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VAT Compliance Challenges in Ghana and How to Address Them

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Abstract: The government of Ghana replaced Sales and Services Tax with Value Added Tax (VAT) in March 1998 with the aim of widening the tax net and improving the efficiency of tax administration. It has been 17 years since VAT was introduced in Ghana, but the VAT systems have not achieved most of its objectives due to many compliance challenges. VAT strives on voluntary compliance and accurate bookkeeping because VAT is self-assessed. This paper examines the various compliance challenges facing VAT administration in Ghana and makes recommendations for improving voluntary compliance and efficient VAT administration. Semi-structured interviews were conducted with VAT Administrators and taxable persons to ascertain their perceptions on the major challenges confronting compliance and how best to address them. The study found out that VAT compliance is low partly because VAT registration and filing procedures are too complex for the small traders. Also most businesses fail to keep proper books of accounts on which accurate VAT assessment could be done. In addition many taxpayers fail to comply because they have negative perception about how the government uses tax revenue. The paper makes many recommendations that could be implemented to improve VAT compliance in Ghana. These include implementation of electronic VAT registers; simplification of VAT registration and filing procedures, decentralization and ensuring regular VAT Audits.

Keywords: Voluntary compliance; VAT efficiency; VAT returns; Taxable person.

1. Introduction

VAT has become one of the efficient ways to raise tax revenue for both developing and developed countries. It has been estimated that 75% of the world's population pay VAT and that VAT accounts for over a quarter of all government revenue (Appiah-Kubi, 2011). Value added tax is the backbone of the economy of over 140 countries around the world and all countries in the Organization for Economic Cooperation and Development (OECD) except the United States have adopted VAT (Grinberg, 2009). However the success of VAT depends on voluntary compliance, because VAT is based on self-assessments raised by VAT agents through regular VAT returns. The paper explores the challenges facing VAT compliance in Ghana and recommends procedures to be put in place by the VAT Service to encourage voluntary compliance.

2. Problem Statement

According to Appiah-Kubi (2011), more than 50% of potential VAT revenue remains uncollected and that efficient VAT administration can increase VAT revenue by as much as 40%. As at 2014, tax revenue accounted for 21.8% of GDP, with VAT accounting for only 9.7% (Ghana Revenue Authority, 2014). This clearly indicates that Ghana relies heavily on direct taxes for much of her tax revenue, whereas developed countries like Denmark, France, Finland, Germany and Austria has VAT to GDP ratios above 25% in 2012 (Heritage Foundation, 2014). A study by Appiah-Kubi (2011) indicated that VAT has the potential to contribute as much as 20% of GDP if proper enforcement procedures are put in place. There is therefore an urgent need to strengthen VAT administration by identifying and addressing the challenges facing VAT compliance in Ghana, and non-compliance has been identified as the number one challenge in VAT administration in Ghana (Appiah-Kubi, 2011).

3. Purpose and Significance of the Study

The main objective of the paper was to identify and suggest ways of addressing the major challenges confronting compliance to the VAT laws Ghana in order to help implement VAT more efficiently to generate more tax revenue for Ghana. This would go a long way in reducing the dependence of the Ghana government on donor funding for her economic development. The study explores the reasons behind the comparatively low VAT compliance in Ghana and suggests measures to improve voluntary compliance to the provisions of value added tax act so as to improve VAT efficiency. The results of this paper would have significance to the Government of Ghana,

The Ghana Revenue Authority, taxable persons, tax practitioners, tax policy researchers and other stakeholders of tax administration. The paper has helped to identify and suggested ways to address the various areas where taxable persons and VAT officers do not comply with the VAT laws. This provides information for any subsequent amendments of the VAT Act to strengthen the VAT laws. By highlighting the compliance challenges facing VAT administration and making recommendation for addressing them, results of the study contribute to Ghana's tax policies restructuring regarding VAT compliance. The paper highlights areas where there is the need to formulate new policies and where current legislation needs to be changed or strengthened in order to increase VAT revenue for Ghana. The paper also broadens the public's knowledge on the value added tax administration by contributing to the on-going debate on the best practices in VAT administrations. The paper also serves as a source of reference material to students, government, VAT practitioners and other stakeholders who wish to do further studies on VAT administration.

4. Literature Review

Many recent studies have discussed various aspects of VAT compliance. This section reviews previous studies on VAT compliance in order to identify gaps in literature to form the foundation for this study. The review focuses on receipt studies on VAT Efficiency, VAT compliance and weaknesses in VAT administration.

4.1. Voluntary VAT Compliance and VAT Efficiency

Many developing countries rely heavily on consumption taxes for tax revenue because information required to efficiently administer direct taxes such as personal income tax are deficient in such developing countries (Bird and Pierre-Pascal, 2006). However, Bird and Pierre-Pascal concluded that VAT thrives only when voluntary compliance is high because VAT is based on self-assessment. The added that accurate bookkeeping is the basis for any efficient VAT assessment. Gjokutaj (2011), has also indicated VAT is the recommended tax for countries that need a simpler tax, but VAT does not always work well in developing countries principally because the majority of the taxpayers in developing countries do not possess the skills, attitudes and knowledge needed to achieve voluntary compliance. Gjokutaj added that the voluntary compliance by taxable persons depends largely on the trust between tax administrators and taxable persons. Agyemang-Duah (2011) estimates that, most countries that have efficient VAT administration systems have over 70% voluntary compliance rate. Bird (2005) added that many developing countries have encountered VAT implementation problems mainly because of "lack of 'self-assessment' based tax return practices, the difficulties in establishing efficient VAT administration and control systems, a large share of shadow economy and tax fraud" (p. 244).

4.2. Efficient Enforcement Procedures and VAT Efficiency

Because tax has a negative impact on taxable persons' income and cash flow, it is natural to expect taxable persons to design schemes to lower their tax liability (Bird, 2005). In other words, taxable persons do not usually comply with the provisions of the tax laws unless they are motivated or threatened to do so. Bird & Pierre-Pascal and Bird therefore identified the need for high compliance rate and enforcement for efficient VAT administration. This study goes further to explore the factors that discourage taxable persons from complying with the VAT laws.

4.3. Common Areas of Non-Compliance

Tax compliance is achieved when the taxpayers file tax returns at the proper time and when the returns accurately report tax liability in accordance with the laws applicable to their businesses (Mikesell, 2007). Non-compliance practices include tax evasion, operating within the hidden economy, understatement of income; over-claiming of deductions, failure to file VAT returns; late payments and not keeping the required records (Shomel, 2004). According to Allan and Ebel (2010), without due attention to VAT administration and proper bookkeeping procedure by taxable companies, the details of theories and generalizations about VAT are less effective. According to Cruce (2011), to encourage every eligible taxable person to register to collect VAT, the tax authorities must make sure that their registration procedures are as simple as possible; establish an efficient verification system to verify new registrants in order to avoid fraud. High rate of self-assessment and voluntary compliance can be achieved only when the tax authorities put in place the mechanism to make it easy for taxable persons to comply (Pricewaterhouse Coopers, 2010).

4.4. Causes of Non-Compliance

Knowledge about the causes of non-compliant behaviour by citizens and businesses is also very important. According to the European Commission (2011), criminal sanctions are not effective in deterring non-compliance when taxpayers fail to comply with the tax laws because they don't understand the complex provisions in the law. The commission therefore recommends that tax administrators should match their compliance strategy to the taxpayer's attitude and motives.

Allan and Ebel (2010), also concluded that the frequency with which VAT returns are required and the amount of information requested have a significant impact on the time it takes to comply and that compliance takes longer where extra documentation has to be submitted with the return. In addition, they established a high correlation

between the VAT compliance and time taken to receive VAT refund. According to their study, compliance is weak when it takes a longer time for taxable persons to get their refund from the government.

Appiah-Kubi (2011) has also established a link between the perception that taxable persons have about how the government uses tax revenue and voluntary compliance. Heard (2005) also provided that voluntary compliance is high where taxable persons perceive that the government uses tax revenue to provide services that benefit the taxpayers.

Another factor that has been found to influence voluntary compliance is the extent to which taxable persons consider the tax as fair (Adade, 2012). Voluntary compliance is low in countries where taxable persons perceive the tax laws as exploitative. According to Heard (2005) taxable persons who have the wrong impression that VAT payments reduce their sales are more likely to find dubious means to reduce their VAT payments, so it is important to educate taxpayers on the relationship between the taxes that they pay and the benefits they receive from the government expenditure. According to Hidayat (2006) the more taxpayers see this relationship, the greater their willingness to pay their taxes voluntarily.

It has also been argued that ignorance on the part of vendors and buyers lead to non-compliance, as opposed to fraud or evasion. Many research studies have identified variables that influence voluntary compliance. The list includes the following: tax rate, income, and probability of detection, the level of sanctions, taxable persons' attitudes toward the government and taxation, personal norms, perceived efficiency, and equity (Allan and Ebel, 2010; Cruce, 2011). Adade (2012) also observed that frequency of tax audit increases the taxpayers' perception about the likelihood of being caught and this has a significant impact on voluntary compliance. One major function of VAT administration is identifying tax evaders and taking legal actions against people who do not comply with the VAT law (Allan and Ebel, 2010). Empirical research indicates that both penalties and audits can lead to greater compliance, although higher penalties have been shown to be less of a deterrent than higher audit probabilities (Adade, 2012). Bird contends that voluntary tax compliance is not natural and must be enforced with continuous monitoring and consistent punishment. Academic research has studied the decision making processes that individuals undergo when deciding what amount of tax to pay. The starting point of these theories is the consideration that the taxpayer has solely self interest in mind and therefore considers the probability of being caught and the fine he will need to pay if he is caught, and then compares this with the amount that he will save if he does not pay his taxes and does not get caught (Heard, 2005). (Cruce, 2011) has also explained that penalties for VAT defaulters "should be enforced rigorously and instantly and should be enforced without exception in order not to undermine the credibility of the system" (p. 231). Heard (2005) also found out that this requires efficient and well-functioning auditing procedures and tax officers with the requisite investigating skills.

Grandcolas (2005) has also added that the level of VAT compliance depends on the design of the VAT, the quality of the system of VAT administration and the consistent enforcement of penalties for default. Agyemang-Duah (2011) indicated that many taxable persons fail to comply with the various provisions of the Act because penalties or offences are not enforced consistently on defaulters.

5. Conceptual Framework

This section summarizes the conclusions drawn from earlier studies and identifies literature gaps that form the foundation of this study. Concepts reviewed focus on the relationship between Voluntary compliance and VAT Efficiency, the relationship between enforcement procedures and VAT Efficiency and the most common areas of noncompliance. A review of a number of current studies on VAT compliance indicate that most of them focus on the impact of weaknesses in VAT administration on non-compliance without delving into the specific socio-cultural and environmental challenges facing taxable persons and tax officers, and the perceptions of taxpayers and tax officers that discourage compliance.

Appiah-Kubi (2011) described the extent of non-compliance without going into the challenges faced by taxable persons in complying with the provisions of the VAT laws. Agyemang-Duah (2011) and Cruce (2011) attempted to explain the causes of widespread non-compliance in Ghana but their studies were limited to weakness in VAT administration and the need to improve VAT efficiency. Adade (2012) also conducted a study on VAT compliance but his study was focused on the Performance of value added tax administrators. The study failed to consider the social and cultural factors that make it difficult to achieve VAT efficiency. Most importantly, earlier studies in VAT compliance challenges have failed to provide specific practical recommendations towards addressing the causes of the non-compliances. This study advances the research on VAT compliances challenges by providing appropriate practical recommendations for improving VAT compliances.

6. Methodology

The paper utilized a qualitative phenomenological approach to explore two research questions. Interviews were held with VAT officers and taxable persons to ascertain the VAT compliance challenges in Ghana. Secondary data from relevant taxation books, national dailies, periodicals and electronic journals were also examined to get additional insight into the challenges of VAT compliance. The researcher also made use of data gathered from practical experience in auditing and consultancy with VAT registered clients. The data gathered through the above methods were analyzed to identify themes that formed the basis for conclusions about the challenges facing compliance to the VAT laws in Ghana. Thematic analysis was done across all the data collected to identify the common compliance challenges and how to address them (Howitt, 2010).

The paper explored the following two research questions:

1. What are the major challenges facing taxable persons and VAT officers in complying with the VAT laws of Ghana?
2. What measures could be put in place to enhance voluntary compliance to the VAT laws?

A sample size of 40, consisting of 20 taxable persons and 20 officers of the VAT Service, were selected for the phenomenological interview. The individual participants were purposefully selected, based on factors such as their willingness to participate in the study, their level of experience and participatory involvement in VAT administration. All participants were officers who are full-time employees of the VAT Service or taxable persons who are directly involved in VAT administration and were willing to express their perceptions and experiences on the phenomena under study. The aim was to obtain the opinions of people within the two groups who are directly involved in the administration of value added tax by exploring the experiences of key stakeholders of VAT administration rather than being concerned with the ability to generalize their experiences to a larger population (Howitt, 2010). Email contacts of 55 senior VAT officers were obtained from the Ghana Revenue Authority, and out of the 55 emails sent 37 agreed to be interviewed. The researcher selected 20 participants from 6 different regions based on their experience. Eight out of the 20 taxable persons were clients of the researcher from 4 regions who agreed to participate in the study and the remaining twelve were contacted with the help of a colleague senior VAT Officer.

7. Data Presentation and Analysis

Presentation and analysis of responses from the interviews are done under the major themes that emerged from the data set. The data analysis procedures were done after the interview data were transcribed from audiotapes. Major themes emerged with the repeated reading of each interview transcript and a numerical coding procedure was used for the identification of the major themes found in the data (Braun and Clarke, 2006). The following three major themes emerged after going through the thematic:

1. Many registered businesses fail to keep proper books of accounts to form the basis for accurate VAT assessment and inspection.
2. Compliance is low because the procedures for registering for VAT and filing of VAT returns are too cumbersome and complicated especially for the small taxable persons
3. Voluntary compliance is low due to negative taxpayer perception about how the government uses VAT revenue.

7.1. Failure to Maintain Adequate and Proper Books of Accounts

The first theme that emerged from the data collected from the interview was that most of the taxable persons in Ghana do not keep proper and complete records of all their business activities. Participants were unanimous that VAT payable are usually assessed based on the subjective judgments of VAT officers since most companies do not keep complete records on which VAT can be assessed accurately. This theme confirms the conclusion of Bird and Pierre-Pascal (2006) that VAT thrives only in countries where there is effective bookkeeping practices as the basis for self-assessment. Under this theme, the following three categories were identified:

7.2. Bookkeeping Requirements Are Too Much For Small Traders

Participants complained that the cost of complying with the bookkeeping requirements of the Ghana Revenue Authority is too high for small organizations. They explained that there are too many requirements regarding bookkeeping and many of the small traders cannot afford the services of professional bookkeepers. TP1 stated "bookkeeping requirements are the same for both large and small businesses and this is not fair". Ninety percent of participants were of the view that the VAT laws should be revised to make bookkeeping and filing requirements simpler and cheaper for small businesses. 15 of the 20 VAT officers representing 75% however expressed a contrary opinion on the issues of bookkeeping requirements for small traders. According to them the introduction of the standard VAT rate of 3% for the informal sector of the economy has already simplified the VAT procedures for the small taxable persons. They explained that under the standard scheme, qualifying retailers are allowed to pay 3% of their annual turnover as VAT without any complicated bookkeeping requirements. VO9 indicated that "I can't understand how calculating 3% of turnover can be complicated or costly". It is a matter of refusal to comply and not ability to comply". Thus, whilst the taxable persons complained of too much and costly bookkeeping requirements, the tax officers thought the taxable persons are just failing to take advantage of the simplified procedures introduced by the flat rate system. This assertion by participants is in line with that of Allan and Ebel (2010), compliance is low where it takes a longer time for taxable persons to comply with the filing requirements due to complexity of procedures.

7.3. Predominance of Manual Bookkeeping

Participants also held the perception that taxable persons fail to meet the standard bookkeeping requirements because most of them record their transactions manually instead of using computerized accounting packages. When asked how their companies maintained their account records, 12 out of the 20 taxable persons interviewed representing 60% indicated that they were using manual accounting. Only two taxable persons out of the 20 (10%) indicated that they were fully computerized. 13 out of the 20 taxable persons representing 65% also indicated that they had appointed private accountants or external tax advisors who maintain their records. Participants were of the

view that the use of computerized accounting packages could help small traders to meet most of the bookkeeping requirements of the VAT Act.

7.4. Predominance of Cash Transactions

Participants also held the view that most of the taxable transactions undertaken in the informal sector are not recorded, and as such are not assessed for VAT. They explained that one of the main reasons why VAT evasion is high in Ghana is that most transactions are done in cash due to the predominance of the informal sector and the black economy. VO7 said “cash transactions leave no audit trail so it is easy to hide it from VAT assessment”. Asked what can be done to solve this problem, some participants suggested that the government should pass a law to force all transaction beyond a specified limit to pass through the banking system. VO18 suggested “if most of the major transactions were made to pass through the banking system, VAT returns submitted by sellers could at least be partly verified from their bank statements”. VO5 complained as follows: “most of the suppliers deliberately refuse to record their sales in order to remove them from their VAT returns”. The predominance of cash transactions in Ghana is thus seen by participants as one of the challenges of VAT administration. The study results showed that a significant portion of the VAT gap in Ghana is the result of lack of proper books of accounts upon which the VAT Service can perform any meaningful VAT assessments and audit. This is a serious challenge to VAT administration because normally value added tax is based a self-assessment system in which taxable persons declare the tax collected every month based on the records they have kept for the previous month. Keeping accurate records is therefore, imperative for these operators as VAT control and compliance depend on the records and books kept by the taxable persons. This theme supports the assertion by [Allan and Ebel \(2010\)](#) that proper bookkeeping procedure by taxable companies, is a basic requirement for effective VAT compliance.

7.5. Complex Procedures for Filing VAT Returns

The second theme that emerged from the interview responses was the fact that many taxable persons fail to comply with the requirements VAT because registration and filing procedures are complex, slow and cumbersome. Participants mentioned three main challenges with VAT returns that discourage voluntary compliance.

7.6. Complex and Slow Registration Procedures

Eighteen out of the 20 taxable persons and 12 out of the 20 tax officers agreed that the procedures for registering with the Ghana Revenue Authority as a taxable person are complex and slow. Participants indicated that VAT registration was to a large extent centralize so one has to travel to the regional capitals to pick VAT registration form, fill it manually and submit it and wait for a long time before they receive any response. According to participants, this discourages potential taxable persons from registering to collect the VAT. VO13 suggested that “District Assemblies should be allowed to complete VAT registration procedures at the district capitals to reduce the cost of registration”. VO9 added that “registration at the district assembly level would make monitoring effective since the registration officers would be close to the businesses they register”. This implies that majority of participants perceive that slow and a complex registration procedure is a challenge and that decentralization of the VAT registration to the district assemblies would improve compliance.

7.7. Complicated Filing Procedures

Twenty-seven out of the 40 participants representing 68% indicated that taxable persons have difficulty handling arithmetic calculations and also find it difficult to understand the high end language given in the filling papers. VO8 stated that “the current manual VAT registration and filling system as well as the payment and refund systems are too complicated and cumbersome, especially for the small businesses”. Many study participants expressed the view that VAT administration authorities should work towards making the filing of VAT returns a more user friendly affair so that the taxable persons could file the returns on their own without any difficulty. All the 27 participants who mentioned complexity also shared the perception that the compliance costs associated with VAT filing returns is too high due to the complexity of requirements. With respect to VAT refunds, TP6 lamented “we have never received any refund from the government even though input tax on our exports usually exceed VAT collected on our local sales; any time we file for refund we are told we have not met the requirements for the refund”. Thus, taxable persons have the view that bookkeeping requirements for VAT are too cumbersome and costly for small businesses. The responses from participants on this theme are in line with the conclusion of [Pricewaterhouse Coopers \(2010\)](#) that high voluntary compliance can be achieved only when the administrators simplify compliance procedures to make them easy for taxable persons to comply.

7.8. Negative Taxpayer Perception

The third major theme that emerged from the data is that taxpayers have the perception that they do not receive enough benefits from the VAT they pay. 80% of taxable persons were of the view that the government does not use the VAT revenue for the benefit of taxpayers. Analysis and interpretation of the results indicate that the people are not satisfied with the developments in the various sectors across the country. TP2 stated “VAT is collected to enrich the politicians and the VAT officers and not for national development”. TP5 stated that “instead of using the VAT revenue for the purpose for which it is collected, the funds are diverted to finance expensive political campaigns so consumers usually complain when the VAT is charged”. TP8 also stated “people will voluntarily

comply with the VAT laws only when they see evidence that the government is using the VAT revenue for their benefit". The opinions of the VAT officers on this issue largely differed from that of the taxable persons. Fifteen out of the 20 VAT officers interviewed claimed that VAT revenue is used solely for the benefits of the taxpayers. 25 % of them however declined to comment on how VAT revenue is used by the government. The above responses clearly support the conclusion of [Appiah-Kubi \(2011\)](#) that there is a high correlation between the perceptions that taxable persons have about how the government uses tax revenue and voluntary compliance. They also support the assertion of [Heard \(2005\)](#) that voluntary compliance is high where taxable persons perceive that the government uses tax revenue to provide services that benefit the taxpayers.

7.9. Measures to Improve VAT Compliance

Participants were finally asked to suggest measures to be adopted by the Ghana Revenue Authority to address the various challenges identified in order to improve voluntary compliance to the provisions of the value added tax. The aim of this question was to elicit from VAT officers and taxable persons what they thought could be done to improve VAT compliance and reduce the rampant VAT evasion. A number of useful suggestions were made by participants. The most common suggestion made by participants was the recommendation that the Ghana Revenue authority should enforce all penalties in the VAT law strictly. This recommendation was made by 95% of the participants. Other common suggestions mentioned by participants were, decentralization of the VAT Service and the introduction of electronic registers.

8. Conclusions

The paper identified many challenges facing compliance with the VAT laws in Ghana. The first compliance issue identified by the study is that many taxable persons do not keep proper books of accounts to form the basis of accurate VAT assessment. Most of the taxable persons participated in the study do not keep records beyond their debtors, creditors and stock. Secondly, many taxable persons find the VAT registration and filing procedures to be complex and slow and costly. Furthermore, the paper concluded that VAT compliance is low in Ghana because many taxpayers in Ghana have the perception that they do not receive enough benefits from the VAT they pay. This situation corroborates the conclusion by [Hasseldine \(2007\)](#) that voluntary compliance is high where the taxpayers perceived that government prudently spends the national revenue. Ghana has a very comprehensive VAT Act but inadequate bookkeeping, complex and slow registration and filing procedures and negative taxpayer perception about the use of tax revenue have negative impact on compliance with the provisions of the VAT act. Consequently VAT assessments are mostly based on estimates made by the VAT officers and VAT compliance is low. Therefore, for Ghana to realize the huge revenue generation potential of the VAT system there is an urgent need to put in place measures voluntary compliance.

9. Recommendations

This section presents practical recommendations that could be implemented to address the compliance challenges of VAT in Ghana. All the recommendations are presented in accordance with the major themes identified from the data analysis.

9.1. Simplification of Registration and Filing Procedures

Ghana Revenue Authority should review the VAT Act to remove all forms of complications in the VAT returns that make compliance difficult. The study results indicate that the registers and forms required to file the VAT returns are too many. The revenue authority should therefore conduct a comprehensive taxpayer interview to identify and simplify all the difficult areas to improve compliance. An ideal tax system should be easy to implement and simple ([Cruce, 2011](#)). The responses of majority of the taxable persons indicated that they find many areas of the tax law cumbersome especially registration and the filing of VAT returns. Complexities in the tax system promote evasion and avoidance and these should be minimized as best as possible.

9.2. Decentralization of the Operations of the VAT Service

The paper also discovered that the operations of the VAT service are slow due to too much centralization. Many of the key activities such as registration and filing of returns could be done only in the regional capitals. It is therefore recommend that the operations of the VAT Service be decentralized as a means of improving accessibility and for that matter VAT compliance. The service should open revenue offices in all major towns and resource these offices to enable them undertake most of the functions of the Service at the district level. VAT registration should be decentralized because officers in the districts would be more efficient in identifying businesses in the district that are eligible for registration. This would help to reduce the number of taxable persons that travel long distances to VAT office to file VAT returns ([Adade, 2012](#)).

9.3. Keeping Proper Books of Accounts

The paper has established that a significant portion of the VAT gap in Ghana is the result of lack of proper books of accounts upon which the VAT Service can perform any accurate VAT assessments. According to an interview carried out by the researcher, most of the VAT officers have problems while auditing the records kept by

the taxable persons since some of them do not even have the basic records on which assessment and audit could be done.

To address this problem of improper booking, it is recommended that each taxable person that registers with the VAT Service should be assigned to an accounting firm which would help them streamline their accounting records. Currently it is a requirement for all limited liability companies to have an auditing firm before the company is registered by the Registrar General's Department to commence business. This requirement could be extended to all businesses that register to collect VAT. The Ghana Revenue Authority should go further than this to ensure that all VAT returns are certified by a qualified accountant or certified bookkeeper. Although this is likely to increase compliance cost to the smaller taxable persons, it would go a long way to improve record keeping and accuracy of VAT returns.

9.4. The Need for an Electronic Filing System

The VAT Service should develop an electronic filing system as a means of making it convenient for taxable persons to file VAT returns online. Manual coordination and collection of VAT revenue is slow and ineffective. The Authority should be able to use ICT to perform routine tasks such as processing VAT return forms, computation of VAT refunds and compiling VAT statistics. Computerization of the VAT system would enable easy detection of defaulters, and also to reduce corruption by reducing personal interaction between VAT officers and taxable persons. The government should therefore develop a national web-based VAT system that would simplify VAT procedures and provide speedy and reliable services to all taxable persons. According to Allan and Ebel (2010) countries that have adopted electronic filing and payment systems have drastically improved their voluntary compliance. Naibe and Siringi (2011) has also established that there is a high correlation between electronic tax registers and VAT Compliance.

9.5. Regular Auditing and Penalty Enforcement

Auditing at regular intervals by tax inspectors can positively impact tax compliance Mikesell (2007). It has been found that auditing encourages the tax payers to be more prudent in completing their tax returns, report their exact income, and claim correct deductions in comparison to those who have never been audited (Yesegat, 2008). The tax officers should regularly visit the organization to audit their accounts in order to keep taxable persons on their toes. Also the VAT Act provides a comprehensive list of penalties for offenders, but the study results suggest that these are largely not enforced consistently. These penalties should be enforced rigorously to serve as deterrent to others. The government should immediately institute an efficient business monitoring system to ensure that all businesses that qualify to register are made to register so that more people are caught in the tax net to ensure that the burden does not fall on only few tax payers. It has been proven that taxpayers' perception of the probability of being audited has a great impact on their degree of compliance. For e.g. countries like United Kingdom, Denmark and New Zealand that have an efficient and comprehensive tax audit systems have the highest compliance rates in the world (Bickley, 2006). The internal control systems in the VAT Service should also be strengthened to include efficient and regular supervision to ensure that the VAT officers perform their duties efficiently and effectively.

9.6. Prudent Use of Tax Revenue

This study results supports the assertion that the government can improve voluntary tax compliance by winning and maintaining the trust of taxable persons by using tax revenue responsibly (Brautigam *et al.*, 2008) Although, the secondary data shows that there has been an increase in the revenue generation since the implementation of VAT which has improved government's commitment towards the betterment of the country, the study results show that people are not satisfied with the development. Participants were of the view that the government spends too much money on expensive political campaigns and the government machinery, and less emphasis is placed on basic infrastructure. It is therefore recommended that the government should contribute to improving voluntary tax compliance by using tax revenue on projects that taxable persons perceive as socially responsible.

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