforcement. Since the pioneering Allingham and Sadmo (1972) study, the relationship between enforcement policy and taxpayer compliance has been recognized as critical. Their models have taken into account audits and penalties, as well as the actions taken by the authorities to prevent fraudulent behavior, in a conventional portfolio environment. Concerns regarding the impact of audits on tax revenue and tax compliance in general have prompted tax administrations and scholars to pay more attention to their impact (D'Agosto, et al., 2018). Tax audit is required in order for tax compliance to be effective (Lediga et al., 2018).

A tax audit, according to the IRS, is "an evaluation of an institution's or person's financial accounts information to make sure that the information is really being reported accurately, in accordance with tax regulations, and to verify the amount of tax submitted as accurate." (Source: IRS website). A tax audit, according to the OECD (2006), is a check to see if a taxpayer has appropriately calculated and declared their tax liability, as well as met other requirements. As a result, the primary goal of a tax audit is to determine whether or not taxpayers have followed the necessary statutory provisions of the tax Act in relation to their audited financial statements and other tax-related returns (Modugu & Anyaduba, 2014).

The majority of tax audit and compliance research are focused on the tax systems of the United States and other developed nations. Due to data availability issues, there are relatively few studies assessing tax audit and compliance in developing nations (Alm, 1999). Tax audit and compliance research are also few in Ghana, with only a few studies on tax evasion and administration issues (Owusu, 2019; Armah et al., 2014). A more complete and up-to-date study of citizens' impressions of tax administration and compliance is still desperately needed. That's because the tax audit and compliance literature has discovered several factors that may influence income tax compliance behavior, such as tax audits, penalties, positive incentives, tax amnesties, and attitudes and perceptions toward tax systems, as well as control variables like tax rates, actual income levels, and other demographic characteristics. It will be fascinating to observe if these elements, with a particular focus on tax auditing, have similar consequences in Ghana. The purpose of this study is to determine the influence of tax audits on tax compliance in Ghana.

II. Literature Review

Theoretical Literature Review

This section examines the theoretical literature on the subject of understudy.

The Policeman Theory

Awe, (2008) developed this theory of auditing based on the notion that monitoring systems at undefined times is equivalent to a policeman protecting a location, hence the name "policeman theory." It functions similarly to a police officer in that it protects the location and territory once surveillance is concluded. This hypothesis aids in the detection of a fraud's value in auditing. The subject of fraud detection and avoidance was a heated concern before 1940, and it still is now, but the auditor's principal role in recent years has been to deliver a report based on the truth and fairness of the financial records. As a result, this hypothesis has lost its descriptive authority (Mehdi, 2011). It was also said that auditing is solely focused on arithmetical accuracy and fraud prevention and detection. This theory enables auditors to detect and prevent fraud and errors in businesses. The auditing theory is subsequently given a monitoring component.

Empirical Literature Review

There are several researches done to empirically examine tax systems in both developing and developed nations, specifically in relation to tax audit program. Most of them in exception Gebeyehu (2008) and Mihret (2011), have emerged from developed nations and applying various settings. This sub-section sought to briefly discuss studies done by various researchers across the globe in relation to tax audit and revenue, tax administration, tax audit program and tax compliance.

In a research published in 2013, Adediran et al (2013) looked at the impact of tax audits and investigation on revenue collection in Nigeria. The goal of the study was to see if tax auditing and investigations can genuinely boost the government's tax revenue base while also lowering the prevalence of tax evasion. Data was collected from 320 respondents, all of whom were employees of the Edo State Board of

Internal Revenue and the Federal Inland Revenue Service. The Pearson Correlation Coefficient was used to test the study's hypotheses. Tax audit and inquiry have a significant potential to boost tax revenue mobilization while also reducing the incidence of tax evasion, according to the study's findings.

In their study, Onoja and Iwarere (2014) looked at the influence of tax audits on revenue mobilization in the Federal Inland Revenue Service. The study's goal was to look into the link between tax audit and revenue mobilization in the Federal Revenue Service. The information (data) for the analysis was gathered using primary data gathering methodologies. The analysis of variance (ANOVA) approach was used to test the research hypotheses. Tax audit has a major impact on revenue mobilization in the Federal Inland Revenue Service, according to the study's findings.

Collins and Plumlee (1991) researched into the effect of tax audit schemes on the taxpayer's and reporting decision. The research sought to ascertain the effect of alternative tax rates and the levels of penalty on noncompliance. The study adopted experimental design and laboratory labour setting was employed to test the impact of tax rate, audit scheme and the sanctions levels of non-compliance. The outcome revealed that, audit scheme which incorporate some preliminary information signs from the taxpayers may be more fruitful in minimizing if not eradicating underreporting than purely audit models. Schemes that are non-random seems to be most effective at the tax rate are low and penalty levels are at the very high side.

Also, Smith and Stalans (1994) undertook a study into the strategies of negotiating preferred by auditors and taxpayers in resolving disputes associated with tax audit. A pre-audit open-ended interview was adopted by the study couple with a random selected sample of tax auditors and taxpayers that which was drawn from four field offices of the Oregon Department of Revenue. The outcome indicated that, the strategic preference by both auditors and taxpayers has been influenced by the type of dispute, the attitude of the taxpayer and the tax administration, the variation in formal powers and the perceived responsibilities of the tax auditor. As indicated by the study results, tax auditor have higher tendency of preferring the cooperation strategies whilst the taxpayers who think they can possibly alter the decision making of the auditors may prefer the assertive strategies. The outcome further indicated that tax payers sought to take advantage of gaps and uncertainties in the laws with regards to tax are likely to go for the strategies that are assertive in nature and others who sought to reduce their engagement are likely to prefer the cooperative strategies.

Chan and Mo (2000) investigated the impact of tax breaks on foreign investors in China. The study used a case study approach and tax audit data from 585 examples of 1996 foreign company tax filings audited in 1997. The samples were chosen at random for this case study, and non-compliance was measured in terms of tax audit judgment, which is an overstatement of cost of sales in the pre-holiday period and an over-provision for staff welfare in the post-holiday period. Noncompliance is influenced by a company's tax holiday position, according to the study. Organizations are least compliant at the period of pre-holiday whereas most compliant at the period of tax exemption. It was further noted that, domestic market oriented organizations, service firms, and joint ventures are less compliant relative to export oriented organizations, manufacturing companies and wholly foreign owned companies.

Using secondary macro data, Agumas (2016) investigated the influence of tax audit on enhancing taxpayer compliance in Ethiopia. As a secondary data source, ERCA's pertinent documents were assessed. Bivariate regression and partial coefficient regression analysis were used to analyze the data collected for the studies' primary variables. The regression result also demonstrates that the number of audited files and the degree of tax compliance are strongly linked. The results of the correlation and partial regression coefficients demonstrate that there is a substantial link between the chance of audit detection and the number of audited files and tax compliance. The partial coefficient regression result reveals that the combined effect of the frequency of audit detection and the number of audited files enhances tax payer compliance significantly more than the individual effect.

Jemaiyo and Mutai (2016) investigated the drivers of tax compliance and their impact on tax compliance levels in the real estate sector in Eldoret, Kenya. The study targeted a population of 605 people using an ex-post facto research design. Snowball sampling and purposive selection methods were used to choose a sample size of 68 respondents from the target group, which included real estate investors, tax audit and compliance officials. A systematic questionnaire was used to collect data, which was then analyzed using chi-square. The cost of tax compliance, tax knowledge, tax fines, and tax audit all had a substantial impact on tax compliance, according to this study.

Modugu and Anyaduba (2014) did a similar study in Nigeria on the impact of tax audit and other qualitative variables on company tax compliance levels. It was a descriptive study with a survey design, and the information was gathered by a closed-ended questionnaire distributed to 500 employees of the State Boards of Internal Revenue in the selected states. The data was analyzed using the ordered Logistic Regression technique to determine the impact of the independent variables on tax compliance, and it was discovered that the likelihood of being audited, perceptions of government spending, penalties and enforcement, and the combined effect of tax audit and penalties all have a significant impact on tax compliance in Nigeria.

Badara (2012) investigated the influence of tax audit on tax compliance in Nigeria in order to assess the degree of tax compliance in Bauchi State. It was a survey study, and the data was gathered from primary sources, such as a questionnaire distributed to Bauchi State Board of Internal Revenue employees. Simple percentages were used to interpret the data collected for the study. According to the conclusions, the Relevant Tax Authority (RTA) should use tax audit to meet revenue targets. Based on an empirical study in Mekelle, Ethiopia, Engida and Bisa (2014) investigated factors impacting taxpayers' compliance with the tax system. Probability of being audited, perception of government spending, perception of equality and fairness, penalty, budgetary restrictions, changes to current government policies, referral group, role of the tax authority, and tax expertise are among the nine drivers found by the researchers. A cross sectional survey approach of research design was used by the researchers. In three sub-cities of Mekelle, namely Semen, Hawilitu, and AdiHaki, a structured questionnaire was delivered to 102 category "C" taxpayers. The likelihood of being audited, budgetary restraints, and changes in existing government policy all had an impact on tax compliance, according to the findings. At the time of this investigation, no other variables were found to be significantly connected to tax compliance. The researchers also found that the frequency of the tax authority's tax audit activities, as well as the practice of issuing fines, influenced low compliance and non-compliance.

Sarfo (2015) did research on the role of tax audit in revenue mobilization in the Ghanaian government's Ashanti Region. Both qualitative and quantitative case study research methods were used in this study. The study used sixty auditing employees from all of the DTRD of GRA's Ashanti Region offices as a case study. A field survey was used to acquire primary data, while secondary data from the GRA's DTRD was collected for the quantitative investigation. And qualitative research was seen as a way to acquire access to unquantifiable information. The study's findings revealed that all of the respondents agreed that tax audit is critical to increasing revenue collection and plays a critical role in Ghana's tax administration. Despite the fact that the tax audit unit's workers possess the essential abilities to carry out their tasks and responsibilities. It is recommended that they receive enough short-term and refresher training to stay up with current auditing and investigation trends, as well as the various tax law revisions. Finally, a better-equipped tax audit unit can help the country achieve its goal of being self-sufficient in domestic income creation through taxation. The study did not, however, examine the impact of tax audits on taxpayer compliance.

According to a study conducted by Mebratu (2016) on the impact of tax audit on tax compliance in Ethiopia, there is a high association between the likelihood of audit detection and the level of tax compliance. Similarly, Ola (2001) suggested that tax auditing assists in facilitating or encouraging voluntary compliance by finding and prosecuting those who do not pay adequate amounts.

III. Methodology

Research Design

This research took a quantitative approach and used a descriptive research design. A descriptive research design, according to Burns and Bush (2010), is a collection of methods and procedures for describing variables. A descriptive study is also used to answer the questions "what, how, and why" (Sekaran & Bougie, 2013). To gain a better understanding of the results, quantitative research was employed.

Sample and Sampling Technique

The sample size represents a smaller portion of a bigger population (Cooper & Schindler, 2014). A sample is a group of individuals taken from a population with the goal of estimating population characteristics (Siegel 2003). It is a proportion or subset of a population that has been chosen to adequately reflect the entire population. Three hundred (300) small and medium taxpayers in Bolgatanga were used in the study. This study employed the convenience sampling method. The respondents were chosen using the convenience sampling technique based on their availability during the data collection period.

Data Analysis

Data processing is the process of converting a large amount of raw data into tables, charts, and percentage distributions (Saunders & Thornhill, 2009). Data from the field was sorted and presented in tables and graphs. The data was analyzed using the Statistical Package for Social Sciences (SPSS). There were several stages to the data analyzing process. The completed questionnaires were edited for completeness and accuracy. Any errors or omissions were then coded and the data was double-checked (Kaewsonth & Harding, 1992). To quantify the central tendency of the variables, the quantitative data was analyzed using mean and standard deviation.

Reliability and Validity of Data

Testing for reliability is crucial because it pertains to the consistency of a measuring instrument's parts (Huck, 2007). When the items on a scale "hang together" and measure the same construct, it is considered to

have high internal consistency dependability (Huck, 2007, Robinson, 2009). The Cronbach Alpha coefficient is the most widely used internal consistency metric. When using Likert scales, it is regarded as the most acceptable measure of dependability (Whitley, 2002, Robinson, 2009). Although there are no definitive standards for internal consistency, the majority of experts agree on a minimum internal consistency coefficient of 0.70 (Whitley, 2002, Robinson, 2009). The questionnaire's Cronbach Alpha was 0.80, indicating that it was trustworthy. Validity refers to how well the information gathered is relevant to the investigation (Ghauri and Gronhaug, 2005). Validity is defined as "measuring what is supposed to be measured" (Field, 2005). In order to guarantee that the questionnaire is valid, it was first evaluated in a pilot research, following which a few concerns were addressed and the final valid questionnaire for the study was created.

IV. Key Findings

Table 1: Tax compliance level of taxpayers

	SD	D	N	A	SA	Mean	Std.
I honor my tax obligations because I have good morals	25.3%	48.7%	12.7%	5%	8.3%	2.22	1.13
All my tax returns are usually submitted on time	36.7%	46%	16%	1.3%	0%	1.82	0.74
I usually pay all my taxes within the statutory deadlines	39%	42.3%	10.3%	2.3%	6%	1.82	0.79
I usually pay accurate taxes	2.3%	3%	2%	52.3%	40.3%	4.28	0.76
I usually keep complete records as required by the tax laws	4.3%	2%	5%	65.7%	23%	4.11	0.69
I usually furnish the Commissioner General with accurate information relating to my income taxes	2.3%	5%	24.7%	49.3%	18.7%	3.80	0.82
I comply with the tax laws	40.3%	43.7%	6%	5%	5%	1.81	0.82

Source: Field data, (2021)

From the Table, the tax payers are of the view that they do not honor their tax obligations because they have good morals by 48.7% which form the major part of the tax payers disagreeing to this fact and is strongly rejected by 25.3%. Only 5% and 8.3% claimed that they honor their tax obligations because they have good morals. The mean value of 2.22 found against this statement means that generally, the tax payers disagree to it that they honor their tax obligations because they have good morals and the disparities in their assertion is presented with standard deviation value of 1.13

Majority of the tax payers with 46% disagreed to it that all their tax returns are usually submitted on time and strongly buttressed by 36.7% who also strongly disagreed to this claim. Those who agreed to it that all their tax returns are usually submitted on time constituted 1.3% and 16% were unsure. The mean value of 1.82 indicates that the taxpayers disagreed to this issue and deviations in their views represented with 0.74

On the issue of paying all taxes within the statutory deadlines, majority of the taxpayers representing 42.3% rejected the claim that they pay all taxes within the statutory deadlines and strongly disagreed by 39%. However, 2.3% and 6% agreed and strongly agreed to it that they pay all taxes within the statutory deadlines. The mean value of 1.82 signals that the taxpayers generally disagreed to this fact and with disparities in their ratings being 0.79.

More than half with 52.3% of the tax payers asserted that they usually pay accurate taxes and strongly supported by 40.3% of the taxpayers. On the other hand, 2.3% and 3% rejected and strongly rejected this claim. The mean value of 4.28 shows that the taxpayer agreed to it that they usually pay accurate taxes with deviations in the ratings being 0.76.

Most of the tax payers with 65.7% proposed that they usually keep complete records as required by the tax laws and is strongly backed by 23% of the taxpayers. Those on the opposing side were 4.3% and 2% who disagreed and strongly disagreed to it, with 5% being indecisive. The mean value of 4.11 indicates that the taxpayers agreed to this fact and with minimal dispersion of 0.69 in their ratings.

With mean value of 3.80, there is a consensus on the agreement that the taxpayers usually furnish the Commissioner General with accurate information relating to their income taxes. This is confirmed with 49.3% and 18.7% of the taxpayers agreeing and strongly agreeing to this fact. Those who strongly disagreed and disagreed to it were 2.3% and 5% respectively with 24.7% choosing no side.

Most of the tax payers with 43.7% disagreed to it that they comply with the tax laws, 40.3% strongly disagreed to it and 6% neither agreed nor disagreed to it. There was a tie of 5% among the taxpayers who agreed and strongly agreed to it. The mean value of 1.81 concludes the matter that the taxpayers do not comply with the tax laws and with deviations of 0.82.

Table 2: Determinants of Tax Compliance

	SD	D	N	A	SA	Mean	Std.
Economic Factors							
There are economic benefits of evading tax as compared to compliance		2.3%	3%	50.7%	44%	4.387	0.587
Legal authorities forgive taxpayer debts	3%	5%	8%	45%	39%	4.180	0.818
There is underreporting of gross income	5%	15.7%	19%	28%	32.3%	3.77	1.07
Psychology Factors							
Poor mentality towards tax	6%	10%	10.3%	48.3%	25.3%	3.89	0.898
Poor perception of political government accountability	4%	10%	28.3%	40%	17.7%	3.65	0.884
Social values, culture and beliefs about tax	7%	3.7%	18%	40%	31.3%	3.99	0.844

According to the analysis from the Table, the taxpayers with 50.7% agreed that there are economic benefits of evading tax compared to those of compliance, 44% strongly backed this claim and 3% were unsure. Those who rejected this assertion constituted 2.3%. The mean value of 4.37 against this statement further supports the respondent’s agreement to this fact. The standard deviation value of 0.59 shows some small level of variability in their responses to this issue.

In addition to the economic factors, majority of the taxpayers representing 45% supported the fact that legal authorities forgiving the tax payers debts is a determinant of tax compliance. This is strongly supported by 39% of the taxpayers. Only 3% and 5% strongly disagreed and disagreed to this fact. The mean value of 4.18 signals that, the taxpayers agreed to this statement and with deviations of 0.82.

Most of the taxpayers which represents 32.3% strongly believed that there is underreporting of gross income, with 28% agreeing to this fact. Those who opposed it were 5% and 15.7%. The mean value of 3.77 shows that on the average, the taxpayers slightly agreed to this issue and with dispersion of 1.07.

In terms of psychological factors, the taxpayers representing 48.3% believed that there is poor mentality towards tax, 25.3% were in strong agreement to it and 10.3% neither agreed nor disagreed to it. However, 10% disagreed to it leaving 6% strongly opposing it. The mean value of 3.89 testifies that the taxpayers were in support of this claim and with variations in their ratings being 0.90.

Poor perception of political government accountability was noted to be part of the psychological factors affecting taxpayers as confirmed with 40% agreeing to it and 17.7% strongly agreeing to it. Those who were unsure were 28.3%, with 4% and 10% opposing this fact. The mean value of 3.65 justifies that the taxpayers slightly agreed to it and with deviations of 0.88.

Majority of the taxpayers with 40% proposed that social values, culture and beliefs about tax also forms part of the psychological factors and is strongly backed by 31.3% of the taxpayers. 3.7% and 7% disagreed and strongly disagreed to this fact. The mean value of 3.99 supports the claim that the taxpayers were in agreement to this fact and with standard deviation of 0.84.

Table 3: Tax Knowledge and Income Level

	SD	D	N	A	SA	Mean	Std.
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Tax Knowledge							
Level of education	3.7%	8.7%	16%	55%	16.7%	3.72	0.96
Knowledge about tax	2.3%	10%	7.7%	52.3%	27.7%	3.98	0.88
Workshop for taxpayers		8.7%	11%	67.7%	12.7%	3.84	0.75
Income Level							
Irregular income	3.7%	12.3%	26.3%	40%	17.7%	3.63	0.91
Low income level	2.3%		31.7%	47.3%	18.7%	3.80	0.82
High income level		2.3%	9.7%	43.7%	44.3%	4.30	0.74

From the Table, 55% of the taxpayers proposed the level of education which falls under tax knowledge, affects tax compliance of which 16.7% of the taxpayers strongly backed this point. Those who disagreed to it were 8.7% and 3.7% strongly agreed to it. The mean value of 3.72 shows that the taxpayers agreed to it and with variability of 0.96.

Knowledge about tax is also found to affect tax compliance as 52.3% of the taxpayers were in support of this fact and 27.7% strongly agreed to it. Meanwhile, those who disagreed to it were 10% and 2.3% strongly disagreed to it with 7.7% remaining neutral. The mean value of 3.98 indicates that the taxpayers agreed to it and minimal dispersion of 0.88.

Availability of workshop for taxpayers was backed by 67.7% of the taxpayers and strongly backed by 12.7% of which 11% were neutral. However, only 8.7% disagreed to it which led to a mean score of 3.84 confirming their agreement to this fact.

Concerning income level, the existence of irregular income was supported by 40% of the taxpayers and strongly confirmed by 17.7% of the taxpayers. Those with opposing view were 12.3% and 3.7% and with a mean value of 3.63 which generally concludes that the taxpayers slightly agreed to this issue and with dispersion of 0.91.

Most of the taxpayers with 47.3% perceived that low income level affects taxpayers to pay their taxes and strongly supported by 18.7% of the taxpayers. Those who strongly rejected this assertion were 2.3% and with mean value of 3.80, suggests that the taxpayers agreed to this fact with deviations of 0.82.

High income level was perceived by majority of the taxpayers with 43.7% and strongly supported by 44.3% of the taxpayers. Those who disagreed to it were 2.3% and 9.7% were neutral. The mean value of 4.30 testifies that the taxpayers agreed to this fact and with disparity of 0.74.

Table 4: Tax Fairness

	SD	D	N	A	SA	Mean	Std.
Tax Fairness							
Treating equal taxpayers in equal circumstances in an equal way	57.7%	22.3%	18.7%	1.3%		2.36	0.83
Unequal tax holidays to taxpayers	3%	5%	8.7%	56.7%	26.7%	3.99	0.91
Differences in taxes charged on equal income earners.	2.7%	1.3%	17.3%	44.7%	34%	4.06	0.90

Per the illustration in the Table, majority of the taxpayers representing 57.7% strongly disagreed to it that equal taxpayers are treated in equal circumstances in an equal way, and 22.3% also disagreed to this assertion. Only 1.3% agreed to it. With mean value of 2.36 it means that the taxpayers rejected the fact that equal taxpayers are treated in equal circumstances in an equal way and with dispersion of 0.83.

The taxpayers further believed that there is unequal tax holidays to taxpayers by 56.7% of the taxpayers agreeing to this fact and 26.7% strongly agreeing to this claim, with 8.7% being neutral. Those who disagreed and strongly disagreed to it were 5% and 3% respectively. The mean value of 3.99 supports the fact that the taxpayers agree to this fact and with disparity of 0.91.

Majority of the taxpayers with 44.7% agreed to it that there are differences in taxes charged on equal income earners of which 34% strongly agreed to this fact. Just 2.7% and 1.3% respectively strongly disagreed and disagreed to it. The mean value of 4.06 shows that the taxpayers were in agreement to this fact and with deviation of 0.90.

Regression Analysis

Table 4.5: Determinants of Tax Compliance

	Coefficients (Beta)	T – statistic	Sig.
(Constant)	2.650	27.910	0.000
Economic Factors	0.039	4.365	0.001

Psychological Factors	-0.086	-1.370	0.172
Tax Knowledge	0.270	4.220	0.000
Income Level	0.604	11.985	0.000
Tax Fairness	0.026	12.564	0.000
R	0.949		
R – Square	0.761		
F – Statistic	77.985		
p-value	0.000		

Source: Field data, (2021)

From the table, the R Square value of 0.761 from the regression model indicate that the independent variables jointly explain 76.1% of the variations in the tax compliance. Also, the regression result is statistically significant as the level of significance (p-value = 0.00) is less than 0.05.

It is evident from the Table that economic factors, tax knowledge, income level and tax fairness showed respective Beta values of 0.04, 0.27, 0.60, and 0.03. This means that economic factors, tax knowledge, income level and tax fairness are positive determinants of tax compliance. The p-values of these factors are below 0.05, indicating that they are significant determinants of tax compliance. Hence, improving economic factors, tax knowledge, income level and tax fairness would lead to significant improvement in tax compliance.

Psychological factors showed Beta value of -0.09 indicating that it is negative determinant of tax compliance. The p-value of 0.17 which is above 0.05, computed against this factor shows that it is insignificant determinant of tax compliance.

		Tax Audit	Tax Compliance
Tax Audit	Pearson Correlation	1	.602**
	Sig. (2-tailed)		.000
	N	300	300
Tax Compliance	Pearson Correlation	.602**	1
	Sig. (2-tailed)	.000	
	N	300	300

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Field data, (2021)

The Pearson correlation analysis showed coefficient value of 0.602 for the relationship between tax audit and tax compliance. This value shows that there is moderate positive relationship between tax audit and tax compliance. The significant value of 0.00 shown against the relationship is below 0.05, suggesting that the relationship between tax audit and tax compliance is statistically significant.

V. Discussion Of Findings

The study assessed the impact of tax audit on tax compliance in Ghana. Several important issues were assessed and discussed in the study. The findings from the study in relation to the conceptual framework for the study was also validated. The findings on tax compliance level of taxpayers within the Bolgatanga Municipality revealed that the taxpayers believed that they usually pay accurate taxes. As every worker in the country, the law enforces every worker to pay their taxes accurately, hence making it obligatory for the payment of taxes. Verboon and Dijke, (2007) asserted that it is a requirement for every worker to pay accurate taxes, hence confirming the findings from this study.

Another observation was that the taxpayers usually keep complete records as required by the tax laws. This situation occurs when the taxpayers believe that when they do not keep proper records, it would affect their payment of taxes. This is in line with the assertion made by Badara (2012). It was also noted that the taxpayers usually furnish the Commissioner General with accurate information relating to their income taxes. This is as a result of the fear of being punished by the authorities when they are found of not reporting accurate information about their taxes. Penalties scare people from improper reporting of information and for that matter, they comply with the tax laws. This finding is in tandem with the findings from Torgler (2012).

Another aspect of the study assessed the determinants of tax compliance among taxpayers. It was identified that economic factors was one of the positive and significant determinant of tax compliance. This means that good economic conditions enhances the payment of taxes. When there is good economic environment, people are not hesitant in paying taxes. This is in accordance with the findings by Nyamwanza et al. (2014); Mukasa (2014) who indicated that good economy encourages tax compliance.

Another positive and significant determinant was tax knowledge. When people have enough knowledge about taxes, that is the need to pay taxes, what taxes are used for, the right amount to be paid as taxes, then tax compliance level is increased. This is in congruence with the findings from Prince and Anayduba (2014); Kicher (2013).

Tax fairness also demonstrated positive and significant determinant of tax compliance. This means that when there is fairness in the tax system peoples are motivated by to pay their taxes. This is in agreement with the findings from Beck and Levine (2015); Richardson, (2016).

The study also considered the effectiveness of tax audit within the Bolgatanga Municipality. With this it was observed that the tax audit was able to determine the adequacy and effectiveness of the organization's systems of internal accounting and operating controls. This is in accordance with Moyi and Muriithi (2003) who provided that, for effective tax system, the tax audit should be empowered to assess organization's systems of internal accounting and operating controls. More so, tax audit provides adequate follow-up to ensure that appropriate corrective action is taken and that it is effective. As part of the tax audit requirements, this procedure had to be followed, therefore, this result is in conformity with the auditing standards and is in agreement with the findings from Cheeseman and Griffiths, (2005).

It was also noted that the auditors are resourced to do the auditing work. Providing the necessary logistics and resources to the auditors enhances the performance and the auditors. Resources such as the required materials and equipment is integral for effective audit work. This is in line with the findings from Kangave (2004). There was positive and significant relationship between tax audit and tax compliance. This means that as tax audit is improved, tax compliance also increases. Therefore, for minimizing tax non-compliance, there is the need for effective tax audit. Owusu, (2019) recommended that the tax audit department be well resourced to carry out their audit activities so as to improve tax compliance.

VI. Conclusion

The study assessed the impact of tax audit on tax compliance in Ghana, with the focus on taxpayers and tax auditors in Bolgatanga Municipality. The results indicated varied opinions on the part of the taxpayers on the issue of tax compliance. For instance, the taxpayers usually pay accurate taxes; they usually keep complete records as required by the tax laws; and they usually furnish the Commissioner General with accurate information relating to my income taxes. Nevertheless, they do not submit their tax returns on time, they do not pay all their taxes within the statutory deadlines, and do not comply with all the tax laws.

With reference to the determinants of tax compliance among taxpayers, it was identified that economic factors, tax knowledge, income level and tax fairness were positive and significant determinants of tax compliance, whereas psychological factors were negative but insignificant determinant of tax compliance. Also, on the effectiveness of tax audit within the Bolgatanga Municipality, it was noted that the tax audit was effective. Finally, from the results the study concludes that the tax compliance level of the taxpayers was slightly above the average point and that there were some factors that positively determine the tax compliance level. Also, the tax audit was observed to be effective and as tax audit improves tax compliance.

Recommendations

Based on the findings and discussions, the study makes the following recommendations to address some of the issues identified in the study.

It was noted from the results that the taxpayers do not honor their tax obligations. Based on this, the study recommends that there should be tax education for the taxpayers concerning the need to honor their tax obligations. The education can be made on platforms such as the radio, television or information centers. It was also identified that the taxpayers do not pay accurate taxes. To deal with this situation, the tax authorities should organize workshops and seminars for the taxpayers about how to make appropriate payment for their taxes. The workshop should focus on how to calculate the taxes to be paid by the taxpayers themselves and there should be channels to monitor accurate payment of taxes.

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