

# THE INTERNATIONAL JOURNAL OF HUMANITIES & SOCIAL STUDIES

## Trend in Revenue Performance before and After Integration of Ghana Revenue Authority (GRA): The Case of Wa Municipality, Ghana

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### **Abstract:**

*This paper examined the integration of Internal Revenue service, Value Added Tax Service and Custom Excise and Preventive Service into Ghana Revenue Authority and its impact on revenue Mobilization in the Wa municipality. Using a cross sectional study, both secondary and primary data were sourced for this survey. The primary data was gathered through structured questionnaires from 30 staff of Ghana Revenue Authority, Wa office. Whereas the secondary data was sourced from the archives of Ghana revenue authority from 2007 to 2014 (the periods before and after the integration). This paper found that the integration of Internal Revenue Service, Value Added Tax Service and Customs Excise and Preventive Service into Ghana Revenue Authority has have significant impacts on revenue mobilization in the Wa Municipality. Such that, the authority has seen considerable increases in the revenue mobilization since the integration.*

**Keywords:** Revenue performance, tax reforms, revenue mobilization, Ghana revenue authority

### 1. Background to the Study

As part of the tax administration reforms in Ghana, the Ghana Revenue Authority (GRA) was established to ensure the efficient and effective administration of taxes by providing a holistic approach to tax and customs administration and among other things reduce administrative and tax compliance costs (Armah-Attah & Awal, 2013; Bekoe, Danquah & Senahey, 2016). An efficient and effective revenue collection system is an important tool for local and national governments towards ensuring the success of revenue mobilization to meet developmental projects and economic objectives (Fjeldstad and Heggstad, 2012; Bird 2010; Martinez-Vázquez and Smoke 2010). The basic rationale for the establishment of GRA is the lead stressless harmonisation between the tax payers, and the revenue collection administration in the country (Nyarko, Agbemava & Bediako, 2016; Adukonu, 2012; Owusu-Gyimah, 2015). However, it should be noted that the initiation of tax systems in developing countries, including Ghana are not without a number of challenges. In the first place, the United Nations has pointed out that, the way the economies of these countries are structured makes it a difficult process to impose and collect certain taxes (United Nations, 2002).

The integration of the three revenue agencies (IRS, VAT, CEPS) into Ghana Revenue Authority has made revenue collection easier in the Wa Municipality. Nonetheless, it has also created room for tax evasion thereby breaking the relationship that exists between the tax officials and tax payers. In this regard, the paper explored the impact of the integration of Internal Revenue Service (IRS), Value Added Tax (VAT) and Custom Excise and Preventive Service (CEPS) into Ghana Revenue Authority (GRA) on revenue mobilization in the Upper West Region of the Wa Municipality.

### 2. Literature Review

#### 2.1. Taxation in Ghana

The history of formal taxation in Ghana can be traced to the years of colonial rule with the introduction of the indirect tax of 1850 [e.g. poll tax] in the then Gold Coast. This was a 0.5% percent tax that was levied on goods and services by the British Government with the intent of using Revenues to invest in health, education infrastructures and other social amenities for the people. This was a good start, given that between August 1852 and July 1853, total revenue collected amounted to about 460,656 pounds, by 1862 receipts from this tax declined and came to a halt largely in response to the failure of the British Government to fulfil the promise of investments in social and economic infrastructures. Though some attempts were made to reintroduce the Poll Tax and Income Tax in 1877 and 1931 respectively, these failed due to existing economic challenges at the time (Akoto, 2010). Though there was an imposition of an Export Tax on cocoa in 1943, the on-going 2<sup>nd</sup> World War had a negative impact on cocoa prices (prices fell to 30pounds per ton) thereby creating a shortfall in revenue (Akoto, 2010).

In view of these challenges, income taxes were introduced in 1943 by Governor Sir Allan Burns. In his address to the 29 members of the legislative Council, it was argued that the income taxation was necessary to meet the shortfall in revenue. For instance, the Governor noted

*'We must face the fact that we are budgeting for deficit and although our existing reserves permit us to do so for a time this cannot continue indefinitely. The only possible alternative to cutting down expenditure which can be affected only by an undesirable reduction in public services is additional revenue from taxation.'*

The Income Tax Department (ITD) was established to mobilize revenue from the income tax. Following independence, the ITD was renamed the Central Revenue Department tasked with the responsibility of collecting taxes such as Property Tax (1961), Entertainment Duty (1962), Airport Tax, Excess Profit Tax, Hotel Customers' Tax and the standard assessment of all introduced in 1963. There was subsequent reorganization such as the change from Central Revenue Department to the Internal Revenue Service (IRS) in 1986 through the legislation PNDCL 143 that is the Internal Revenue Service Law 1986. The IRS continued to administer income tax, employees and self-employed taxes, companies' tax, capital gains tax, gift tax, mineral royalties, stamp duty as well as hotel & restaurant tax which was introduced by PNDCL 143 (The Internal Revenue Service Law, 1986).

In recent times, new legislations have been undertaken by the Parliament of Ghana to replace the Internal Revenue Act, 2000 (Act 592). The new legislation, the Income Tax Act, 2015 (Act 896) which took effect September 2015 widens the tax base while bringing together all the different tax laws to harmonize them to stop tax erosion. It also focuses on ranking in taxes around operations in industries such as petroleum, minerals and mining, and financial services (Oxford Business Group, 2016).

## 2.2. Legal Framework for Taxation

The system of tax administration in Ghana is unitary and under the control and management of the Ghana Revenue Authority (GRA) through its domestic tax revenue and Customs divisions (Oxford Business Group, 2016; Price Water Coopers, 2015). These comprise of three agencies namely: The Internal Revenue Service (IRS), Value Added Tax Service (VAT) and Customs Excise and Preventive Service (CEPS). The GRA was established through legislation in the Parliament of Ghana [Ghana Revenue Authority Act 791 (2009)] as part of tax reforms to ensure the efficient and effective administration of taxes, Act 791 of the GRA states that:

According to the GRA Act, the objectives of the Authority are to:

- Provide a holistic approach to tax and customs administration.
- Reduce administrative and tax compliance cost and provide better service to taxpayers.
- Promote efficient collection of revenue and the equitable distribution of tax burden and ensure greater transparency and integrity.
- Ensure greater accountability to Government for the professional management of tax administration.
- Improve information linkage and sharing of information among the Divisions of the Authority.
- Provide a one-stop service for taxpayers for the submission of returns and payment of taxes.
- Provide common tax procedures that enable taxpayers to be governed by a single set of rules.
- Provide for other matters related to the improvement of revenue administration.

While the GRA Act, Act 791 provides the basis of tax administration in Ghana, the Value-Added Tax Act of 2013 (Act 870) provide the foundations for the collection of value-added tax (VAT) on every taxable supply of goods and services either produced (in) or exported into Ghana (Oxford Group, 2016). Prior to VAT, revenue was collected from the then Sales and Services Taxes which were administered by the Customs Excise and Preventive Service (CEPS) and Internal Revenue Service (IRS) respectively ([www.gra.gov.gh](http://www.gra.gov.gh)).

Other enactments include:

- Transfer Pricing Regulation, 2012 (LI 2188);
- The Free Zone Act, 1995 (Act 504);
- Customs Act, 2015 (Act 896);
- Communications Service Tax Act 2008 (Act 754), as amended; and
- National Health Insurance Act, 2003 (Act 650).

## 3. Methodology

Research design constitutes the blue print for the collection, measurement and analysis of data Copperra and Schindler, (2006). It is a step by step plan that guides data collection and analysis McCaston, (2005). The study is a survey research, designed in the form of a cross sectional study of which data was collected once across the population. It is also a comparative research, which compares two or more group on one variable. The data for of this study were collected and analysed using quantitative approaches. Both primary and secondary data was gathered for this study. The secondary data was sourced from the records of Ghana Revenue Authority Offices in Wa, and analysed using Stata v 14 and Ms Excel 2016. Whereas the primary data was sources from 30 employee of Ghana revenue authority using purposive sampling techniques.

## 4. Results

### 4.1. Level of Revenue Mobilization before the Integration

This paper quest to ascertain the level of revenue mobilisation in the municipality before the integration surveyed respondents from the various revenue collection offices. A data was collected from the archives of the Wa office of Ghana Revenue Authority, regarding the quantum of revenue mobilised from the period 2007 to 2009. The information obtained is presented in the matrix below:

Year	2007		2008		2009	
Revenue	ACTUAL (million GH¢)	TARGET (million GH¢)	ACTUAL (million GH¢)	TARGET (million GH¢)	ACTUAL (million GH¢)	TARGET (million GH¢)
Total	0.13	-	0.34	-	0.28	-

*Table 1: Level of Revenue Mobilization before Integration (In Million Ghana Cedis)*

*Source: GRA, Wa, 2016*

From the results obtained, it can be realized that before the integration of the various revenue mobilization agencies in the Municipality, revenue targets obtained were GH¢130, 000.00, GH¢340, 000.00 and GH¢280, 000.00 for 2007, 2008 and 2009 respectively. It was revealed from the survey that prior to the integration of the various units, it was difficult to set overall revenue targets. The reason for this is that each unit of revenue mobilization sets their own targets, and it becomes difficult to ascertain the overall revenue targets against which the performance of each unit will be measured. However, this paper found fluctuations in the various levels of revenue mobilized. Revenue figures doubled between 2007 and 2008. However, the figures declined slightly by 17.6% in 2009.

However, in order to understand the ratings of the officials about the level of revenue mobilization prior to 2010, revenue officials were surveyed, and the results obtained has been presented in the matrix below:

Level of Revenue Before Integration				
Description of Revenue Generation		Frequency	Percentage (%)	Valid Percent
Valid Responses	High	5	16.7	17.9
	Moderate	20	66.7	71.4
	Low	3	10.0	10.7
	Total	28	93.3	100.0
Missing		2	6.7	
Total		30	100.0	

*Table 2: Description of Revenue Mobilization before Integration*

*Source: Group Survey, 2016*

The table indicates that out of the 30 respondents that were surveyed, 28 gave valid responses, and 2 failed to respond to the question. Out of the 28 respondents, a total of 71.4% indicated that there was a moderate level of revenue generation in the municipality before the concept of integration was introduced. 17.9% indicated that revenue mobilization during the integration concept was also high within the municipality, while the remaining 3 respondents, representing 10.7% affirmed that revenue generation however was low.

The responses given reveal that majority of revenue mobilization officials in the Wa municipality perceived the level of revenue mobilization was either moderate or high, hence mobilization systems during such periods can be described as effective.

#### 4.2. Level of Revenue Mobilization after the Integration

Data obtained from the Ghana Revenue Agency indicates that after the integration of the various units, the following revenue targets were obtained:

Year	2011 (million GH¢)		2012 (million GH¢)		2013 (million GH¢)		2014 (million GH¢)	
Revenue	ACTUAL	TARGET	ACTUAL	TARGET	ACTUAL	TARGET	ACTUAL	TARGET
Totals	0.53	0.36	1.44	0.54	2.18	1.24	1.76	3.04

*Table 3: Levels of Revenue after Integration (In Million GH¢)*

*Source: Ghana Revenue Authority, 2016*

From the matrix above, it was realized that after integration, the Ghana Revenue Authority began setting overall revenue targets, which they press hard to obtain. In 2011, 2012 and 2013, the targets of the authority were slightly exceeded. It is even evident that in 2012, targets that were set were exceeded by over 100%. However, it was in 2014 that the authority achieved about 57.9% of their revenue target. They can be adjudged to have performed excellently in the preceding years, but abysmally in 2014.

The ultimate objective of this paper was to investigate the levels of revenue mobilization within the municipality after the integration of the VATS, IRS and CEPS into the Ghana Revenue Authority (GRA). From the survey of officials within the Wa municipality, the following was obtained as a description of revenue mobilization levels after the integration concept:

Current Level of Revenue (After Integration into GRA)				
	Description of Revenue Levels after Integration	Frequency	Percentage (%)	Valid Percent
Valid Responses	High	5	16.7	27.8
	Moderate	10	33.3	55.6
	Low	3	10.0	16.7
	Total	18	60.0	100.0
Missing	System	12	40.0	
Total		30	100.0	

Table 4: Description of Level of Revenue Mobilization after Integration

Source: Field Survey, 2016

It can be realized from the results indicated in the matrix that, out of the 30 respondents surveyed from the Ghana Revenue Authority, 55.6% indicated that levels of revenue mobilization in the Wa Municipality were moderate. 27.8% indicated that the levels of revenue generated after integration into GRA were high, while the remaining 16.7% indicated that revenue levels after integration were low. 12 respondents however, failed to provide any response on the subject.

#### 4.3. Trend in Revenue Performance before and After Integration

Based on the statistics obtained, the trend of revenue mobilization before and after the integration is shown in the linear graph below:

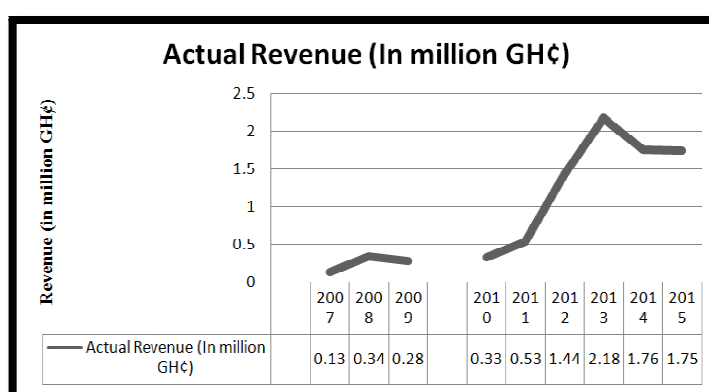


Figure 1: Trend of Revenue Mobilization before and After Integration

From the figure above, it can be realized that revenue values were relatively lower before the integration of the various units, but higher after integration. However, the figures began to progress steadily after integration.

The efficient systems that have been put in place for the mobilization as a result of a more organized integrated system was revealed as partly the reason for the rise in revenues. The trend of progression between 2007 and 2009 was also lower than can be observed after 2010. There is a sharp rise in trend after 2009.

This implies that a more organized system of revenue mobilization is more effective than when units for mobilization are disintegrated into several components. Assessing the overall performance of the Ghana Revenue Authority based on the trend in the linear graph, and in relation to the extent to which they attain their targets, GRA can be said to be much more effective and efficient in revenue mobilization than the years before its inception.

## 5. Conclusion

It can be concluded based on the study that generation of revenue was lower before the institution of the Ghana Revenue Authority. The disintegrated system of mobilization hampered the extent to which these agencies effectively coordinated to mobilize enough revenue. However, the integration of all these bodies into the Ghana Revenue Authority has accentuated the levels of revenue mobilization in the municipality.

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