

Full Length Research Paper

A study on the awareness and level of compliance with gift tax by formal sector employees in Kumasi Metropolis Ghana

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The study examined the awareness and level of compliance with gift tax by formal sector employees in Kumasi Metropolis Ghana. Two hundred and fifty-two respondents were sampled for the study using the purposive sampling method. Questionnaire was used to solicit data and information from the respondents. Data collected were analyzed using descriptive statistics and probit regression model. The results of the study revealed that the level of compliance with the gift tax is very low. The key reason identified in the study for the low level of compliance with gift tax among Ghanaian taxpayers is unawareness of gift tax obligations. The probit regression result revealed that level of education, knowledge of tax law, and penalty for non-compliance significantly influence respondents' decision to comply with the gift tax law. Hence, the low level of education offered by the Ghana Revenue Authority on the gift tax and non-enforcement of the law have contributed to the low level of compliance. The study therefore recommends that the Ghana Revenue Authority should step up education on the gift tax law and enforce penalty for non-compliance to improve revenue from gift tax.

Key words: Gift tax, tax compliance, Kumasi Metropolis, Tax payers, Ghana.

INTRODUCTION

Since taxation is a compulsory levy on individuals, entities and property by a tax authority (the government of a tax jurisdiction) for the purposes of supporting its expenditure (Sally, 1999; Nakyea, 2008; Alabede, 2014; Bruce-Twum, 2014), incomes and/or gifts are usually the subject matter of taxation. Incomes are usually paid openly and directly to the beneficiaries (that is the person earning the income) and are, most of the time, documented. Hence, they are easily identified and assessed for tax. However, that is not the case of gifts

received or receivable. According to Part V- Interpretation Section 110 (1) of the Internal Revenue Act, 2000 (Act 592 as amended), a gift is a receipt without consideration or inadequate consideration. In other words, a gift is something one receives without adequate compensation paid to the giver by the receiver. Further, Section 105(1) of the Internal Revenue Act, 2000 (Act 592 as amended) provides that a gift, which is taxable under the Act, shall be taxed at the specified rate on the total value of taxable gifts received by a person within a year of assessment.

Although the tax laws of Ghana, specifically Internal Revenue Act, 2000 (Act 592 as amended), provides for this, in practice compliance is almost non-existence (Terkper, 2003; Gatsi and Acquah, 2010 and Bruce-Twum, 2014). Interestingly, this observation was also made by Tusubira and Nkote (2013) in Uganda, suggesting that non-compliance is a problem (Andreoni et al., 1998) in taxation systems in other parts of the world (Abdul-Razak and Adafula, 2013). To the researcher, compliance with gift tax is both statutory and a civic obligation. Accordingly, non-compliance may result in liability. The purpose of this paper therefore is to educate the public on the provisions of the tax law relating to gift tax and the responsibilities of the taxpayers or the citizenry of Ghana to abide by the law, whilst recommending ways of improving the collection rate. As observed by Gatsi and Acquah (2010), Bruce-Twum (2014) and others around the world, notably McKerchar and Evans (2009), Tusubira and Nkote (2013) and Alabede (2014), lack of knowledge of tax law and its provisions account for the non-compliance with tax among tax payers. Currently, the level of compliance is almost non-existing; meanwhile it is perceived that people do receive gifts almost on daily basis ranging from cash gifts, hampers, cars and other tangible assets.

The aim of the study is to assess the level of gift tax provisions compliance among formal sector employees in Kumasi Metropolis.

REVIEW OF RELEVANT LITERATURE

Since tax revenue has been accepted as the most important source of revenue for governments (Sally, 1999; Nakyea, 2008; Martina et al., 2008; Brautigam, 2008; McKerchar and Evans, 2009; Abdul-Razak and Adafula, 2013; Bruce-Twum, 2014), every effort should be made to assist the government, not only to maintain the level of tax revenue, but also to create voluntary compliance among taxpayers or citizenry of a country like Ghana. To the researcher, this is very important in the advent of the current financial situation facing developing nations after the financial crunch from the western world leading to massive reductions in donations and grants emanating from the developed world to the developing world, mostly Africa, for which Ghana is not an exception (OECD, 2014). Many scholars and analysts assert that for Ghana to have adequate financial resources to finance its developmental programs and agenda (Moss and Majerowicz, 2012), it needs to properly develop its taxation systems in order to rake in more tax revenue (Nakyea, 2008; Martina et al., 2008; Brautigam, 2008; McKerchar and Evans, 2009; Gatsi and Acquah, 2010; Abdul-Razak and Adafula, 2013). This accounts for the recent moves by the government of the day to introduce new taxes to raise tax revenues for development projects and financing of recurrent budget items. In assessing a taxpayer's tax liability, incomes are usually and easily identified and

assessed for tax even if the taxpayer attempts not to disclose it (Dressler, 2002; Akhand, 2012). This may be partly because income is mostly paid by one party to the other leaving a trail; also, it is paid in the open directly to the beneficiary (that is the person earning the income); in addition, most of the time, the income received is usually documented.

Gifts of a certain nature are the subject matter of tax laws of Ghana specifically Internal Revenue Act, 2000 (Act 592) as amended. According to Part V-interpretation Section 110 (1) of Act 592 (amended), a gift is a receipt without consideration or inadequate consideration. Section 105(1) of the Act, Act 592 (as amended) further provides that, a gift which is taxable under the Act, shall be taxed at the specified rate on the total value of the taxable gifts so received by a person within a year of assessment. Section 106 of the Act, (Act 592 as amended) defines "taxable gift" to mean,

- (a) Any of the following assets situated in Ghana:
 - i. Building of a permanent or temporary nature;
 - ii. Land;
 - iii. Shares, bonds and other securities;
 - iv. Money, including foreign currency;
 - v. Business and business assets;
 - vi. Any means of transportation (that is, by land, air or sea);
 - vii. Goods or chattels not included in the means of transportation; and
 - viii. Part of, or any right to or interest in any of the assets referred to above
- (b) An asset or a benefit, whether situated in Ghana or outside Ghana, received by or for the benefit of a resident person as a gift where the asset has been or is credited in an account or has been or is invested, accumulated, capitalized or otherwise dealt with in the name of or on behalf of or at the direction of the person
- (c) A favour in money or money's worth or a consideration for an act or omission or the forbearance of an act or omission that inures for or to the benefit of a resident person.

It is worthy of note that it is immaterial whether or not the person being taxed physically received the asset, so long as the act, omission or transaction is inured to the benefit of that person (Internal Revenue (Amendment) Act, 2003 (Act 644).

The provision of the tax law in respect of gift is, however, liberal requesting voluntary compliance from the taxpayer. Thus, the law provides that under procedure relating to gift tax (S.108) a person who receives a taxable gift shall, within thirty (30) days of receipt, furnish the Commissioner General of Ghana Revenue Authority with a return in writing containing the following information:

1. the description and location of the taxable gift;
2. the total value of the gift, how it is calculated and tax payable with respect to that gift;
3. the full name and address of the donor of the gift; and
4. any other information required by the Commissioner.

A skimpy and sketchy opinion is that in Ghana, although people do receive gifts on a daily basis ranging from cash (Gatsi and Acquah, 2010; Bruce-Twum, 2014) in the form of local and foreign currency to landed property as well as means of transportation to mention but few, they do not honour their gift tax obligation thereon (Bruce-Twum, 2014). Consequentially, in compliance with the provisions of the tax law, especially in respect of gifts, these should be subject to taxation. It is, however, worthy to mention that it is not every gift received that are taxable. Under section 105(2) gifts received by a person under or for the following reasons are exempt from tax:

1. by a person under a will or upon intestacy;
2. by a person from that person's spouse, child, parent, brother, sister, aunt, uncle, nephew or niece;
3. by a religious body which uses the gift received for the benefit of the public or a section of the public; or
4. for charitable or educational purposes.

In assessing the value of the gifts subject to tax, the market value of the gift received or receivable is usually used.

The few empirical studies on gift tax in Ghana attempted to provide some answers to the above questions as follows: Gatsi and Acquah (2010), in their study on information asymmetry and gift tax, concluded that gift tax is one of the conduits through which tax revenue can be enhanced for development with a call on Ghana Revenue Authority for better education on the tax. Later, Bruce-Twum (2014) tried to determine the extent of knowledge about gift tax especially in the Accra-Tema metropolis and reached the conclusion that the level of awareness is very low, resulting in non-compliance with gift tax in Ghana. Empirically, there were a series of research studies on taxation and tax compliance in general; for example: enhancing voluntary tax compliance by reducing compliance costs (Jenkins and Forlemu, 1993); tax compliance costs for the SMEs business sector (Evans et al., 2013); investigating tax compliance (Myles et al., 2013); and social norms and tax compliance (Onu and Oats, 2014), all undertaken in advanced economies. In addition to the above, there have been studies undertaken on making large corporations tax compliance in other developing economies like Bangladesh (Akhand, 2012); and income tax compliance among SMEs in Uganda (Tusubira and Nkote, 2013). In Ghana, income tax non-compliance among Ghanaian self employed

(Baba and Asante, 2012), and taxpayers' attitude and its influence on tax compliance decisions (Abdul-Razak and Adafula, 2013) are some of the available compliance studies; however they failed to estimate the level of non-compliance. Although some levels of research works have been done on gift tax compliance, notably Gatsi and Acquah's (2010) study "Information Asymmetry and Gift Tax in Ghana" and Bruce-Twum's (2014) "Gift Tax Compliance in Ghana, an Empirical Study", the researchers, in determining the level of awareness and/or compliance with gift tax, did not use a very large sample size. For example, Bruce-Twum (2014) only used one hundred and sixty-seven respondents in his analysis. Further, it was found from the literature review that most studies undertaken in the area of tax in Ghana were on income tax and not gift tax. Therefore, this research aims to fill this research gap by assessing the level of compliance with gift tax among the Ghanaian taxpayers generally.

METHODOLOGY

The general approach adopted for this research was a survey. A questionnaire was used as the data collection instrument; it was administered to the respondents. The population for the study was basically formal sector employees in Kumasi Metropolis. The formal sector workers were selected and used for this research because it is assumed that, as they are in formal employment and are mostly literates, they might have had some level of knowledge about tax and hence provide an opportunity to measure the level of compliance among them. However, due to the vastness of the population, a purposive sampling approach was adopted to sample the respondents. In all 252 respondents were sampled for the study.

Analytical framework

Descriptive and inferential statistics with the help of SPSS and STATA econometric package were used to analyze the data. The respondents' decision to comply with the gift tax Act (provisions under the Internal Revenue Act, 2000 as amended) can be said to be dichotomous involving two mutually exclusive alternatives. The respondents may comply with the Act or may not comply with the Act. This results in a binary dependent variable. The framework for estimating models with binary dependent variables has its root in the threshold theory of decision making in which a reaction occurs only after the strength of a stimulus increases beyond the individual's reaction threshold (Hill and Kau, 1981). Therefore, the respondent when faced with a choice to comply with the gift tax Act has a reaction threshold which is influenced by several factors. Based on the reaction threshold the respondent may either comply or may not comply, leading to binary dependent variable which takes on the values of zero (not comply with the Act) and one (comply with the Act)

The probability of observing a value of one is:

$$F(\frac{1}{\sigma})$$

where F is a cumulative distribution function; it is a continuous, strictly increasing function that takes a real value and returns a value which ranges from 0 to 1. Then, it follows that the probability of observing the zeros is:

$$1 - F(\frac{1}{\sigma})$$

Table 1. Variables for the probit model.

Variables	Description	Measurement	Expected sign
AgeR	Age of the respondents	Age in years	+
AgeB	How long respondents have been in business	Age in years	+
Edu	Number of years spent in formal school	In years	+
Asso	Does the respondent belong to any association	dummy (1= if respondent belong to association ; 0 = otherwise)	+
KnoTaxL	Knowledge of tax laws	Dummy variable ; 1 = has knowledge; 0 = Otherwise	+
Gender	gender of the business operator	dummy (1 = Male 0 = Otherwise)	+
Perp	Perception of filling procedures	dummy (1 = Cumbersome; 0 = Otherwise)	+
Size	Size of the business	that the net asset in Ghana Cedis	+
Aware	awareness of offences and penalties	dummy (1 = aware of the penalty, 0= Otherwise)	+
Dist	Distance to the nearest tax office in kilometres	Kilometres	-

Given such a specification, we determine the parameters for estimating this model using the maximum likelihood estimation approach. The dependent variable is an unobserved latent variable that is linearly related to by the equation:

Where ϵ_i is a random disturbance term and X_i is independent variable which influences respondents' compliance decision. The observed dependent variable is determined by whether exceeds a threshold value or otherwise:

$$\begin{matrix} 1 & * & 0 \\ 0 & * & 0 \end{matrix} \tag{4}$$

where τ is the threshold value for y_i^* and is assumed to be normally distributed. Common models for estimating such parameters include probit (standard normal), logit (logistic) and tobit (extreme value) (Madala, 2005).

The model

This study adopted the probit model partly because of its ability to constrain the utility value of the decision to join variable to lie within 0 and 1, and its ability to resolve the problem of heteroscedasticity. Following Madala (2005), the probit model adopted for the study is specified as:

$$y_i^* = \beta_0 + \beta_1 AgeR_i + \beta_2 AgeB_i + \beta_3 Edu_i + \beta_4 Asso_i + \beta_5 KnoTaxL_i + \beta_6 Gender_i + \beta_7 Perp_i + \beta_8 Size_i + \beta_9 Aware_i + \beta_{10} Dist_i + \epsilon_i \tag{5}$$

where P_i is the probability that a respondent will comply with gift tax act or not; ϵ_i is a random variable which is assumed to be normally distributed with mean zero and unit variance; y_i^* is the dependent variable (decision to comply); β_j is as defined above. To obtain an estimate of the index P_i , the inverse of the cumulative normal function is used:

Where β_j are parameters of the probit model; however, these β_j are the relative effect of each explanatory variable on the probability of respondents complying with the gift tax Act. The relative effect of each explanatory variable on the likelihood that a respondent will comply with the gift tax Act is given by:

Where \bar{y} is the mean dependent variable whose value is given in the probit results as:

Guided by related studies (Toumi, 2007; Jackson and Milliron, 1986), the following factors are identified to influence compliance with gift tax by the respondents (Table 1).

The empirical model is specified as:

AgeR	AgeB	Edu	Asso	KnoTaxL	10
Gender	Perp	Size	Aware	Dist	

RESULTS AND DISCUSSION

The result of the study revealed that out of the sample of 252 respondents studied, 131 (being 51.98%) were males, while 121 (48.02%) were females (Table 2), indicating that there were more males than females.

The age characteristics of the sample studied revealed that those between the ages of 20-29 were about 50.00%; 30-39 formed about 28.97%; followed by those above 40 representing 21.03% (Table 3). Interestingly, this observation is similar to that of the observations in the 2010 Ghana National Population and Housing Census (GSS, 2013).

An attempt was made to ascertain the educational background of the respondents as it does have an impact

Table 2. Gender distribution of respondents.

Gender	Frequency	Percentage (%)
Male	131	51.98
Female	121	48.02
Total	252	100.00

Source: Field Survey, July, 2014

Table 3. Age of respondents.

Age	Frequency	Percentage (%)
20-29	126	50.00
30-39	73	28.97
40-49	36	14.29
50 & above	17	6.75
Total	252	100.00

Source: Field Survey, July, 2014

Table 4. Educational background of the respondents.

Education	Frequency	Percentage (%)
SSCE	57	22.62
O' Level	12	4.76
A' level	7	2.78
Diploma	39	15.48
Degree	112	44.44
Not Applicable	25	9.92
Total	252	100.00

Source: Field Survey, July, 2014

on the level of compliance with the tax in question; it was observed that about 90% of the respondents are literates and only about 10% have not had formal education. The details are shown in Table 4.

From Table 4, those respondents who possess degrees represent 44.44% followed by those with SSCE (22.62%), diplomas (15.48%), O" and A" levels (7.54%); 9.92% have no educational qualifications.

Besides the demographic characteristics discussed above, the researcher was quick to dive into the working experience of the respondents. This is partly because it was assumed that those who have worked for some time may have had some experience of paying taxes including gift tax. Interestingly, although those who have been working between 1 to 5 years dominate with 46.83%, those who have worked for more than 5 years were in the majority (Table 5).

Thus, those with work experience ranging between 1 to 5 years dominated the respondents while those with work experience of 31 years and above formed the smallest part of the population; though 1.98% did not indicate their number of working years experience.

Table 5. Years of working experience of the respondents.

Years of working experience	Frequency	Percentage (%)
1-5 yrs	118	46.83
6-10 yrs	59	23.41
11-15 yrs	27	10.71
16-20 yrs	17	6.75
21-30 yrs	19	7.54
31 & above	7	2.78
No response	5	1.98
Total	252	100.00

Source: Field Survey, July, 2014

Compliance with gift tax has been explained to the respondents as submission of returns on gifts received and receivable and paying the gift tax thereon in accordance with Section 108 of Internal Revenue Act, 2000 (Act 592 as amended). In this case a question was post as to whether the respondents have ever paid taxes. About 90% indicated that they had paid tax in the form of direct tax such as Pay As You Earn (PAYE) on employment income, as well as Indirect tax such as VAT. Out of 252 respondents, 226 responded in the affirmative (about 89.68%); 19 respondents (being 7.54%) indicated not ever having paid any tax; while 7 respondents (making up 2.78%) were not sure if they have ever paid any tax (Table 6).

Narrowing further to gift tax, the researcher attempted to find out whether the respondents have ever received gifts since if one does not receive gift, there is no likelihood of being liable to gift tax. The research revealed that while about 81% of the respondents have received gifts, 11% have not received gifts; about 4% were not sure whether they have received gifts or not, while further 4% respondents did not indicate any response as shown in Table 7.

The main sources or donors of the gifts as per the research findings were mainly from parents, children and other close relatives to business contacts as well as friends as depicted in Table 8. In some cases, the gifts were from a combination of the above mentioned sources.

The research revealed that even though a good number of the respondents received gifts, 80.95% (Table 9), being the majority, do not regularly submit returns on the gifts so received as required by the tax law.

The result indicates that 71.43% do not regularly submit returns on the gifts they do receive and only 6.75% do submit returns on gifts they receive. However 21.83% were not sure whether they do submit returns or not on the gifts they receive as shown in Table 10. This means non-compliance in terms of non-submission of returns on gifts is very high. This indicates, in other words, that compliance is very low.

Table 6. Whether respondents have ever paid tax.

Have You ever paid tax	Frequency	Percentage (%)
No	19	7.54
Yes	226	89.68
Not Sure	7	2.78
Total	252	100.00

Source: Field Survey, July, 2014

Table 7. Whether Respondents Have Received Gifts.

Have you ever receive any gift	Frequency	Percentage (%)
No	27	10.71
Yes	204	80.95
Not Sure	11	4.37
No response	10	3.97
Total	252	100.00

Source: Field Survey, July, 2014

Table 8. Donors of Gifts Received.

Donors of gifts received	Frequency	Percentage (%)
Parents	28	9.59
Uncles / aunts	14	4.79
Brother / sister (biological)	21	7.19
Spouse	13	4.45
Children	5	1.71
Friends	77	26.37
Business contacts	16	5.48
Employer	4	1.37
Combination of more than one donor	8	28.77
No response	30	10.27
Total	292	100.00

Source: Field Survey, July, 2014

Table 9. Whether the respondents submit tax returns on gifts received.

Do you regularly submit return on taxable gifts received?	Frequency	Percentage
No	71.43	180
Yes Not	6.75	17
Sure	21.83	55
Total	100.00	252

Source: Field Survey, July, 2014

As a follow up to this the researcher sought to find out whether gift taxes are regularly paid on gifts that the respondents received regularly; and it came to light that only 15 respondents (making 5.95%) responded yes, 31 respondents (being 12.30%) said no, and a large number

of 206 respondents (being 81.75%) were not sure as shown in Table 11. This still indicates very low compliance in terms of payment of gift tax.

In an attempt to find out the reasons for the non-compliance among the respondents, the respondents

Table 10. Whether respondents pay gifts tax on gifts received regularly.

Have you ever paid tax on taxable gifts received	Frequency	Percentage (%)
No	31	12.30
Yes	15	5.95
Not Sure	206	81.75
Total	252	100.00

Source: Field Survey, July, 2014

Table 11. Why respondents do not pay gift tax on gifts received.

Why not pay tax on taxable gifts received?	Frequency	Percentage (%)
Not aware of gift tax	179	71.03
Just do not want to pay	23	9.13
Commissioner has never asked for it	20	7.94
Have never receive gifts	9	3.57
Value of gift below threshold amount	21	8.33
Total	252	100.00

Source: Field Survey, July, 2014.

Table 12. Awareness of the Tax Laws Requirement for the Submission of Gift Tax Return on Gifts Received Within 30 Days after Receipt of the Gift.

Are you aware of the gift tax?	Frequency	Percentage (%)
No	186	73.81
Yes	31	12.30
Not Sure	23	9.13
No response	12	4.76
Total	252	100.00

Source: Field Survey, July, 2014

were asked to indicate the reasons why they were not paying the gift tax on the gifts they received: 71.03% indicated that they were not aware of the gift tax, 9.13% said they just did not want to pay, 8.33% indicated that the values of the gifts they received were below the threshold amount, 7.94% pointed out the Commissioner General of the Ghana Revenue Authority in charge of the Collection and administration of the tax has never asked for it, while 3.57% revealed that they had never received gifts.

Following the responses above, the research put across a follow up question as to whether the respondents were aware of the requirement of the tax law for the submission of return on gifts received or receivable within 30 days of receipt. The results were as depicted in Table 12. About 74% claimed they were not aware of the requirement; 12% indicated their awareness; 9% were not too sure if they were aware; and about 5% did not give a response. This revealed a very high level of unawareness of the gift tax requirement and hence the

high level of non-compliance in terms of submission and non-payment.

Besides the low level of compliance, it was surprising and more confusing to find out at this point that the respondents were aware of their obligation under gift tax law, and that more than 60% of the respondents are not willing to comply as shown in Table 13.

While 34.52% of the respondents indicated their readiness to honour the gift tax henceforth, 38.49% said no, 18.25% said they are not sure while 8.73% did not give a response.

Regression results of determinants of gift tax compliance

The result of the factors influencing gift tax compliance by formal sector employees in Kumasi Metropolis is presented in Table 14. Out of the 10 variables 4 of them have significant relationship with gift tax compliance.

Table 13. Whether respondents will pay the gift tax any time they receive a taxable gift henceforth.

<u>Are willing to pay gift tax</u>	<u>Frequency</u>	<u>Percentage (%)</u>
No	97	38.49
Yes	87	34.52
Not Sure	46	18.25
No response	22	8.73
Total	252	100.00

Table 14. Probit estimates for determinants of gift tax compliance.

<u>Variables</u>	<u>Coefficient</u>	<u>t-statistic</u>	<u>Marginal Effect</u>
Age of the respondents (AgeR)	0.006	1.264	0.002
How long respondents have been in business (AgeB)	0.036	0.782	0.014
Number of years spent in formal school(Edu)	0.057***	5.000	0.022
Does the respondent belong to any association (Asso)	0.055	1.155	0.017
Knowledge of tax laws (KnoTaxL)	0.289**	2.210	0.050
gender of the business operator(Gender)	0.278	1.408	0.073
awareness of offences and penalties(Aware)	1.587***	5.843	0.396
Perception of filling procedures (Perp)	0.488***	3.492	0.052
Size of the business(Size)	0.099	0.807	-0.038
Distance to the nearest tax office in kilometres(Dist)	-0.055	-0.453	-0.022
Constant	0.671	0.624	-

Note: *** indicates the variable is statistically significant at 99% confidence level, ** indicates the variable is statistically significant at 95% confidence level, and * indicates the variable is statistically significant at 90% confidence level. Log likelihood = -344.01797; Number of obs = 238; LR chi2(10) = 103.46; Prob > chi2 = 0.0000; Pseudo R2 = 0.1307.

Number of years spent in formal school has positive and significant relationship with gift tax compliance.

This implies that respondents who attained higher level of formal education are more likely to comply with gift tax Act as compared to those with low level of formal education. The reason for this observation might be the fact that with higher level of formal education the respondents can read and write and understand the implication of non compliance with the law. The marginal effect revealed that additional year spent in formal schools would increase the likelihood of compliance by 2%.

Respondent's knowledge of tax laws has positive and significant relationship with compliance. Individuals who have knowledge about the law are more likely to comply with the gift tax law as compared to their counterparts who do not have knowledge about the law.

Similarly, respondents who are aware of the penalty for non compliance are more likely to comply. This may be attributed to the fact that those with knowledge of the tax law and or have idea about the penalty for non compliance may be able to assess the risk of being caught for non compliance and consequent cost they have to incur. This may influence their decision to comply. Based on the marginal effect those with knowledge about the law are

5% more likely to comply compared with those who do not have knowledge about the law. Whilst those who are aware of the penalty are 39% more likely to comply with the law compared to their counterparts who are not aware of the penalty for non compliance.

Perception of procedures of filling of gift tax returns has positive and significant relationship with respondents' decision to comply with the law. The respondents may assess the cost of complying with the law, not only tangible cost but also intangible cost. Regarding gift tax return filing procedures, once they perceive it as cumbersome or time consuming they are likely to shy away from complying with the law as it may increase their cost of compliance.

CONCLUSION AND RECOMMENDATIONS

This study revealed that, although the taxation of gifts is provided for in the tax laws of Ghana specifically Internal Revenue Act, 2000 (Act 592 as amended), making compliance both statutory and civic obligations, the level of non-compliance is very high among the Ghanaian taxpayers. Some of the reasons identified by the study for the low level of compliance with gift tax among Ghanaian

taxpayers are: unawareness of gift tax obligations, those taxpayers who are aware do not feel obliged to pay; the non-enforcement by the tax officials; some taxpayers simply never receive taxable gifts; or the value of the gift is not above the exempt threshold. It was obvious from the study that the low level of education provided on the gifts tax by the tax officials and non-enforcement on their part coupled with the unwillingness by the taxpayers to voluntarily comply largely account for the very low level of compliance with gift tax among taxpayers in Ghana, specifically in the Kumasi metropolis. The above findings are very striking as Ghana, like all other developing countries, needs to exploit taxation as a means of sourcing revenue to finance developmental programmes and activities, as donor funds and grants are not forthcoming due to the economic challenges facing various nations after the financial meltdown in the west.

From the foregoing, it is therefore recommended that the Domestic Tax Revenue Division of the Ghana Revenue Authority intensifies tax education especially on the gifts tax obligations immediately, and puts in place measures to enforce such obligations.

Conflict of Interests

The authors have not declared any conflict of interests.

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LEGISLATION

- Internal Revenue Act 2000 (Act 592 as Amended).
- Internal Revenue Regulations 2001 (LI1675 as Amended). Internal Revenue (Amendment) Act, 2002 (Act 622). Internal Revenue (Amendment) Act, 2003 (Act 644).