Impact Of Ethics On Tax Practices In Ghana
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ABSTRACT
All countries depend on taxes to raise money to meet their "expenditure requirements" on a global scale. Private firms, which include both large and small and medium-sized businesses, are a major source of tax revenue in Ghana. Although most firms in Ghana, especially "small and medium-sized organizations," fail to pay taxes and abide by the law. However, few small and medium-sized businesses pay state taxes and abide by tax regulations. Taxation-related issues become more important in light of the growing link between the domestic economy and the global market. It has been noted that multinational firms frequently transfer profits to countries with low tax rates and tax havens to lower their tax obligations. Tax avoidance and evasion are also practices by private persons. Emerging discussions on how to lessen tax evasion and avoidance are crucial in such a situation. Traditional sanctions are frequently used to do this, but the current study investigates the influence of ethics on tax procedures, the role of moral arguments in guaranteeing tax compliance, and the significance of tax literacy. It is concluded that for higher long-term benefits, moral arguments must be included in the conventional penalties system. Therefore, the purpose of this article is to ascertain how ethics affect tax compliance and procedures in Ghana.

Key Words: Ethics, Tax compliance, corruption, Tax evasion, Perception

1 Introduction
According to Ohemeng & Owusu, tax administration and policy formation have been prioritized by many governments in developing or low-income nations as a means of increasing "domestic revenue" (2015). According to Ayee (2010), "tax revenue is the largest source of government money for the developmental projects around the world. Gitaru (2017) defines tax as "a mandatory tariff imposed on individual earnings, expenditures, or other assets by a governmental institution or tax enforcing body whereby the person paying the tax does not receive any specified returns." Alm and Torgler (2012) describe tax ethics, sometimes known as "tax morale," as "the rules of behaviour guiding citizens as taxpayers in their interaction with the government." One's conviction that being truthful in one's tax affairs is required by moral law is referred to as tax ethics (Ohemeng & Owusu 2015).

According to Atuguba (2016), "the development of a country depends in great part on taxation, hence the absence of sufficient revenue (tax collection), will harm the development of every nation. According to Ohemeng & Owusu (2015), taxes play a significant role in the budget of every economy in the world, so "the budget of any government is supported primarily by the application of taxes." Ayee (2010) further affirmed that "governments can create money to fulfill their expenditure requirements and redistribute resources through the application of taxes." As a result, taxation, which is collected from individuals and commercial activities, continues to be a major source of income for all governments.

Tax evasion, according to Alm and Torgler (2012), is defined as "illegal and intentional actions taken by individuals or businesses to reduce their legally due tax obligations, including underreporting incomes, sales, or wealth, overstating deductions, exemptions, or credits, or failing to file appropriate tax returns." Although there is ample evidence that "tax evasion" is widespread in many nations, it is incredibly challenging to assess or stop. Ghana has implemented a series of "tax changes" since the start of the "Fourth Republic" in 1992. A "Value Added Tax (VAT)" was instituted in 1995 but was eventually repealed as a result of persistent public complaints. After reaching an agreement and educating the populace, "Value Added Tax (VAT)" was later reintroduced in 1998. Additionally, Ohemeng & Owusu state that "direct taxes," which comprise "corporate and personal income," have undergone several revisions to restructure "thresholds and extend the tax base" through initiatives that encourage tax payment by small-scale self-employed businesses (2015). Internal Revenue Service (IRS), "the VAT Service and the
Ethics and Tax Evasion

The normative frameworks of moral guidelines that direct people's social activities and interpersonal relationships are what Hogan identified as "the concept of ethics" in 1973. He further asserts that "Ethics" refers to a person's moral behaviour, whether it is right or bad. Ethics serves as a guiding principle that aids in determining what is good or evil, according to Surbhi (2015). According to some academics, ethics is "anything that promotes ordered society" (Arens, Elder, and Mark, 2012). McGee provided three viewpoints that are present in current literature to define the "ethics of tax evasion." According to the first viewpoint, description, tax evasion is always or nearly always unethical. McGee offers three main arguments in support of this viewpoint. "The first justification is that people must defer to authorities and that they have a responsibility to pay taxes to God or because God has commanded them to do so. Matthew 22:17–21 and Romans 13:1–2 are frequently cited by proponents of this viewpoint to support their arguments. The second justification is that people have a responsibility to pay taxes for a state to run smoothly. The final justification is that taxpayers have an ethical obligation to support the well-being of others in the community. The second viewpoint is referred to as "the anarchist position," which holds that tax evasion seldom or hardly ever violates morality. Because all governments are fraudulent and unworthy of receiving tax payments, the supporters of this view contend that people have no obligation to pay taxes to any government. They continue by calling the government "a thief" who seizes property and portions of paychecks without the owners' permission. According to the third point of view, tax evasion is moral in some situations but immoral in
others. In general, "those who hold this opinion frequently have reason(s) to support their position on tax evasion, whether it is ethical or unethical."

3 Methodology
With the help of internet research journal websites, the researcher did a systematic review of the literature on the impact of ethics on tax practices. There were results from searches of five internet databases, including science direct, JSTOR, research gate, and google scholar. The impact of ethics on tax practices was the focus of this study's key terms in the search query. Reviewing publications and articles that focused on how ethics affect compliance or practices was of interest to the study's goal. The 84 papers were examined by the researcher. Twenty-three publications were disregarded because they concentrated on religion and the economy, discussed the effects of religion but not ethics (13), and discussed the effects of taxes on the economy but not on the effects of ethics on tax compliance or practices (10). The review used 15 completed studies in total. The researcher examined each of these studies separately at first and made a preliminary list of how ethics affected tax procedures. The researcher went over this list once more.

4 Results and Discussion
"Tax ethics" has recently attracted a lot of interest. According to Torgler (2017), who provides an overview, current theories about "tax compliance behaviour" are also based in part on tax morale. The "civic duty" (Braithwaite & Ahmed, 2005), "the trustworthiness of tax collection agencies and the revenue collectors of the local assembly," "tax collection officers of the tax agency or authority known or suspected government corruption," and "equity," "procedural justice," and "perceived value of public money's use" are just a few of the factors that influence "tax ethics" and "tax compliance" (Torgler, 2017).

Corruption and Tax Compliance/Practice
"Corruption has a detrimental effect on citizens since it diminishes their trust in official organizations and those in charge, and enhances their desire to act in the underground economy," claimed Schneider & Torgler (2017).
Schneider and Torgler went on to state that "the motivation for citizens to get involved in the informal [hidden] sector increases" if "citizens feel deceived, if they perceive that corruption is pervasive, their tax burden is not spent well, and that they are not well protected by the rules of law." According to Ohemeng & Owusu (2015), "associated with corruption is the notion of public spending efficiency because when taxes are spent more ethically, citizens are more likely to pay taxes." Significant correlations exist between "tax ethics or morale" and the "shadow economy". Studies by Okpeyo (2019) and Osei & Quartey (2015) revealed "a high link between tax ethics and the size of the shadow economy of roughly -.50 and -.65." This result demonstrates that a high drop rate in "tax ethics" is caused by the "shadow economy" growing in size. There is a clear correlation between corruption and the shadow economy, according to a different poll by Okpeyo done in 2019.

According to the results of a poll performed by Ohemeng & Owusu (2015) on people's perceptions of "reasons for not paying tax," "corruption was one of the top three reasons along with the individual's lack of honesty and because the taxes are too high." Low earnings in the public sector are linked to higher levels of corruption, according to the study (Okpeyo, 2019). Ghana's "tax morale" depends on the "ethics and integrity" of the government and GRA. According to Terkper (2015), tax collectors (GRA) must perform honourably to "rebuild trust in government." "Actions that are both ethical and carried out with integrity are necessary neither is sufficient," according to Okpeyo (2019).

Effect of Ethics of Revenue Collectors (GRA AND Local Government) on Tax Practices

In terms of "maintaining or lowering tax morality amongst their clients," tax collectors or agencies like GRA play a crucial role. According to Ohemeng & Owusu, "Tax collectors can unintentionally participate in tax evasion if clients do not supply them with all the information they want or they are not provided access to all the evidence they need to show a client's genuine profits" (2015). Terkper, (2015) added that "there are also situations where the practitioner colludes with the client in terms of non-disclosure of assets and earnings," which he detailed in more detail. In addition, he stated that it was "your professional responsibility as a tax collector to take an ethical and moral position when a client contacts us seeking to advise on how to cheat taxes." According to Okpeyo (2019), a different researcher, "it is the revenue collector's obligation to educate the customer of the terrible implications of tax evasion and non-compliance." Additionally, the corruption inside GRA itself has a major and misleading impact on Ghanaians' "tax compliance and morale" (GRA, 2015). The Ghanaian administrations and Ghana Revenue Authority must instil trust in their legitimacy and provide public goods in exchange for taxes.

Ghanaians' Attitude towards Tax Payment

A survey done by Ohemeng & Owusu, (2015) indicated that “tax employees in both GRA and local government expressed that the bad and negative attitude demonstrated by individuals in the district towards tax payment affect revenue collection". GRA officials further suggested that "unless individuals want a tax clearance certificate which will compel such persons to willingly comply with tax payment, they do not see the necessity to do so". The unfavourable mindset of taxpayers is one of the main problems impeding "tax collecting" activities. The district's top revenue officer also stated that "anytime the District Assembly produces stickers that would be sold to businesses to create cash for internal development, the unfavorable attitude is more severe." "They do not see or feel the impact of the taxes paid to the government or the district assembly," "some people expressed the government does not support their businesses therefore do not see any reason for paying tax," and "others opinion were that "paying tax will reduce their business capital and also affect their income for consumption," according to a study conducted by Okpeyo, (2019). This group of tax payers’ perspectives can be used to draw the conclusion that "individuals, SMEs, and enterprises lack some critical tax information that needs to be explained to them to raise the rate of compliance and payment." Okpeyo, (2019) conducted a survey to examine “the interactions between the independent variables (individual’s ethical orientation, tax rate and compliance behaviour)”, the outcome of the survey revealed that “an individual’s ethical orientation interacts with the tax rate to influence compliance behavior (r=2.4, p=0.022)”. A study conducted by Osei & Quartey (2015), reveals that “individuals with a high sense of morality (ethics), and “tax evasion” is morally wrong to them, were more greatly influenced by considerations of the tax rate than 'unethical persons'. The study also found that, "on average, a highly ethical person (with a score of 7 on the Likert Scale) varied his response by 1.262 [computed as 1.132 + (0.342 *7)] compared to 0.79 [computed as 1.132 + (0.342 *1)] for unethical people (with a score of 1 on the Likert Scale) The findings of Terkper's (2015) study, which found that "ethical persons, even after being impacted by considerations of the tax rate and withholding positions, still remained largely more tax compliant than unethical persons," are in contradiction to the findings above. Since "performing unethical acts may rest in the preposition of motivated thinking,” this is the
case. According to Okpeyo (2019), "unethical people are less impacted by other factors other than their extreme self-interest free of relativistic considerations." This proves that social norms can sometimes influence ethical decisions, and that "perceptions of what is socially acceptable" can sometimes influence moral behaviour.

To investigate "non-compliance with tax responsibilities and readiness to avoid taxes," Okpeyo (2019) performed a study. Despite the general willingness of Ghanaians to pay taxes, the study's findings showed that "some Ghanaians either evaded or were inclined to evade taxes owed to the state in the past year." Furthermore, "8% of Ghanaians indicated they avoided paying taxes or other fees owed to the government in the past year, while 15% said they did not but would if given the chance." However, the majority (75%) declared that they would never refuse to pay taxes or other payments due to the state. The Ghanaians' perception that tax evasion is ethically wrong and the fact that "such activity is unlawful and penalized" are two factors that contribute to their high tax compliance rate.

5 Conclusion

The primary driver of "tax compliance" is a very complicated scenario that is greatly influenced by several variables beyond of GRA's control. One aspect is that "GRA has no impact whatsoever overviews of faith in government and the distributive justice of taxes." To uphold and improve the integrity, those who are directly under the responsibility of GRA officials must effectively manage. This article discussed several initiatives that GRA must carry out to maintain and enhance taxpayers' motivation to pay taxes, including organizational ethics and integrity are crucial to tax morale; GRA must conduct their work in an ethical and morally sound manner; having clear and transparent processes with customers, or exploring new opportunities for GRA to increase tax outreach.

Reference