




# Effectiveness and Usefulness of Personal Tax Reliefs: A Study of Ghana Revenue Authority's Domestic Tax Division

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## Abstract


This study examined the effectiveness and usefulness of personal tax relief administration in Ghana and the challenges facing the Ghana Revenue Authority Domestic Tax Division in the quest to meet its personal tax administration objects. Questionnaires were administered to twenty taxpaying persons and ten tax officials from the Ghana Revenue Authority (Domestic Tax Division) in the Volta Region of Ghana. Statistical package for social sciences software was used to analyze data gathered. The study found that the administration of personal tax reliefs is very helpful to the tax payer but it is not effective as it should be. Inadequate tax education, improper completion of IT forms 21 and 51, and low staff motivation were identified as key reasons for the ineffectiveness. Recommendations are however provided and if they are well implemented, would solve the problems of administration of personal tax reliefs.

**Keywords:** Tax reliefs, Ghana, Revenue authority, Personal tax, Ho.

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## 1. Introduction

### 1.1. Background of the Study

According to Dalton (1920) "a tax is a compulsory contribution imposed by a public authority, irrespective of the exact amount of service rendered to the taxpayer in return, and not imposed as penalty for any legal offence." Tax is also defined as a "compulsory monetary contribution to the state's revenue, assessed and imposed by a government on the activities, enjoyment, expenditure, income, occupation, privilege, property, etc., of individuals and organizations" (www.ditionary.com/definition of tax). Each and every nation is endowed with resources, be it by nature or an act of man. The resources of a nation have to be properly managed and efficiently allocated for the betterment of the citizenry. These resources ultimately must come from the public and private sectors. One of these resources is revenue or capital for running the affairs of the nation. The sources of revenue for every government are taxes (direct and indirect), charging of fees, borrowings (external and internal) and receiving of foreign loans/grants.

In Ghana, it is obligatory for every citizen above the age of eighteen (18) who is earning revenue to pay tax. Income tax is paid by income earners, Value Added Tax for service providers and consumers, import and export duties for both importers and exporters respectively. The payment of tax places some sort of burden on the taxpayer. In order to lessen the burden of the taxpayer, some tax reliefs are granted. Personal tax reliefs are legally approved deductible allowances intended to reduce ones taxable income and thereby lessening the tax burden. They are intended to cushion the effect of tax on the individual and to enable him or her to pay the tax. They are given based on the equity rules of taxation and are normally based on the personal circumstances of each taxpayer. A person who is married and has children attending school will normally be more pressed than a person who is single. Hence, in a progressive tax administration, a person's position in relation to his commitment is considered by granting him/her the reliefs to ease the tax burden on him/her, (Adam, 1776).

One basic consideration in tax is the ability to pay. It is therefore, the responsibility of the government to ensure the taxpayer has the ability and understands why he/she has to pay the tax which is being levied. The personal tax reliefs in Ghana fall under direct income tax which is administered by the commissioner of Internal Revenue Service. Taxation started in the form of custom duty levied on imported goods in the year 1850 in Ghana. Income tax was first introduced in Ghana (then Gold Coast) in the year 1943. The Law Income Tax Ordinance (No. 27) was modelled on the principles of Income Tax Acts then in force in the UK. There were amendments to this law in 1961, 1963, 1965, and 1966. Two consolidations were done in 1966. It was the major source of tax authority until 1975, when SMCD5 was promulgated as a major tax law. This was followed by a taxation act in 1971 (Act 388). There were some other decrees and amendments between 1975 and 2000 when the Internal Revenue Act, 592 was passed. This new consolidation was made to cater for income tax, gift tax and capital gain tax, with effect from January 2001.

The current consolidation in force is the which came into effect in January 2010, and is aimed at harmonizing the various individual laws by tax types and bringing them under one management (Section 3). Personal tax reliefs were first introduced in Ghana by United Kingdom, Ghana's colonial masters in the Ordinance Number 27 of 1943 Part vii, which was on ascertainment of chargeable income and personal reliefs stated that the chargeable income of any person's payments under order of deed, deduction for life assurance, and passages; journey to and from the Gold Coast.

Unfortunately, these reliefs were abolished in 1961 during Dr. Kwame Nkrumah's regime. This was done upon the advice of Professor Nicholas Kaldor, the then Minister responsible for Economic Affairs. One of the reasons for abolishing the reliefs among others was the need for the government to raise revenue for the various capital projects it had embarked upon. Notably, among the projects were the building of Tema Township, Akosombo Hydro-electric Dam and Tema Motorway. The NLCD 78 brought some changes to the personal relief. In the case of life assurance, it was restricted to the tax payer, thus, excluding his wife. The NLCD78 also introduced new reliefs for pension or social security contribution. That is, pension or providence society or fund approved by the commissioner of the IRS or any contribution made under the Social Security Act 1965 (Act 279). SMCD 5 of 1975 did not differ from NLCD 78 in respect of personal reliefs. The differences were the elimination and substitution of lower and higher figure respectively. Apart from the reliefs discussed, a further deduction may be allowed against the assessable income of an individual in respect of the following contributions/donations made by him/her:

- contribution made to a charitable institution or fund approved by the government, example donations to the Ghana national trust fund and save our souls
- any donation made towards the cost of construction of schools and clinic by Ghana Muslim representative council subject to such conditions as the minister responsible for finance may determine
- donations to refugee fund
- donation towards sports development or sports promotion as approved by the minister responsible for sports.

### 1.2. Statement of the Problem

Lately, there are lots of labour agitations for increment in salaries and wages, unemployment issues, high rate of inflation, high cost of living and judgment debts among others coupled with the government's position of lack of funds to meet these demands. The researchers have realized that the major source of revenue to the government to solve these hitches is through the payment of tax. The Ghana Revenue Authority, an institution tasked to collect taxes on behalf of the government, on the other hand, complains of tax evasion and avoidance by eligible payers. Since there is an exception to every rule, the researchers have found out that the exception in the payment of tax is the availability of personal tax reliefs. These reliefs are actually meant to induce the payment of tax. The above problems give rise to the following questions:

- Why even in the wake of the personal tax reliefs, people evade tax?
- How are the personal tax reliefs administered?

### **1.3. Objectives of the Study**

The main objectives of this study were to ascertain:

1. the kinds of reliefs made available to personal tax payers
2. the awareness of tax payers about personal tax reliefs
3. the practical ways of enjoying tax reliefs

### **1.4. Research Questions**

The aim of this research is to find solutions to the following questions.

- What personal tax reliefs are available in Ghana?
- Do taxpayers claim personal reliefs?
- What are the procedures for enjoying personal tax reliefs?
- Are taxpayers aware of personal tax reliefs?
- How do the personal tax reliefs lessen the financial burden on the tax payer?
- How are the taxpayers sensitized and motivated to pay the tax?

### **1.5. Significance of the Study**

The study sought to assess the implication and effectiveness of personal tax reliefs in Ghana and specifically to:

- serve as a guide for the management of GRA(DTD) in the implementation and effective administration of personal tax reliefs
- help taxpayers to have confidence in the tax laws and tax officials
- assist other people who may have interest in this topic as a source of information
- help get reasons for the ineffectiveness of personal tax reliefs and come out with recommendations to address the problems associated with personal tax reliefs

### **1.6. Scope of the Study**

The study was limited to tax payers in both public and private sector organizations to enable the researchers assess the implication and usefulness of the personal tax reliefs.

### **1.7. Limitation of the Study**

This research work was limited to Ghana Revenue Authority (Domestic Tax Division) Ho, Ghana. The sample chosen for the study was small in relation to the entire population of the taxpaying public in Ghana. Thus some of the results obtained should not be used as representative of the entire taxpaying population. Such a generalization could be misleading as it may not represent the facts as they pertain to the entire country and hence affect the reliability of the study.

## **2. Literature Review**

### **2.1. Administration of Personal Tax Reliefs in Ghana**

Whilst the responsibility for making correct returns for the purpose of assessment and claiming of any reliefs to which one may be entitled rest in the hands of the taxpayer, the general attitude of the GRA staff should be one of readiness to assist the taxpayer in every reasonable way. Accordingly, the Commissioner for GRA desires that all officers should at all times, as far as practicable, undertake the following:

- Draw the attention of taxpayers to any deductions or reliefs to which they appear to be clearly entitled to but which they may have forgotten to claim and respond fully to all requests that may be made by taxpayers for advice as to their right and liabilities or for guidance in making returns, claims to reliefs, objections etc.
- There must be no differentiations of treatment between classes of taxpayers or between different nationalities. The provision of the decree (NLCD 78) and (SMCD5) must be applied strictly in accordance with the wording of the Decree, and assessing officers have no discretion to deal with any case because the decree does not contain a provision for a relief which the assessing officer ought to apply or to restrict the relief the tax payer is entitled to in order to balance some other matter which he/she feels doubtful about. The principles of tax administration must be fair to all taxpayers, with effectiveness to those who need help and fairness to those who attempt to evade tax (<http://www.gra.gov.gh>).

The procedure for applying for tax reliefs begins with the filing of Income Tax Return Form 21(IT Form 21) by the tax payer. This form after completion is submitted to the commissioner of GRA. In addition, if the Taxpayer is an employee, the accountant at his/her workplaces completes and countersigns a tax deduction schedule Form (IT Form 21) supplementary on behalf of the Taxpayer. This form shows the amount of Taxes suffered every month by the taxpayer. GRA officials go through all these forms to ensure the correctness of the computations on the IT Form 51 supplementary and also ensure the proper completion and accuracy of information provided on the IT Form 21.

The procedure also involves the inspection of other documents deemed necessary. If a taxpayer after working for some time decided to apply for tax relief in a particular year, he/she is required to file tax returns for the six preceding years. This is to ensure that, the taxpayer has consistently fulfilled his/her tax obligations and also to ascertain his/her source of income over the year. The return forms thus, Income Tax (IT 21) and deduction schedule Form (IT 51) must be filed not later than three months after the end of the assessment year (Income Tax year). The annual return forms having been completed make it possible for the calculation of total income and to ascertain the reliefs which may be claimed by the individual taxpayer.

The declaration in each of the annual returns form must be duly signed and accompanied by accounts indicating other sources of income, except in the case of employees who have no other source of income and also the illiterate who are to make oral declaration of their income must swear affidavit to that effect. All returns received must be acknowledge promptly and action taken as to that regard. Under the tax laws, one can only file returns in the

following year basis. For instance annual returns for the fiscal year 2013 can be filed the following year that is the year 2014. After arriving at the total income, the reliefs are set against it to ascertain the chargeable income. This is the income on which tax is imposed. If it is realized that, the taxpayer has been over taxed as a result of the reliefs granted, the excess tax paid is giving back to him/her in the form of a tax refund. On the other hand, if the taxpayer has under paid tax (this comes about when certain taxable allowance and benefit in kind are not taxed) he/she is asked to pay the deference in the actual tax paid and what was supposed to be paid. The income tax decree (SMCD 5), charges employees and self-employed persons to pay taxes on their incomes.

Employees' salary is subjected to tax under the Pay as You Earn (PAYE) system. It is the routine deduction of tax from one's income at the end of every month. The PAYE system was introduced in Ghana from July 1, 1961. The rationale behind its introduction is in two-fold;

- It is a means for government to ensure that all salary workers who are eligible to pay tax, do so thereby receiving more revenue into the national coffers; and
- By deducting tax at source, the tax burden is spread over a longer period and therefore become lighter and tolerable to the taxpayer.

In the case of self-employed person, income tax is paid at specified rates based on annual assessments made by the commissioner of oaths. Taxes may be paid in the form of equal installments by the end of each quarter that is March 31; June 30; September 30; and December 31 of each year of assessment. The year of assessment for income tax purposes is from January 1 to December 31 each year. A self-employed person may decide to have his/her own accounting date different from the governments (<http://www.faq.gra.gh>).

As already mentioned, PTR is an approved deductible allowance intended to reduce one's taxable income and thereby lessen the tax burden. It also ensures fairness in the tax system. PTR is granted based on the individual's circumstance and is granted on annual basis. PTR currently available to individuals are:

- Marriage reliefs
- Children's education relief
- Disabled relief
- Age dependent relative relief
- Old age relief
- Social security relief
- Life assurance relief and
- Training and development relief

### **2.3. Theoretical Literature**

The main purpose of taxation was to raise money to finance public expenditure, but while this obviously remains an important function of tax, it is also accepted that taxation is one of the main weapons used by government to manage the economy. Therefore, taxation may be to improve certain economic aims of the government such as full employment, fighting inflation and the stimulation of economic growth. Taxation made possible the provision of public goods and services to correct the effect of externalities and help redistribute income ([Citizen-State Relations, 2010](#)). [Abdallah \(2008\)](#) states that: "Taxation is the levying of compulsory contributions by public authorities having tax jurisdiction, to defray the cost of their activities. No specific reward is gained by the tax payer".

The [Darity \(2008\)](#) defines taxation as "a general concept for devices used by government to extract money or other valuable things from people or organization by the use of law". It could be deduced from the above definitions that, taxation is:

- Compulsory, legal and enforceable by law;
- Paid by citizens and non-citizens of the nation
- A transfer of resources from a private to the public sector; and
- There is no direct relation between the tax paid and the benefit received.

Generally, taxes are classified into two thus, direct and indirect taxes. Direct taxes are on the income, profit or wealth of individuals or companies. The most well-known direct tax is income tax (<http://www.faq.gra.gh>)

According to [Pritchard \(1987\)](#) "income tax has the largest yield of any tax in Britain and was first introduced in 1799 at the time of Napoleonic wars and was withdrawn when those wars came to an end in 1815. It was then re-introduced in 1842 and it was thought that tax would be temporary and therefore it was only made an annual tax and even had to be re-introduced annually by the Finance Act. However, it had lasted without a break since 1842 and has now become the most important source of government revenue. He continues that, it has long been a policy that income tax in the United Kingdom is levied progressively, so as to fall proportionately more heavily on those with the larger incomes. However, allowances for personal circumstances are mainly granted, if the taxpayer is married or single and has a mortgage or not."

In Nigeria, the purpose of introducing direct tax in the Protectorate was to consolidate and cleanse the pre-colonial tax system of its imperfections as well as to provide a source of revenue for both the government and the native authorities. The direct tax soon became the financial foundation on which the native authority system was built. Indirect taxes on the other hand, are those taxes on transactions and good/services. They are only indirect on the taxpayer; a well-known example is sales tax. The distinction between direct and indirect tax is fairly artificial and of little significance as ultimately the burden of taxation is borne by individuals. For example, suppliers have to pay VAT but they pass on the burden to consumers by raising prices. The statutory or formal incidence of tax lies on the supplier but buyers bear much of the real tax burden as the economic {or effective} incidence falls on them.

Even though the system of indirectly taxing people is unfair, indirect taxes are easier to collect and administer in our part of the world. Indirect taxes contribute greatly to government tax revenue in Ghana than direct taxes. This is always seen in the annual target given to the administrator of these types of taxes. The Excise and Preventive Services administers indirect taxes and Internal Revenue Service administers direct taxes. In the developed countries



like United States of America and Great Britain, both direct and indirect taxes are administered by one body. In spite of the immense contribution to tax revenue by indirect taxes, direct taxes have great potentials. These potentials, if properly harnessed, will change the trend in the developing countries to that of the developed countries.

Personal Tax Relief (PTR) is a relief given to a taxpayer in order to reduce the burden on the taxpayer, it relates to only the taxpayer, it is deducted before net income is taxed, and is carried out by GRA. Tax needs to be paid for the development of the country. The income tax department which was a civil service department was responsible for collecting the taxes. In addition to more taxes and the personal tax reliefs, the tax collecting department renamed the Central Revenue Department in July, 1963 to reflect and cater for the broad scope of the taxes collected and the granting of the personal tax reliefs on behalf of the taxpayer in Ghana. However, in July 1986, the government took a decision to make some changes in the department which brought the name Internal Revenue Service (IRS) law, 1986 (PNDC143). These changes and the reforming system helped IRS to increase the system of taxpaying from both the employees and self-employed. According to [Cavalcanti and Li \(1999\)](#) the reforming tax expenditure programs that were introduced in 1992 to compensate lower income taxpayers for the proliferated, making the normative tax system difficult for the average taxpayer to understand, reducing the tax base. [Cavalcanti and Li \(1999\)](#) contend that strengthening the administration of system tax expenditure programs was the first step towards making them effective and equitable limiting their costs and preventing the tax base from shrinking. It has been discussed that the options for increasing the scrutiny of the tax expenditure programs, defining their opportunity cost and effect on the tax system. Currently, the programs enjoy a funding advantage over direct spending programs because it is not subjected to systematic review in that to limit the expansion of these programs and reduce their less desirable effect on the dates for the system, Cavalcanti and Li suggest defining a benchmark tax structure, establishes sunset dates for the programs, forecasting their cost, and reviewing their economic effectiveness, efficiency and equity by comparing them with direct expenditure. The reforming and changes that was made in the tax administration will help taxpayers to get a good access into tax system for claiming of the tax refunds and the reliefs as well.

PTR is an element of well-balanced program, which at its core should focus on satisfying the employee. And evaluation on reliefs on ethical evaluations in an equitable relief which assessed revenue to know whether it will help Revenue Authority in order to improve the relief system. Fleischman & Li valentine has developed a new equitable relief subset of the revised innocent spouse rules which was helpful when making relief decisions. In addition, it was addressed that the ethical and gender issues associated with equitable relief. Meanwhile, it was suggested that several equitable reliefs factors are useful as discriminators in the relief decision and demonstrate that the recognition of an ethical issue and perceptions of moral intensity affected the decision to grant relief in innocent spouse situations in that the numerous personal and societal implications for businesses, GRA agents as well as other nations wishing to reform their tax structures while assessing between equity tax revenue generation. The tax structure of the equitable relief system assessment will help improve the personal tax relief system.

## **2.4. Empirical Literature**

All over the world most especially, the commonwealth nations, personal tax reliefs are essentially the same. The differences are in the amounts granted in respect of reliefs and the mode of operation, that is, the administration of the reliefs. In the United Kingdom, employers have been given the authority to grant personal tax relief to employees upfront. That is, once employees' circumstances are known (through a Return Form) he/she is granted an equivalent relief each month and individual have to fill another return form only when his/her circumstances change. For instance, where a husband and wife are separated or divorced. Comparing the British and American system of tax wrote personal allowances of roughly \$200 are given in respect of the following:

- a. single person
- b. married person
- c. blind person; and
- d. children and dependant relative

Thus, man supporting his wife and two children will be entitled to tax free allowances of \$800. If the wife has an income over \$200 per annum, she will file a separate return and is treated as a separate person for all proposes. Instead of an earned income allowance, the tax payer in the United State is entitled to a standard deduction of 10% of his taxable income of \$1000 (\$350) whichever is less. Alternatively, he can claim the following deductions:

- Contributions –charities and religious organizations
- Mortgage interest and high purchase charges; and
- Medical and dental expenses
- Local rates and car licenses
- Alimony
- Uncompensated losses by means of theft, fire, etc.

The balance of the taxable income is taxes at a progressive rate which is based on a percentage rate. There is no standard rate of tax as such according to H Touch, the American fills and computes his or her own tax liability. The Australian system is much the same as the British that is only income is subject to tax and nothing else. For individuals, the basis of assessment is the current year and the accounts are rendered to 30<sup>th</sup> June each year. No standard rate exists like the American system and wives too are assessed separately. The 30<sup>th</sup> June may be inconvenient time for balancing the account but generally, the Australian system is simpler and does not involve the many delays in the British system.

## **3. Methodology**

### **3.1. Research Design**

The study employed descriptive survey. [Creswell \(2003\)](#) defines descriptive survey as a method of collecting data for the purpose of testing hypothesis or answering research questions concerning the current status of the subjects under study. Descriptive survey is a design used to gather data at a particular point in time with the intention

of describing the nature of existing conditions or identifying standards against which existing conditions can be compared or determining the relationship that exist between events.

Thus, a descriptive study is undertaken in order to ascertain and be able to describe the characteristics of the variables of interest in a situation.

The target population of a study constitutes the group of persons, objects or institutions that defines the objects of the investigation. Staff and the registered taxpaying public in Ho Township constitute the population for the study.

The sample was made up of respondents from both the formal and informal sectors of the economy's employees and the self-employed. The sample size was thirty (30) which was made up of ten (10) tax officials of GRA and twenty (20) tax payers (employed and self-employed).

Due to the large population, the researchers made use of the simple random sampling for data collection. This method of sampling was preferred because it gives equal chance for each member of the group to be selected for the study. Respondents were selected at random but care was taken to ensure that each group was adequately represented. The data collected were in two forms thus, the primary and the secondary data. The primary data was in the form of administration of questionnaires and interview with tax officials of GRA tax paying public.

The questionnaires were in two forms: one for the GRA staff and the other for tax payers. In all, thirty (30) questionnaires were administered: ten to staff of GRA and twenty to the tax payers. The questions used in this research were in two forms: open-ended and close-ended questions. The open-ended was used because, it allows respondents to express their views in the manner they want or know. The close-ended was used to obtain specific answers.

The basic interview tool used was the face-to-face method. Typically, interviews in a qualitative study are done with unstructured or minimally structured format.

The interview was crucial to this research because interviews are one of the principal tools used to obtain descriptions for many a case study as it can gather the multiple realities inherent in a case. The motive of including tax officials (GRA) in the study was to ascertain first-hand information and also, they are solely responsible for income tax payers despite the busy schedule of the GRA tax officials, the researchers were able to interview some of them. The secondary data used for this study was obtained for this study was obtain from the GRA head office, relevant textbooks, the internet and other research materials collected in the same field of study. The secondary data were also acquired from Library (textbooks) journal, tax records and web sites. Even though secondary data may not necessarily be as accurate as primary data, they prove to be very useful in this type of research. The data analysis and description were based on the responses that were received from the questionnaires and interviews. The questionnaires were administered to tax payers and the GRA officials. Microsoft excel 2010 version was used for the presentation of figures and tables.

### 3.2. Validity and Reliability

The questionnaires used for the collection of data were pre-tested. This was done by administering five (5) questionnaires to tax officials of GRA and ten (10) to taxpayers. Errors detected in the questionnaires were corrected immediately before used for the actual field work.

Acts, Codes and existing Literatures were consulted in relation to field data gathered to attest the authenticity of information received from the respondents; therefore, this research work could be relied on.

## 4. Results and Discussion

### 4.1. Bio Data Analysis

This section deals with the respondents' gender, age, place of residence, occupation, employment status, and level of education. The bio data were obtained from both the staff of GRA and tax payers. Therefore, the analysis on bio data was based on data from both groups of respondents.

### Gender Distribution

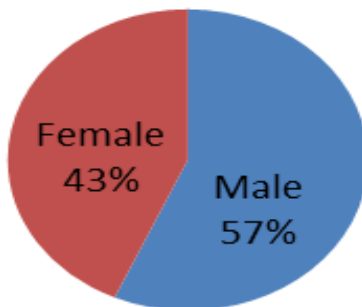


Figure-1. Gender Distribution of Respondents  
Source: Field Data, September 2015

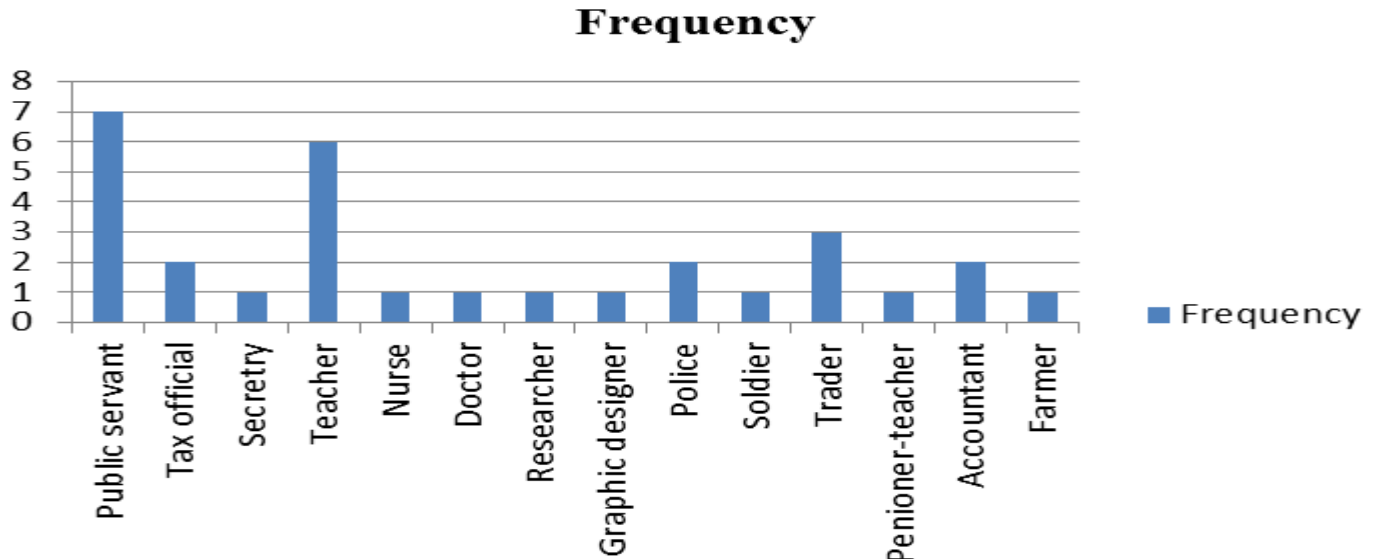
Figure 1 above shows that seventeen of the respondents were males representing 57% of the respondents and the rest of the respondents are females which represents 43% of the population. This means that the majority of the respondents were males which imply that fifty-seven percent of the views expressed in this paper are skewed towards male perspectives.

**Table-1.** Age Distribution of Respondents

Ages	Frequency	Percentage (%)
21-40	19	63
41-60	8	27
61 and above	3	10
Total	30	100

Source: Field Data, September 2015

Table 1 above shows the age distribution of the respondents. From the table, 19 representing 63% of the respondents fell within the range of 20-40 years, 8 respondents were within the age of 41-50 years which represent 27%, and the rest 3 of the respondents were aged 51 years and above, representing 10% of respondents. This means that the majority of the respondents were young people within the age range of 20-40.

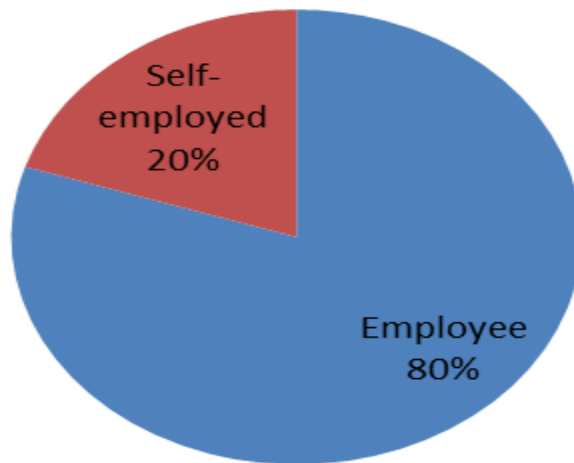


**Figure-2.** Occupation of the Respondents

Source: Field Data, September 2015

The above diagram shows the various occupations of the individual respondents. Out of the thirty (30) respondents; 7 were Public Servants, 3 were Tax Officials, 6 Teachers, 2 Police Officers, 3 Traders, 2 Accountants and other occupations got 1 respondent each. This implies that the highest group of respondents was public servants.

### EMPLOYMENT STATUS



**Figure-3.** Employment Status of Respondents  
Source: Field Data, September 2015

The above chart shows that 24 of the respondents representing 80% were employees, while 6 respondents representing 20% said they were self-employed. This means the majority of the respondents were employees.

#### 4.2. Awareness of Personal Tax Reliefs

This section of the questionnaire was answered by 10 respondents from the Ghana Revenue Authority and the responses are analyzed below. All the staff of GRA (Domestic Tax Revenue Division) agreed that there were policies instituted to educate the public on the need to pay tax. The following are the means indicated by the GRA staff respondents for the sensitization:

- one on one basis
- the mass media; electronic and print media
- periodicals; newspapers, public address system ( GRA public education van)
- tax audit
- seminars and workshops

- organized sensitization in institutions

All the ten respondents also agreed that there was an increase in the awareness of tax reliefs. And the above responses indicated that the GRA was leaving no stone unturned in creating awareness of personal tax reliefs, for that matter, the payment of tax.

#### **4.2.1. Problems Encountered in Sensitizing Tax Payers**

Six of the respondents indicated that they did not encounter any problem in the sensitization programme whilst four of them confirmed the existence of problems. The four respondents gave the following as challenges in educating the public:

- Poor procedure compliance by taxpayers
- Lack of law sensitivity on the part of the taxpayers
- Lack of interest in payment of tax by those who are eligible.

#### **4.3. Administration of Personal Tax Reliefs**

This section enumerates the types of reliefs available to tax payers and how personal tax reliefs are administered by the GRA.

##### **4.3.1. Forms of Reliefs Available to Tax Payers**

According to the GRA (DTRD) staff respondents, eight forms of personal tax reliefs were available to tax payers. The assessable income of an individual for a year of assessment would be reduced by the following reliefs. Personal Income Tax Review effective Jan. 2011):

###### **a. Marriage Relief**

This would be enjoyed as follows:

- A married man who maintains his wife and the household.
- A married woman who maintains her husband and the household.
- An unmarried man with two or more dependent children; and
- An unmarried woman with two or more dependent children.

Marriage relief would be granted on the production of a marriage certificate or a certified copy of the registration of marriage to support the claim. It is currently at GHS100.00

###### **b. Children's Education Relief**

This relief is granted to individuals who have children or wards in recognized and registered educational institutions in Ghana. The individual may only claim a relief in respect of three children or wards. Where two or more persons qualify in respect of the same child or more, only one person shall enjoy the relief. The relief will be granted only on the production of a certificate issued by the head of educational institution concerned, stating that the child or ward is a student of that institution. The current amount granted is GHS100.00

###### **c. Disabled Relief**

This relief is granted to a person who proves to the satisfaction of the commissioner for GRA that he/she is disabled. The relief is limited to 25% of the disabled person's income from trade, business, profession, vocation and employment.

###### **d. Old Age Relief**

This is granted to persons over 60 years. Like disabled reliefs, it is granted only in respect of income from trade, profession, vocation or employment. To grant such a relief, the applicant must show proof of date of birth (e.g. birth certificate) and any other document. The current relief is GHS100.00

###### **e. Dependent Relative Relief**

It is granted to any person who proves to the satisfaction of the commissioner of GRA that he/she has aged-relatives who depend on him or her for provision of necessities of life. The relief is granted in respect of not more than two aged relatives. As a supporting document, one needs to submit an affidavit certifying that he or she is truly responsible for the upkeep of the dependant relative. GHS50.00 is the current amount of relief granted.

###### **f. Social Security Relief**

Any person who contributes towards the social security scheme in Ghana qualifies for this relief. Conditions for granting the relief include:

- The contribution by an employer in respect of his employee shall be 12.5% of the employee's total remuneration.
- Contribution by employee shall be 5% of his total emolument
- Deduction by self-employed person in respect of contribution in favor of him or herself shall not exceed 17.5% of his or her income from his/her profession, vocation, business or occupation.

###### **g. Life Assurance Relief**

The following conditions must be fulfilled for an individual to qualify for life assurance reliefs:

- The amount paid by way of insurance premium shall not exceed 10% of such person's income. Income in this context shall be considered to include all income chargeable to tax under Section one of the Decree (SMCD 5)



- The premium should be paid in Ghana currency.
- The policy shall be on the life of the claimant.

It should be noted that, the amounts mentioned as reliefs are not cash allowances payable to claimants of the reliefs. They are deducted from one's assessable income before the calculation of the tax.

**h. Training and Development Relief**

In the case of an individual who has undergone any training to update his Professional, technical or vocational skills or knowledge, the cost of the training is GHS200.00

**4.3.2. Conditions that Can Disqualify One from Enjoying Tax Reliefs**

All the respondents agreed that there are conditions under which one cannot enjoy tax reliefs. These are:

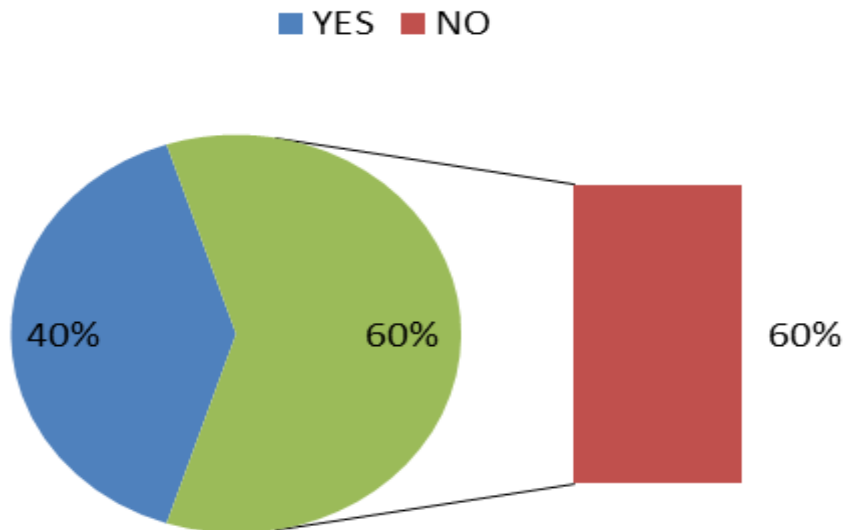
- Failure to apply for the reliefs
- Wrong status declaration
- Failure to file returns
- Unmarried tax payers cannot enjoy marriage reliefs
- Falsification of information
- If one does not meet the conditions of enjoying specific reliefs

**4.3.3. Provision of Accurate Information by Tax Payers**

Seven out of the ten GRA staff responded that most tax payers fail to provide accurate information. They gave the following as measures put in place to address any misinformation:

- Desk top audit
- Field audit
- Educating tax payers on how to provide accurate information
- Drawing the attention of the tax payers to the blunder

**DEFFICULTIES IN COMPUTATION**



**Figure-4.** Difficulties in the Computation of Reliefs  
 Source: Field Data, September 2015

The above figure shows that four respondents indicated that they actually encounter difficulties in the computation of the reliefs to be earned by the tax payer. The four further indicated that when wrong income is declared, it affects the amount of reliefs to be granted as the difficulty. On the other hand, six respondents confirmed that they do not encounter any challenge at all, because, the errors committed by the tax payers are corrected before the computation. In all, it means the GRA has less difficulty in computation of the reliefs.

**4.4. Personal Tax Reliefs**

This section of the data presentation is based on the questionnaires responded to by only tax payers.

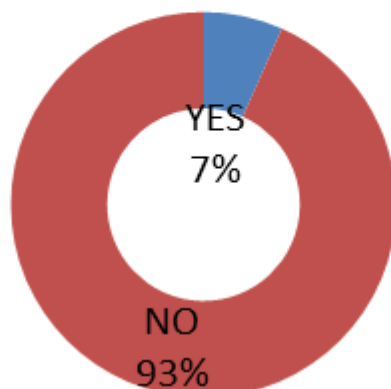
**Table-2.** Awareness of Personal Tax Reliefs

Response	Frequency	Percentage (%)
YES	14	70
NO	6	30
Total	20	100

Source: Field Data, September 2015

The above table shows that 14 respondents confirmed that they are aware of the existence of personal tax reliefs representing 70% and the remaining 6 (30%) respondents declared that they are not aware. This confirms that the GRA is making much effort in the sensitization process.

## SHOULD PERSONAL TAX RELIEFS BE ABOLISHED?



**Figure-5.** Abolishing Personal Tax Reliefs  
Source: Field Data, September 2015

From the above figure, there were only 2 respondents representing 7% who consented that the personal tax reliefs should be abolished to increase the revenue base of the government to meet its numerous demands. The majority thus; 28 respondents representing 93% of the respondents strongly agreed that the personal tax reliefs should never be abolished. They further pointed out how helpful the personal tax reliefs were in the following ways:

- serve as a cushion to the tax payer
- encourage the payment of tax
- disabled relief is of great importance in reducing street begging by physically challenged
- increase standard of living
- lessen ones' tax obligation
- cut down on unemployment in a way

A tax relief is an approved deductible allowance intended to reduce your taxable income and thereby lessen your tax burden. For example, a married person with children attending school will normally be harder pressed than a single person with no dependants. Therefore, Ghanaian tax law grants you relieve to lighten the tax burden ([Revenue Mobilization Support, 2006](#)).

### 4.5. Personal Interviews

It became necessary to conduct personal interview with both the GRA staff and the taxpayers to acquire other information which we could not indicate in the questionnaire.

#### 4.5.1. Interview with GRA Staff

An interview with some personnel of the Ghana Revenue Authority was to find out some challenges that the GRA and the applicants encounter in the administration of the reliefs and why it takes the GRA much longer to process the application. The officers confirmed that most applicants do not complete the forms properly thus, leaving vital questions unanswered. This they pointed out to be one of the most common challenges with applicants.

Besides, Individuals' Tax Return (IT) Forms; 21 and 51 (supplementary) must be signed by designate authorities but the applicants do submit the forms being signed by unqualified persons or not signed at all. Though this they said is frustrating, it is intended to ensure authenticity and sincerity. The applicants also, provide false and inaccurate information which creates inconsistency of the information and quite difficult to deal with. The GRA now requires marriage and insurance policy as evidence.

#### 4.5.2. Interview with the Tax Payers

The study revealed that almost all the respondents who are married, have children varied from 1-6. The level of education of the children also ranges from kindergarten to tertiary but most of the children are in kindergarten, primary, junior high and senior high with few ones in the tertiary level. In addition, most of the children have their fathers as the financier of their education, few being financed by both parents and an insignificant number of them being taken care of by the mother. Some of the tax payers interviewed also indicated having dependants and these dependant's ages are above 60, and are either parent(s) or relative(s). With the question of either a respondent is a disabled or physically challenged, none was found. In terms of application for the reliefs, only few respondents admitted having applied for the reliefs as many others find it so cumbersome especially when the forms need to be accompanied by the required statutory documents. For instance, for marriage reliefs, one must present evidence of marriage certificate obtainable from the Registrar General's Department. And this certificate takes much longer and efforts to acquire making the process tiresome.

It was found out that the Ghana Revenue Authority has put so many measures in place to sensitize the general public, not only on personal tax reliefs but also on general important information that the tax payers need. The GRA creates this awareness through the following means:

- one on one basis
- the mass media; electronic and print media
- periodicals; newspapers, public address system

- tax audit
- seminars and workshops
- organized sensitization in institutions

This is revealed by ten (10) GRA staff who rated the taxpayers' awareness at 57% and the tax payers themselves confirmed their awareness at 70%. The effect was the increase in the application for the reliefs. It was indicated to the researchers that the GRA as a human institution, encounters some problems in the processing of returns forms of the applicants. Some of these problems are; applicant's inability to complete the form properly; for example, leaving some vital information unanswered and having the form endorsed by unqualified person. All these are contributing factors to the delay in accessing the reliefs.

The study discovered that there are some circumstances under which a person is disqualified from enjoying the reliefs and among them are, failure to apply for the reliefs, wrong status declaration, failure to file returns, falsification of information and if one do not meet the credentials of enjoying specific reliefs.

## **5. Conclusion and Recommendations**

Conclusively, most personal income tax payers do not make use of personal tax reliefs because of the inadequate awareness. Even those who are aware have refused to apply for the personal tax reliefs due to long delay, cumbersome procedures and other frustrations. Nevertheless, the researchers anticipate that this study will generate some interest among students and researchers who might want to do a further detail investigation into personal tax reliefs in Ghana. The researchers conclude that the personal tax reliefs are very useful to the tax payer by reducing his/her tax obligation. Also, the administration of personal tax reliefs in Ghana is not effective as it should be. This conclusion is based on the fact that, notwithstanding the many measures put in place by GRA in educating tax payers on personal tax reliefs, these do not reflect in the pockets of many of the tax payers in terms of the reliefs being granted to them. Based on the findings of this study, the following recommendations have been made to improve on the

1. Public education on personal tax reliefs should be intensified, if possible giving it the same publication as being received by the payment of income tax. If policy makers deem the filing of Income Return as important as to necessitate the passing of Act 2000 (Act 592) on the delivery of returns, then the awareness of personal tax reliefs must also be equally be created
2. Benefiting from reliefs is supplementary to filing of returns. This education will make the taxpayers aware of their civic responsibility of filing tax returns and also make them aware of their right to access personal tax reliefs. Thus, the GRA should focus more on the benefits of paying tax such as the personal tax reliefs and the provision of basic amenities rather than laying emphasis on payment of tax in general.
3. As a benefit to the GRA for that matter the government, as more returns are filed, it becomes easier for the GRA to identify tax payers and their various sources of income which were hitherto unknown. This will eventually bring more income earners into the tax net and increase the income of the government.
4. Frequent television and radio advertisements on tax reliefs will yield tremendous results. The daily and weekly newspapers could also carry very useful advertisement and articles on tax reliefs. Since 70% of the respondents claimed to have heard of tax reliefs from these sources: television, radio and newspapers, it will be very strategic to intensify the education there.
5. Regular seminars and symposia should be organized by the GRA for both employers and employees to properly educate them on how to deal with the IT forms 21 and 51. These would keep them abreast with current changes in the tax laws and requirements.
6. Field officers should be trained and dispatched to workplaces and associations such as the Market Women's Association, the Beauticians and Dress Makers Association and other self-employed groups to talk to their members on the need to file tax returns and the usefulness of tax reliefs.
7. Structures such as bill boards could be erected along major streets and such places of interest as the sport stadia and cinema houses to educate the public on tax reliefs in particular and taxes in general. Stickers and posters with very attractive phrases about tax reliefs could also be designed for cars, doors and files.
8. The GRA must also work in collaboration with the Social Welfare and the Physically Challenged Rehabilitation Centers to educate them on the provision on tax reliefs on their incomes.
9. Tax refund should be readily available for payment to deserving taxpayers. This will let taxpayers have trust in the tax Law as well as the tax officials. Tax courts should be established to prosecute taxpayers for failing to submit return forms including officials of GRA. This will deter other taxpayers from evading and avoiding their tax obligation.
10. GRA should liaise with National Commission for Civic Education (NCCE) to carry tax education programs. Tax and government officials should set the pace by filing their returns regularly and consistently, thus leadership by example. Developing a shared interest for economic growth; governments which depend on taxes have stronger incentives for promoting economic growth
11. The procedure for the application and the processing of personal tax reliefs need to be simplified to improve the rate of tax relief utilization by tax payers. Already, the GRA has simplified the previous complicated IT Form 21, but more needs to be done. For example the GRA can depend on the Social Security and National Insurance Trust (SSNIT) for certain information on employees. This will reduce the burden on the tax payer of having to provide evidence to support the information they disclose on the IT Form 21. Sometimes one has to go through a lot of frustrations in order to obtain these documents and these discourage most people from filing returns. A simple procedure will therefore go a long way to encourage the filing of returns. Computerization will reduce long delays and the complex nature of processing tax relief computation.
12. Generally, the whole system of income tax should be computerized to reduce delays, frustrations and the tedious procedure of manually processing of personal tax reliefs. The system should be networked via internet with a unique pin number as an identification code. The procedure for administering personal tax

reliefs should be decentralized into different departments so as to give easy access to taxpayers to file their tax returns. Although computerization may be expensive, it is strongly believed that its benefits will far exceed the cost in this instance. The simplification should not do away with the legal documents and procedures but should make the institutions that issue these documents to be active and speedy in their service delivery.

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