

FACTORS INFLUENCING VOLUNTARY TAX COMPLIANCE IN GHANA: THE MODERATING ROLE OF INSTITUTIONAL VOIDS.

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Abstract

Taxation is a major revenue source for most governments the world over. However, nations worldwide are still grappling with the issue of tax compliance, particularly voluntary tax compliance among citizens. Several studies have been conducted on tax compliance, specifically on direct tax; but there has been a limited focus on voluntary indirect tax compliance, especially from the developing economy perspective. This study therefore seeks to determine the factors that influence voluntary tax compliance in Ghana, considering the moderating role of institutional voids.

The sequential explanatory mixed method approach was utilized in conducting this study. A sample of 415 registered voluntary Value Added Tax (VAT) payers in the Greater Accra and Ashanti Regions of Ghana were sampled for the quantitative phase of the study. A case study of the Ghana Revenue Authority (GRA) was performed as a follow-up to the quantitative study with three top officials of the Authority being interviewed. Data gathered was analyzed using Exploratory Factor Analysis (EFA), Confirmatory Factor Analysis (CFA) and Multiple Regression Techniques for the quantitative data, and pattern matching for the qualitative data gathered.

The findings indicate that tax literacy, probability of tax audit and number of years of existence of businesses positively and significantly influence voluntary tax compliance, while perceptions of government spending have a negative significant influence. Furthermore, the findings confirmed that managers' perceptions of institutional voids have a negative effect on the positive influence of the probability of tax audits on voluntary tax compliance.

The findings of the study imply that voluntary tax compliance is achieved when there is high tax literacy, when people generally have a perception of being audited and there is a high rate of experience or old firms operating within the system.

Keywords: Tax compliance, institutional voids, tax literacy, probability of tax audit, government spending, Ghana, tax payers.