



**"TAXATION IMPACT ON  
WOMEN-OWNED MICRO  
AND SMALL BUSINESSES:  
AWARENESS,  
UNDERSTANDING, AND  
COMPLIANCE"**







# "TAXATION IMPACT ON WOMEN-OWNED MICRO AND SMALL BUSINESSES: AWARENESS, UNDERSTANDING, AND COMPLIANCE"



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# List of Abbreviations and Acronyms

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<b>GRA</b>	Ghana Revenue Authority
<b>CGT</b>	Capital Gains Tax
<b>CIT</b>	Corporate Income Tax
<b>PAYE</b>	Paye-As-You-Earn
<b>VAT</b>	Value Added Tax
<b>PIT</b>	Personal Income Tax
<b>FCDO</b>	Foreign, Commonwealth and Development Office
<b>UKGCC</b>	UK Ghana Chamber of Commerce

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# 1.0. Executive Summary

## 1.1 Tax policies

The major tax policies that Ghana has rolled out since independence include (i) Taxation of income (ii) Consumption tax (iii) Capital gain tax and (iv) Excise Tax. These policies have been evaluated together with the tax types: Corporate Income Tax, Value Added Tax (consumption tax), Excise duty, PAYE, CST, Duties (import duties), and their incentives and reliefs.

In evaluating the impact of the taxes on women-owned businesses, the key evaluation tools employed are the efficiency of tax policies, fairness, ease of administration, and awareness and understanding of the tax policies by taxpayers- women.

Efficient tax policies refer to a set of tax measures that are designed to achieve specific economic and social goals while minimizing negative consequences and inefficiencies. Efficient tax policies while raising the optimum tax revenue, are required to be neutral to the economic decision-making of the taxpayers. The introduction of different rate regimes such as location incentives, decoupling of VAT rate from levies, flat rate system, and recently, capping of the requirement to charge flat VAT rate, etc has resulted in taxpayers assessing the impact on business and consumption decisions. Over the last 5 years, the tax types that have been significantly amended are the PAYE and the VAT.

The fairness of the policies was also evaluated; That is, in the context of our study, the ability of women entrepreneurs to pay taxes or how equitable the tax is, or how beneficial the taxpayer-women see the taxes being paid.

The awareness and understanding of the tax laws was also investigated. Awareness is about how the women entrepreneurs know the tax laws while understandability of tax laws is the concept that tax laws should be presented so that a person can easily comprehend them. This concept assumes that a reasonable knowledge of tax laws must be possessed by the person, -women, but does not require advanced tax knowledge to gain a high level of comprehension.

Previous studies have found that there is a latent bias in some indirect taxes specifically VAT against women. These studies also reveals that there is high level of tax avoidance in the informal sector and the informal sector is predominant by women entrepreneurs. In part, this can be greatly attributed to the low level of awareness and understanding of tax laws and therefore the high level of non-compliance.

## 1.2. Qualitative Analysis

In the evaluation, we explored qualitative data using interview sessions and questionnaires administered to women entrepreneurs to solicit their views concerning the impact of taxes on their business. The purpose of this research is to employ data science approaches to understand the responses to the interview and questionnaire and go further to assess the impact of taxes on women-owned businesses and explore the level of awareness and understanding of tax laws among women entrepreneurs and their ability to comply with these laws.



With a sample size of 250, 148 responses were gathered and evaluated accordingly. The responses indicated a higher level of education background of respondents as well as appreciable experiences in owning and managing businesses.

The questionnaires were framed around the tools used in evaluating the effect of taxes on women-owned businesses, and the level of awareness and understanding of tax laws among women entrepreneurs. It showed 79.1% of respondents consider taxes imposed on their business to be high. This has significant impact on their business profits whereas as little as 7.5% demonstrated an awareness and understanding of the tax laws specifically the taxes types and the due dates of their business. A whopping 92.5% of respondents are motivated to avoid or evade taxes for profit considerations. These are not good indicators for promoting women empowerment and as such the urgent call on policymakers to address this.

### **1.3. Conclusion**

The study examined the effects of taxes on women-owned micro and small business and the level of awareness and understanding of tax laws among women entrepreneurs and their ability to comply with tax laws. The study revealed that women see the tax paid by women entrepreneurs to have significant impact on business profits, most women entrepreneurs do not have a basic knowledge of the tax laws particularly the taxes to pay and are highly motivated to evade or avoid taxes for profit and other motive. These have greatly contributed to the low level of tax compliance among women in business.

### **1.4 Implication of Findings**

The results have implications for women entrepreneurs and policymakers. It will be particularly useful for policymakers to understand how they can promote tax awareness and education among women. The study will assist in determining the compliance level of women entrepreneurs and as well encouraging women in business to be tax compliant.





# CHAPTER ONE

## Introduction

### 2.0. Background of Assignment

The implementation of the Ghana Population Census and the improved digital system has provided Ghana with a comprehensive understanding of the gender dimension and the significant gender disparity in formal employment between men and women. Additionally, it has shed light on the disparity in the number of women who own businesses compared to men who own and operate their businesses. Across the African continent, many governments now have a more comprehensive and robust information system and understanding of the gender dimensions of taxation than they probably did about a decade ago.

There have been many studies done on population and gender to understand the relationship and the cause of high gender discrimination in society. To mention a few of these studies include gender and age inequalities in education and gender inequality in rural employment in Ghana. Despite the numerous research on gender inequalities in education, employment, and other areas, there is a lingering gap in understanding how the taxation system may impact women entrepreneurs. The study conducted by the Food and Agriculture Organization of the United Nations on Gender inequality in rural employment in Ghana found that "rural women, in particular, face greater difficulties in transforming their labour into more productive self-employment activities and the paid work into higher and more secure income."<sup>1</sup>

Drawing an inference from this, one may conclude that women entrepreneurs particularly, those in micro and small businesses might encounter challenges in transforming their labour into more productive self-employment activities and securing higher and more stable income. By linking the existing research on gender disparities in various areas to the little to no research done to investigate and understand the effects of taxes on women-owned micro and small businesses and whether any relationship exists between taxation and its impact on gender-owned businesses, policymakers can gain valuable insights into how tax policies and practices may inadvertently contribute to gender-based economic disparities. Researchers and policymakers have been able to identify many factors that influence people in owning a business and have gone ahead to introduce many government programs to incentivize and create a conducive environment for running a business. A notable program is the 1 District 1 Factory (1D1F), YouStart, and many other similar programs introduced to boost entrepreneurship. However, little attention has been given to the tax aspect of attracting women into entrepreneurship.

The 1D1F initiative is to change the nature of Ghana's economy from one which is dependent

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1 Gender Inequalities in Rural Employment in Ghana (2012)

on import and export of raw materials to one which is focused on manufacturing, value addition, and export of processed goods.<sup>2</sup> The initiative as proposed by the government is private sector-led. Government creates the necessary conducive environment for businesses to access funding from financial institutions and other support services from Government agencies to establish factories. Ghanaian entrepreneurs thus own the companies, operate them, and bear all the risks and rewards of the projects.<sup>3</sup> The YouStart program also is a vehicle through which government intends to provide funding and technical support to youth and youth-led businesses who fall within this category to assist them start, build and grow their own businesses.<sup>4</sup> The youth entrepreneurship and start-up grants are expected to culminate into job creation, job sustainability, business innovation and growth for enterprises owned by the youth in the country, leading to the reduction of social vices due mainly to unemployment amongst the youth.<sup>5</sup>

In Ghana, the government raises its revenue from two mainstream, Taxation -direct and indirect taxation-, and non-taxation revenue – natural resource royalties and license fees. Direct tax mostly includes taxes on personal and corporate income, assets, and property tax, and a higher percentage of the government's revenue comes from indirect taxes such as Value-Added Tax (VAT).<sup>6</sup>

The mix of taxes adopted by Ghana, and the impact of these taxes on goods and services could have major implications for women-own businesses. A survey on informal workers in Ghana (Baah-Boateng 2020) stipulates that women are predominant in the informal sector. Women are dominant as domestic workers, home-based workers, market traders, street vendors, and waste pickers. These occupations combined account for a significantly high percentage of women's employment.<sup>7</sup> Also, women are mostly engaged in buying and selling goods, and therefore a higher VAT (consumption tax) has a direct implication on their business. From what is known about the distributional effects of different taxes it is possible to make recommendations for how the government could and should raise taxes more progressively so that revenue is raised without creeping growth of women businesses.

On the tax compliance aspect of our study, we define "tax compliance" as the adherence and fulfillment of all relevant tax laws, regulations, and reporting requirements by individuals and businesses. It ensures that taxes are properly calculated, withheld, reported, and paid in a timely and accurate manner. Identifying the gendered differences in tax compliance is imperative from a policy perspective because it has the potential to result in the development of more equitable tax policies. If it is determined that women entrepreneurs are more compliant than men entrepreneurs, policymakers may wish to establish the reason behind women's higher level of compliance. Could a higher level of compliance among female-owned businesses means women entrepreneurs do not have a good understanding of the tax laws, which results in them paying more taxes than they should actually be paying?

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2 1 district 1 factory website. Last accessed 31 July 2023. available from: <https://1d1f.gov.gh/>

3 Ibid (2)

4 Ghana Jobs & Skills Projects. Last accessed 31 July 2023. Available from <https://gea.gov.gh/gjsp/>

5 Ibid (3)

6 Bank of Ghana. Last accessed on 31 July 2023. Available from: <https://www.bog.gov.gh/economic-data/government-operations/>

7 W. Baah-Boateng, "Informal workers in Ghana: A statistical snapshot." (2020) Last accessed 31 July 2023. <WIEGO Publication Series | WIEGO>

The primary focus of this research examines the impact of taxes on micro and small businesses owned by women in comparison to those owned by men. Our specific aim was to determine whether women entrepreneurs perceive taxes to significantly affect their business growth and potential. In this study, we defined the "tax effect on business" as the potential decrease in after-tax profits, which may consequently lead to reduced investment, expansion, and development activities.

To achieve our objectives, we commenced by identifying women entrepreneurs and the nature of their businesses. Subsequently, we evaluated the types of taxes applicable to these businesses.

## **2.1. Specific Objectives of the Assignment**

The purpose of this assignment is to investigate and publish an assessment of the effects of taxes on women-owned micro and small businesses.

The specific objectives of the assignment are as follows;

- Gather information on the tax burden faced by women entrepreneurs and how it affects their businesses.
- Explore the level of awareness and understanding of tax laws among women entrepreneurs.
- The ability of women to comply with these laws.



# CHAPTER TWO

## 3.0 Methodology

### 3.1. Scope of Assignment

The scope of the assignment is to assess the effects of taxes on women-owned micro and small businesses by gathering information on the tax burden faced by women entrepreneurs and how it affects their businesses. We are also required to explore the level of awareness and understanding of tax laws among women entrepreneurs and their ability to comply with these laws.

### 3.2. Method of Implementation

We are to interview; and administer questionnaire, to a sample of women entrepreneurs of micro and small businesses across different industries. Based on the response, we are to produce a report on the impact of taxes on women-owned businesses, the awareness and understanding of tax laws among women entrepreneurs, and their ability to comply with these laws and make any recommendations if necessary.

### 3.3. Delimitation

For this study, the focus was on the effects of taxes on women-owned micro and small businesses. The study was conducted on only women who own micro and small businesses across different industries in Ghana.

### 3.4. Limitations of this study and Challenges faced.

A study of this nature always has limitations. Some of the respondents may not be willing to reveal the true information needed for the study for fear of the GRA coming after them for taxes. This would be solved through an explanation of the likely benefits of the study to the respondents.

Also, very limited studies have been done in this area. Lastly, a data gap may hinder our ability to evaluate the tax impact on women-owned businesses.



# CHAPTER THREE

## 4.0. Literature review

This chapter provides an in-depth analysis of relevant literature concerning the effects of the tax system on businesses owned by women. It explores the level of awareness and comprehension that women entrepreneurs have regarding tax laws, along with their ability to adhere to these regulations. The review encompasses previous research conducted on the topic at hand.

Promoting gender equality continues to be a foremost objective for numerous governments, underpinned by notions of equity, human rights, and acknowledging the economic advantages it offers. Enhancing the effectiveness of tax and transfer systems can reinforce governmental endeavours to diminish gender gaps, encourage broader economic involvement, and facilitate a sustainable recovery that encompasses diverse genders. Such measures have the potential to generate enduring positive effects on prolonged economic growth.<sup>8</sup> Recognizing and augmenting the influence of taxes on gender equality holds profound importance. The UN Committee on the Elimination of Discrimination against Women (CEDAW)<sup>9</sup> assumes a pivotal responsibility in monitoring the advancements made by countries that are signatories to the 1979 Convention on the Elimination of All Forms of Discrimination against Women. Through careful examination of reports submitted by governmental delegates, CEDAW meticulously appraises the measures taken on a national scale to uplift women's status and counter gender-based bias.

Taxation, a central element of fiscal policy, wields substantial influence over both gender equality and women's empowerment,<sup>10</sup> underscoring its vital role in shaping economies worldwide. Gender roles exert substantial influence on tax policies, shaping diverse facets of individuals' economic choices encompassing employment, expenditure, savings, and investments. Unfortunately, only a handful of governments methodically evaluate their tax structures to rectify gender-related inequalities. Additionally, given the seemingly gender-neutral appearance of tax regulations, the intricate interplay between gender and taxation largely remains unexplored in many countries. It's noteworthy that both CEDAW and the Beijing Platform for Action elevate tax matters to the sphere of substantial gender equality considerations. Corporations are regarded as separate entities to maintain separation between investments and shareholder interests. Over the last century, there's been a global trend of seeking lower tax rates for corporate assets compared to other types of income<sup>11</sup>. Governments believe that reducing corporate income tax (CIT) rates promotes growth by encouraging investment and boosting GDP.

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8 OECD, 2022

9 <https://www.un.org/womenwatch/daw/cedaw/committee.htm>

10 OECD, 2022

11 <https://taxfoundation.org/blog/lower-us-corporate-income-tax-rate-competitive/>

This viewpoint has garnered momentum since the 1950s, as evidenced by the worldwide average corporate income tax (CIT) rate declining from 38% in 1993 to 22.5% in 2016.<sup>12</sup> The prevailing global trend of lower corporate income tax (CIT) rates compared to personal income tax (PIT) rates might suggest that individuals with unincorporated businesses should consider incorporating<sup>13</sup>. However, economic and social factors related to gender can lead to women not experiencing equivalent economic benefits from business incorporation as men.<sup>14</sup> A significant number of women venture into entrepreneurship as a necessity, particularly when opportunities for paid employment are scarce. In rural regions characterized by limited incomes, self-employment becomes a prevalent choice for women due to the absence of available formal employment.<sup>15</sup>

Nonetheless, this type of work frequently doesn't generate sufficient income to facilitate business incorporation. Obstacles encompass reduced earnings for self-employed women, especially within sectors like agriculture, further complicated by factors such as ethnic minority status and geographical location. Incorporation is impeded by a lack of assets, capital, education, and gender biases. Numerous obstacles, including incorporation expenses, inadequate capitalization, limited collateral, risk aversion, transportation limitations, gender stereotypes, discriminatory practices, and less robust networks, collectively create challenges for women aiming to establish incorporated enterprises. Research exploring the obstacles impeding the growth in productivity of women-owned businesses in Ghana uncovers that although businesses account for 70% of total employment, approximately 80% of women-owned enterprises belong to the micro, small, or medium enterprise (MSME) classification.<sup>16</sup> The primary factors keeping these businesses small involve disparities in accessing business financing, transportation, family support, household responsibilities, caregiving, training opportunities, and local service and retail resources.<sup>17</sup> This assessment seeks to dissect the prevailing wealth of research at the nexus of taxation and women's encounters, delving into the integration of gender perspectives within tax policies and their ensuing impacts. Starting with a global overview, the review subsequently focuses on the case of Ghana to provide insights into the specific challenges and advancements within the Ghanaian context.

## Contextualizing the Research Area

Exploring the nexus of gender, taxation, and development is instrumental in optimizing human progress and addressing contemporary societal challenges. The global perspective underscores the pivotal role of gender-responsive taxation policies. Research reveals that existing tax systems often perpetuate gender inequalities due to their inherent biases, particularly in the case of indirect taxes that disproportionately affect women's consumption patterns.<sup>18</sup> Conversely, gender-inclusive policies can contribute to women's economic empowerment by promoting greater financial independence and social mobility. The Sustainable Development Goals (SDGs) recognize the role of taxation in achieving gender equality and economic growth,

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12 <https://taxfoundation.org/data/all/global/corporate-tax-rates-by-country-2021/>

13 <https://turbotax.intuit.com/tax-tips/small-business-taxes/tax-advantages-to-incorporating/L4fk7rCx2>

14 Fairlie and Robb 2009.

15 Koolwal, 2021

16 <https://www.un.org/africarenewal/magazine/april-2006/tapping-women%E2%80%99s-entrepreneurship-ghana>

17 Lahey, 2018

18 Stotsky, 1997

emphasizing the need for tailored approaches.<sup>19</sup> Concurrently, the OECD report<sup>20</sup> focusing on the intersection of taxation and gender provides a comprehensive perspective on the pivotal role that gender equality assumes in shaping tax policies across a multitude of countries. It is noteworthy that approximately half of these nations have already implemented targeted tax reforms, aimed at fostering gender parity, particularly within the sphere of personal income taxation. An integral aspect emphasized by the report is the indispensable requirement for gender-disaggregated data to facilitate meticulous analyses of the gender-specific implications of taxation. Additionally, the report advocates for the systematic integration of gender impact assessments within the framework of tax policy evaluations. Pertinently, the report underscores the presence of latent biases inherent within tax systems, often emanating from the intricate interplay between these systems and the disparities in income structures, varying levels earned by individuals of distinct genders, diverse consumption patterns, and prevailing societal expectations. This holistic examination exemplifies the multifaceted endeavours being pursued globally to attain gender equality, with both CEDAW and the OECD contributing significantly to this overarching objective.

Transitioning to a focus on developing countries, the gendered implications of taxation on women's lives are highlighted particularly in contexts where women have limited access to economic resources and decision-making power. Research findings demonstrate that women in developing nations frequently experience the weight of indirect taxes on vital commodities, affecting their household budgets and overall quality of life.<sup>21</sup> For instance, in the Ghanaian context, women experience a more pronounced impact from indirect taxes, given their higher proportion of income allocated to consumer goods.<sup>22</sup>

A recent publication by African Tax Administration Forum (ATAF)<sup>23</sup> revealed that the tax policies formulated to shape a nation's developmental path often contain inherent gender biases, disproportionately impacting women. These biases, categorized as either explicit or implicit, manifest within the legislated tax regimes. Explicit gender bias pertains to specific provisions in tax policies that differentiate treatment based on gender. On the other hand, implicit gender bias refers to provisions that, while not explicitly indicating differential treatment between genders, influence social, cultural, and economic factors that affect men and women disparately. The study is part of the ATAF Women in Tax Network (ATWIN) initiative by the Pan-African tax organization, focusing on collaboration and empowerment among women in the tax sector. This effort also aims to raise awareness about the link between tax policy and gender equality. The findings indicate that tax policies in ATAF countries generally overlook their impact on gender inequality. The review identifies six specific aspects within the tax policies of 16 sampled nations (including Angola, Cameroon, Egypt, Kenya, Morocco, Nigeria, South Africa, Uganda, and others) that negatively affect women and those with lower incomes.

In these contexts, discussions of gender equality in taxation predominantly centre on indirect taxes, including value-added tax (VAT) and other levies related to goods and services. Indirect

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19 OECD, 2022

20 [http://www.g20.utoronto.ca/2022/Tax-Policy-and-Gender-Equality\\_OECD-report.pdf](http://www.g20.utoronto.ca/2022/Tax-Policy-and-Gender-Equality_OECD-report.pdf)

21 Stotsky, 1997

22 <https://www.oecd.org/dac/gender-development/44896295.pdf>

23 <https://www.ataftax.org/new-study-by-ataf-tackles-gender-inequality-in-africas-tax-sector#:~:text=A%20study%20titled%20Are%20Tax,that%20particularly%20discriminate%20against%20women.>



taxes encompassing VAT, excise, and fuel taxes can disproportionately affect economically disadvantaged women, given their relatively higher expenditure share on essential goods and services.<sup>24</sup> In many African countries, women face unique challenges in business, such as limited access to resources, lower rates of formal employment, and cultural norms that may hinder their economic participation. Gender-inclusive taxation recognizes these challenges and aims to create a supportive environment for women entrepreneurs. Some African countries have taken steps to implement policies that reduce the gender gap in taxation. For instance, some governments have introduced tax incentives for businesses owned by women or have simplified tax compliance processes for small-scale women entrepreneurs.

Furthermore, it is noteworthy to highlight that Ghana's tax system, akin to numerous other contexts, exhibits gendered implications. This phenomenon arises due to the distinctive characteristics of women's economic engagement, where factors such as their prevalence in informal employment and limited ownership of productive assets result in distinct tax obligations and benefits in comparison to men.<sup>25</sup> Within this framework, the spotlight on indirect taxes, specifically the value-added tax (VAT), becomes even more significant. Notably, research has brought to light that implicit gender biases find expression in the dynamics of VAT implementation in Ghana. These biases are intricately linked to the disparities in consumption patterns based on gender, ultimately contributing to differentiated tax impacts for men and women in the country<sup>26</sup>. Gender-Inclusive Taxation in Ghana:

Ghana has shown some initiatives to address gender disparities within its tax system. The Ghana Revenue Authority, for example, has introduced measures to improve tax compliance among women entrepreneurs and traders. Additionally, there have been discussions about the importance of designing tax policies that consider the gendered impacts, aiming to support women's economic empowerment. However, despite these efforts, challenges persist. The tax system's impact on women-owned businesses can be complex and multifaceted. Factors such as the structure of taxation, indirect taxes on essential goods, lack of gender-disaggregated data, and limited access to formal financing can hinder women's ability to thrive in the business landscape.

The literature above highlights various challenges and opportunities within Ghana's taxation landscape. Challenges include inadequate data disaggregation by gender, lack of awareness about gender implications in tax policies, and the persistence of informal economic activities.

Opportunities lie in leveraging taxation as a tool for women's empowerment by fostering women's economic inclusion, improving data collection, and refining tax policies to align with gender equality goals. The relationship between taxation and women's empowerment is complex and multifaceted. This work underscores the importance of acknowledging gender disparities within taxation policies and calls for more rigorous research, data collection, and collaboration between governments and stakeholders to develop gender-sensitive tax strategies. By integrating a gender lens into taxation policies, countries like Ghana can move towards greater gender equality and contribute to global efforts for sustainable development.

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24 Valodia, 2009; Gunnarsson, 2021

25 Valodia, 2009

26 [https://www.taxjustice.net/cms/upload/pdf/Africa\\_Tax\\_Spotlight\\_5th\\_edition.pdf](https://www.taxjustice.net/cms/upload/pdf/Africa_Tax_Spotlight_5th_edition.pdf)



Additionally, we provide a comprehensive understanding of the nuanced dynamics between taxation and women's experiences, demonstrating the importance of context-specific strategies in fostering gender equality and inclusive economic growth.

To assess whether the current tax regime in Ghana or other African countries favours women in business, a detailed analysis of specific tax policies, their implementation, and their impact on women-owned businesses is essential. This analysis should take into account not only the taxation structure but also broader economic and social factors that influence women's participation in the business sector. It's worth noting that there's a growing recognition of the importance of gender-responsive policies in promoting inclusive economic growth, and efforts are being made to address gender disparities within tax systems<sup>27</sup>. There have been discussions and calls for women business owners to be taxed differently in various parts of the world<sup>28</sup>. These calls stem from the recognition that women entrepreneurs often face unique challenges and barriers that can impact their ability to start and grow businesses. Different taxation policies for women-owned businesses are suggested as a means to address these challenges and promote gender equality in the business landscape.

To rectify gender disparities in Ghana's tax system, a comprehensive approach involving the government and organizations is essential. Gender-responsive tax reform initiatives can be introduced by the government to ensure equity and alleviate the tax burden on vulnerable groups.

Additionally, organizations can empower women entrepreneurs through targeted programs that provide financial literacy, credit access, and business development support. Collaborative efforts between the government and organizations can create a more inclusive economic environment that promotes women's economic empowerment and minimizes gender-based tax implications. Discussions have taken place or are ongoing about how to better support women-owned businesses through taxation. For instance, the UK aid-funded scheme in Ghana helps women in a Ghanaian market organise fair taxation.<sup>29</sup> Other potential measures include tax incentives, deductions, or simplified compliance procedures tailored to the unique challenges faced by women entrepreneurs. It's crucial to acknowledge that while the idea of implementing distinct taxation for women-owned businesses has garnered interest, there are also deliberations regarding potential drawbacks and unintended outcomes. Detractors contend that providing special tax treatment based on gender might inadvertently reinforce stereotypes and contribute to further segregating women into specific economic sectors.

#### **4.1. Impact of the tax system on businesses owned by women.**

According to World Economic Forum, "an African drive for gender equality and women's empowerment has consequently given rise to women entrepreneurs and female-led startups on the Africa continent".<sup>30</sup> Sub-Saharan Africa, in particular, has the world's highest rate of

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27 <https://www.oecd.org/dac/gender-development/44896295.pdf>

28 <https://www.oecd-ilibrary.org/sites/b8177aea-en/index.html?itemId=%2Fcontent%2Fpublication%2Fb8177aea-en>

29 <https://www.gov.uk/government/case-studies/market-women-secure-a-decent-trade-in-ghana>

30 A. Dushime, G. Shaper, K Hub, "How female-led start-ups can transform Africa" (2022) World Economic Forum-<<https://www.weforum.org/agenda/2022/08/how-female-led-start-ups-can-transform-africa/>>accessed 4 May 2023



women involved in entrepreneurial activity at 26%.<sup>31</sup> MasterCard Index of Women Entrepreneurs (MIWE) 2021, reported that Botswana, South Africa, and Ghana are among the countries with the highest percentage of women entrepreneurs globally.<sup>32</sup> Studies show that women make up 58% of Africa's self-employed population and are more likely to become entrepreneurs than men. Women are also known to be the main players in Ghana's micro, small, and medium enterprises (MSMEs) sector – a sector that is known to be the anchor on which Ghana's economy hinges.<sup>33</sup> SMEs represent about 92% of businesses, largely within the private sector, and contribute about 70% of Ghana's gross domestic product (GDP). In terms of formal sector employment, they account for just over half of all full-time employment, with the percentage likely much higher in the informal sector. According to the World Bank, 44% of Ghana's micro, small, and medium enterprises (MSMEs) are owned by women.<sup>34</sup> On the African continent, apart from Uganda, Ghana has the most women entrepreneurs according to the 2019 MasterCard Index of Women Entrepreneurs. This shows the positive energy and perseverance of women in owning their businesses. Even though there is progress being made by women in the entrepreneurial sphere, vast gaps still need to be filled. Most of the businesses owned by women are in the informal sector where they mostly pay presumptive tax like market toll, and stamp tax. The high women dominance in the informal sector could be explained by the relatively lower education attainment levels of women, the lower capital requirement for start-ups, and the ease with which to combine economic activities with caregiving responsibilities.

In Ghana's income tax laws, taxes are required to be paid by any person who earns income. The tax policies are designed to ensure that taxes imposed on persons align with their income or capacity to pay. It serves as the basis for progressive taxation, thus where the tax rate rises in proportion to the rise of the taxable income. The Ghana Income Tax Act, 2015 (Act 896) defines a "person" as an individual or entity.<sup>35</sup> In Ghana, taxes are collected from individuals based on the progressive rate, while entities are subject to a flat CIT rate. The income tax system does not make a distinction between a man or a woman or the type of business run by the person in assessing their ability to pay taxes. To remove any overt biases, Section 1 of the Income Tax Act, 2015 Act 896 requires income tax to be paid in each year of assessment by a person who has chargeable income for the year and a person who receives a final withholding payment during the year.<sup>36</sup>

When considering the impact of taxes on women entrepreneurs in the informal sector, most studies have concluded that women entrepreneurs pay low amounts of tax compared to their counterparts' men entrepreneurs because of the informal nature of women-owned business. However, there hasn't been a consideration for the specific challenges that workers of the informal sector and in particular women encounter in meeting their tax obligations. Most of the challenges faced by women entrepreneurs are unavailability of business records, taxes most often paid based on a subjective assessment to different tax officials making it difficult for most women entrepreneurs to identify what particular taxes they pay and for what purposes.

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31 Ibid1

32 Ibid3

33 L.A. Ebale, "Recognising The Efforts Of Women-The Backbone Of The Ghanaian Economy" Stanbic Bank <<https://www.stanbicbank.com.gh/gh/personal/about-us/news/recognizing-the-efforts-of-women-the-backbone-of-the-ghanaian-economy>>accessed 4 May 2023

34 Ibid 4

35 Section 133 of Income Tax Act, 2015, Act 896

36 Ibid (section 1)

Also, the general lack of familiarity and comprehension with respect to the taxation system among women, combined with the power held by some tax authorities, places some women entrepreneurs in a vulnerable position where some corrupt tax officials can exploit these circumstances for personal gain. The lack of comprehensive guidelines outlining the process for evaluating tax obligations for small and medium women businesses, along with inadequate record-keeping practices by women, has resulted in various cases of arbitrary determination of their tax obligation. This has enormous repercussions, as a considerable number of women find themselves unable to promptly settle substantial tax liabilities, leading to consequences such as the forced closure of their shops, confiscation of belongings, and at times, even prosecution.

While some men also encounter similar situations in the informal sector, this predicament is disproportionately more prevalent among women than men as women dominate the informal sector business. The combination of deficient bookkeeping, cash-based transactions, and low-profit margins makes tax compliance and administrative cost generally high. Also, most businesses engaged by women in the informal sector take place at night and this makes it administratively difficult for the Ghana Revenue Authority to monitor and track for the correct and right amount of tax liability. The mobile nature of businesses, selling of sachet water, and drinks in traffic, and hawking goods also make it difficult to monitor and trace such activities for planning and taxation purposes. Tax policies should be designed to consider economic circumstances, regardless of gender, to ensure fairness and equity in the distribution of tax burdens. The amount of tax paid by businesses is based on their profits earned and the applicable tax rate is applied to it.

Another dimension of assessing the impact of taxes on women owned businesses is the tax liability arising from the conduct of tax audits. Mostly, tax audits are conducted in the formal business setting much more than in the informal sector where small and medium businesses are dominated by women entrepreneurs. Mostly, when the GRA is conducting tax audits, they turn to focus on formal sector entities mainly because of the revenue risk and the comparison of the audit cost against the likely benefits to be derived from any audit discovery. As men dominate the formal sector, men's businesses turn out to be subject to more tax audits in the formal sector than tax audits conducted in the informal sector on women's businesses. Because, the taxation of the informal sector is not well documented, women who dominate the informal sector end up paying a small amount of tax. When enormous taxes are imposed on small and medium enterprises, which are mostly run by women it tends to affect their profitability which affects their survival and eventually the collapse of the business.

## **4.2. Tax Compliance by women entrepreneurs**

Roth provided a definition for tax compliance as the accurate calculation of tax liability in alignment with the tax code, regulations, and pertinent court decisions, followed by the timely submission of all required tax returns.<sup>37</sup> The general knowledge and thinking is that tax compliance from the informal sector is far less compared to the formal sector. From a gender perspective in the informal sector, when a person decides not to comply with tax obligations, consequences are attached to this decision. Taking the decision to evade or avoid tax involves risk-taking (compliance risk, and payment risk). Risk-taking means accepting the possibility of a

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37 Roth et al. 1989

negative outcome as a result of the option made.<sup>38</sup> Women seem less clinched to accept such a negative outcome despite the upside of potentially higher returns. Several research indicates that women are more risk-averse than men<sup>39</sup> and therefore, are unlikely to take any tax decisions that may expose them to high tax risk. These studies propose that women tend to exhibit more proclivity towards honesty.<sup>40</sup> These studies conclude that men display less honesty than women in situations involving deceit (demonstrating considerably higher cheating rates), and they establish a connection between these gender differences and tax compliance.

As part, we demonstrate how a formally registered business in the formal sector may be less compliant is its tax obligation than a women-owned small and medium business in the informal sector.

In this illustration, we assume Taxka Company Limited is a company incorporated in Ghana. This company is a member of a multinational group that declares global revenue of millions of dollars each year. In the past 6 years, the resident company has declared losses and paid nil corporate income tax.

On the other hand, Ekua is an owner of a restaurant in East Legon. She operates in the informal sector. Though she believes business is difficult and the market has been down for the past 3 years, she still manages to make profits of GHS 1,000.00 cedis each year. As a taxpayer, she must obtain and maintain 3 receipts; income tax stamps, market tolls, and CIT receipts as proof that she has paid fixed fees of GHS 30 per year to the Accra Municipal Authority, and GHS 63 per quarter to the Ghana Revenue Authority. Ekua's tax payments may appear small in figure, she has paid more income tax in the past six (6) years than Taxka Company Limited which is a member of a multi-million-dollar global business.

### **4.3. Review of Ghana's tax system.**

The Ministry of Finance (Tax Policy Unit) and the GRA in anticipation of each fiscal year's Budget statements recommend tax and administrative implementation measures including forecasting of expected revenues to the Ministry of Finance. The Ministry of Finance reviews the tax and administrative measures and subsequently submits the proposal to the Cabinet. If The Cabinet approves the proposed tax measures, it is captured in the Budget Statement and presented in Parliament. The Budget gets debated and approved by Parliament. The Attorney-General and its legislative drafters prepare tax-amending bills and go through the legislative procedures to have them pass into law. As a measure to stimulate public participation, pre-budget and post-budget consultations are carried out with key stakeholders in society by The Ministry of Finance. There is also an avenue for anyone to submit a proposal for consideration before the Budget is read in Parliament. Since the passage of the Internal Revenue Act (Act 592) in the year 2000, the income tax system has undergone major adjustments. However, with an emphasis on the direct and indirect tax rates, as well as the establishment.

The Constitution of Ghana has abolished any form of gender discrimination. Specifically, Article 17(1) and (2) of the 1992 Constitution guarantees gender equality and freedom of women and men, girls,

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38 Byrness et al (1999)

39 Byrnes et al 1999, Croson and Gneezy 2009, Charness and Gneezy 2012)

40 Erat and Gneezy 2012, Capraro 2018

and boys from discrimination on the basis of social or economic status among others.<sup>41</sup> The Income Tax Act in alignment with the Constitution, does not have any provision that explicitly favors a taxpayer based on gender. Gender-neutral tax systems and tax policy decisions produce gender-differentiated outcomes because the distributional and allocative impact of taxation is closely linked to socioeconomic realities which are characterized by persisting substantial gender gaps in employment rates and patterns, in the distribution of unpaid work, as well as with regard to income, poverty, and wealth.<sup>42</sup> We would therefore analyse the impact of corporate income tax, import duties, border levies and charges, and capital gain on women-owned businesses. We would assess how these tax types implicitly and expressly create gender inequality.

#### 4.4. Corporate Income Tax

The corporate income tax is a tax imposed on an entity's chargeable income. In most countries, it is calculated as the difference between their receipts and their authorized expense.<sup>43</sup> Section 2 of the Income Tax Act, 2015 (Act 896), defines a chargeable income of a person for a year of assessment as the total of the assessable income of that person for the year less the total amount of the deduction allowed that person. The chargeable income serves as the tax base for applying the CIT rate for all entities. In the light of this, for an entity to identify its corporate income tax payable correctly and accurately it must know those expenses that are deductible and incomes that are recognized under tax law.

Some authorised expenses that may be allowed to be deducted from the entity's receipts are expenses to the extent that Section 9 of the Income Tax Act, 2015 Act 896 describes as expenses that are wholly, exclusively, and necessary incurred by the entity in the production of the income from the business during the year. Specific expenses that are allowed for deductions are capital allowances, interest, trading stock, repairs, and improvement, research and development expenses, losses from the realization of assets, tax losses carried forward for a period of 5 years, and research and development expenses.<sup>44</sup> It must be noted that although all these expenses are deductible, they follow some rules laid down in Sections 8 to 17 of the Income Tax Act. Notwithstanding the opportunity granted to corporations to deduct tax losses for a period of 5 years, a corporation that continuously declares losses may be required to pay a minimum chargeable income which shall be 5% of its turnover.

Every country has its own corporate income tax rate and available corporate tax exemptions. In Ghana, the First Schedule of Act 896 imposes a 25% tax rate on a company's total chargeable income.

The table below shows the various corporate income tax rates applicable in the various sectors.

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41 The 1992 Constitution of Ghana

42 A. Gunnarsson, M. Schratzenstaller, U. Spangenberg, Gender equality and taxation in the European Union (1st Ed, 2017)

43 R.B. Goode, C.E. MuLure, E.G. Keith, M.L. Paval, Income Tax <https://www.britannica.com/topic/income-tax> (Accessed on 17 Dec. 2021)

44 Sections 9, 13, 14, 17 of the Income Tax Act 2015, Act 896 (as amended)

**Table 1: Corporate tax rates in Ghana**

Eligibility	Rate
Standard Rate	25%
Mining or upstream petroleum companies	35% (varies in some cases depending on the agreement)
Manufacturing companies located:	
In regional capitals of Ghana (excluding Accra)	75% of SR
Elsewhere in Ghana	50% of SR
Free Zone enterprises during the tax holiday	0%
Agricultural enterprises (5 years after their concessionary period) located:	
In Accra and Tema	20%
In other regional capitals outside the Northern Savannah Ecological Zone	15%
Outside other regional capitals	10%
In the Northern Savannah Ecological Zone	5%
Hotels	22%
Exports of non-traditional goods	8%
Income from loans to a farming enterprise	20%
Income from loans granted to a leasing company	20%
Export income for companies in Free Zones	15%
Young entrepreneurs after a 5-year tax holiday located:	
In Accra and Tema	15%
In other regional capitals outside the three northern regions	12.5%
Outside other regional capitals	10%
In the three northern regions	5%

Critical analysis of the CIT as a tax type shows that even though the CIT in Ghana cannot be explicitly seen as gender-biased, implicit gender biases can be inferred from the assessment of some factors like ownership of businesses, tax rate, exemptions available, and consumption partners. The perception that corporate taxation has no gender bias, ignores the differences in ownership of businesses and shares, different business profiles regarding investors, employees, and consumers, and the distributional consequences of the overall tax structure.

Analysis of the CIT on these factors may show some implicit gender biases existence. In the case of ownership, most of the corporate businesses and shares of companies are more owned by men than women. In Ghana, men business owners are more than women business owners,

making women less likely to benefit from any corporate tax relief or incentives.<sup>45</sup> Women are considerably under-represented in the group of business owners or corporate shareholders, so an increase in the after-tax corporate profits resulting from corporate tax reductions benefits them lesser<sup>46</sup>. Considering this, there is an argument that the corporate tax rate must be reduced for women-owned businesses to allow more women to participate in business ownership. This in effect will encourage more women to participate in corporate business. The negative aspect of the CIT reduction in favour of women is that, if all women-owned businesses have a reduced CIT rate, then everyone who owns a business will allow women in the ownership structure to have a reduced tax rate. So, in this case, a woman can be the business owner on paper but, the real owner is a man which can result in serious tax avoidance.

Again, if the CIT rate is reduced for women only, the principle of equity in the 4 canons of taxation developed by Adam Smith is defeated. Adam Smith argued that taxation should follow the four principles of fairness, certainty, convenience, and efficiency.<sup>47</sup> Fairness in the context of taxation means the tax policy should be compatible with taxpayers' conditions, including their ability to pay in line with personal and family needs. Certainty means the taxpayers are well informed about why and how taxes are levied. Convenience relates to the ease of compliance for the taxpayers; how simple is the process of collecting or paying taxes? Efficiency means the administration of tax policies and tax collection should not negatively affect the allocation and use of resources in the economy, and certainly should not cost more than the taxes themselves. Notwithstanding the traditional case against the application of a gender-biased CIT rate, policymakers most of the time grant companies in a specific sector or location a reduced CIT rate. This approach is mostly employed to achieve a specific policy objective like the promotion of investment in a specific sector or the spread of economic development across the country.

General tax incentives are essential to reduce or eliminate the tax liability of a person while the person may be required to meet the incentive requirement. Traditionally, tax incentives granted to businesses are mostly based on 4 main factors: location, type of business, business activities, and any relevant law in force. These incentives are very imperative for business entities especially the infant businesses, in Ghana, to help them survive and grow.

A reduced CIT rate for women entrepreneurs may not achieve the desired policy objective of bridging existing income gaps between male and female new ventures and business creation. There may be no need to grant women some favoured tax dispensation but rather find other economic avenues to promote women own businesses.

#### **4.5. Import Duties and Border Levies and Charges.**

In many countries around the world, especially countries in the African continent, import duties are a critical component of the tax system and clearly influence the pattern of economic development. An economy that is heavily import-driven relies on import duties to generate tax revenue. As of June 2021, government revenue from import taxes amounted to around 597 million Ghana cedis, corresponding to approximately 97 million U.S. dollars.<sup>48</sup>

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45 H. Hodgson and K. Sadiq, 'Gender Equality and a Rights-Based Approach to Tax Reform' [2017] *Tax, Social Policy, and Gender: Rethinking equality and efficiency* 99

46 *Ibid*2

47 A. Smith, *Wealth of Nations* (1776),

48 <https://mofep.gov.gh/publications/revenue-reports>.





Import duties are imposed on goods that are brought into the country except those that are exempt as per the Customs Act 2015 (Act 891) as amended. Importers who intend on importing goods into a country will be subjected to the custom assessment and procedures by the respective custom authority, at the point of entry into the country. This is done on purpose so that the appropriate import tax can be calculated and charged on imported items before they are released to their final destinations. Importing parties who do not follow these regulations and procedures risk being penalized, which might include fines, imprisonment, and the seizure and forfeiture of the commodities involved. Import duties just like CIT cannot be explicitly seen as gender bias. This is because the system of import duties does not factor in the gender base or the income level of the importer and as such all importers may pay the same levies regardless of their level of income. Conventionally, import duties are calculated using either the ad valorem or the specific rate method. With the ad valorem method, levies are imposed based on the value of the product while the specific rate method applies an applicable rate per unit. Both methods can be seen as not gender biased. Meaning that the more an importer can afford to import the more tax that is paid.<sup>49</sup> Identifying any implicit bias of this tax type will depend on factors like which gender business patronizes the goods that have high tax rates or have high import duties and which gender business imports and sells the goods that are exempt from import duties. The following is a list of some of the rates at which import tariffs are levied:

**Table 2: Import Tariffs Rate**

Levy/Charge	Rate	Tax Base
Special import levy	2%	CIF
IRS Deposit	1%	CIF
ECOWAS levy	0.5%	CIF
African Union import levy	0.2%	CIF
Export and Import Levy (EXIM)	0.75%	CIF
GCNet	0.004%	FOB

Source: GRA Research Department

## 4.6. Capital Gain

In different tax regimes, the term "capital gain" means something different. A capital gain, according to Ault (2010), is a one-time gain that is not part of a firm or investment's typical stream of income.<sup>50</sup>

Capital Gains Tax (CGT) is a tax on an asset's increase in value or a liability's decrease in value when it is realized. Land, buildings, stocks, and shares, as well as some valuable goods, are all considered assets. Liability also means the obligation to settle a debt. The calculation of capital gains per section 35 of the Income Tax Act, 2015 (Act 896) is the amount by which the

<sup>49</sup> "Annual Assessment of the Tax Policies and Strategies of Ghana" <[https://ukgcc.com.gh/bfd\\_download/annual-assessment-of-the-tax-policies-and-strategies-of-ghana/](https://ukgcc.com.gh/bfd_download/annual-assessment-of-the-tax-policies-and-strategies-of-ghana/)> accessed May 2, 2023

<sup>50</sup> H.J. Ault, B.J., Arnold, Comparative Income Taxation: A Structural Analysis 3rd Ed. (Wolters Kluwe, 2010)



sum of the consideration received for the asset exceeds the cost of the asset at the time of realization and the sum of the consideration offered for the liability is less than the amount outstanding at the time of realization.<sup>51</sup>

Capital gains are no longer taxed at a flat rate of 15%, which was the treatment under the repealed Internal Revenue Act, 2000 (Act 592). It is now added to the employment, business, or investment income under the Income Tax Act, 2015 (Act 896) as amended. All capital gains in respect of employment, business, and investment are to be included in calculating the gains and profit from employment, business, and investment. This means that capital gains and gender can be looked at in 3 dimensions. That is employment, business, and investment.

Realization of assets and liabilities crystallizes in various ways. Per Section 38 of the Income Tax Act, 2015 (Act 896), a person who owns an asset realizes the asset, if that person parts with the ownership of that asset, including when that asset is sold, exchanged, transferred, distributed, redeemed, destroyed, lost, expired, or surrendered.

A study done around entrepreneurs has shown that men are the major group in terms of business ownership, employment, and investment and therefore it is likely they will make capital gains leading to the payment of capital gain taxes.<sup>52</sup> On the other side of the coin, these studies fail to look at the frequency and amount of capital gain. As it could be that men who are the majority of entrepreneurs in the formal economy make less and smaller gains than women who are less represented in the group of business owners, employment, and investment.

#### **4.7. Pay As You Earn (PAYE)**

The tax law provides that an employer shall withhold tax from the payment of an amount to be included in ascertaining the income of an employee from employment and pay that amount to the Ghana Revenue Authority regardless of the gender of the employee.<sup>53</sup> All employers in Ghana are mandated to pay and file PAYE regardless of the gender base of the employer and the sector of the economy they find themselves. Although all withholding taxes attempt to tax income as soon as it is generated, only withholding on wages is typically referred to as pay-as-you-earn withholding (PAYE). In almost all national tax systems, this tax plays an essential role.<sup>54</sup>

In the context of income taxation, PAYE is a type of individual tax levied on employment income. Before the last payment for the period (usually a month) is made to the employee, the tax is taken from the employment emoluments. Because the money is collected before it reaches the employee, PAYE is a source (withholding) tax. The employer remits the total tax deducted to GRA immediately, informing the employee of the amount of tax that has been paid to the government.<sup>55</sup>

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51 Section 35 of the Income Tax Act, 2015, Act 896

52 H. Hodgson and K. Sadiq, 'Gender Equality and a Rights-Based Approach to Tax Reform' [2017] *Tax, Social Policy, and Gender: Rethinking equality and efficiency* 99

53 Section 116 of the Income Tax Act, 2015, Act 896 (as amended)

54 K. van der Heeden, *The Pay-As-You-Earn Tax on Wages* (Chapter 15) in V. Thuronyi, *Tax Law Design and Drafting Vol. 2* (International Monetary Fund, 1998)

55 M. Jouste, T. Kaidu, J. Okello Ayo, J. Pirttilä and P. Rattenhuber, "The effects of personal income tax reform on employees' taxable income in Uganda" WIDER Working Paper, No. 2021/11, ISBN 978-92-9256-945-7, The United Nations University World Institute for Development Economics Research (UNU-WIDER), Helsinki

In the formal sector of the economy, women employers deduct and file the PAYE tax of their employees. However, the challenge lies in the informal sector of the economy. Research conducted by WIEGO shows that women-owned businesses dominate the informal sector in the areas of Market trading, Street vendors, and Home-based businesses. Most women in the informal sector in Greater Accra and Urban areas who own their businesses are predominantly market traders.<sup>56</sup> PAYE tax is expected to be deducted from the chargeable income of employment; this deducted tax is remitted to the Ghana Revenue Authority. However, in the informal sector, such requirements may not be complied with.

#### 4.8. Value Added Tax

Tax revenue from VAT represents a significant source of revenue for the Government. The aftermath of the global crisis has raised the need for the government of Ghana to mobilise tax resources. Trends in tax reform show that the government is likely to increase its reliance on the Value Added Tax (VAT). Further, VAT is a relatively easy way to raise a lot of tax revenue, and if it is reformed to become more broad-based by removing domestic zero-rating and exemptions, it will reach a larger percentage of the population. It is very necessary to be aware of the implicit gender bias of the increasing reliance on indirect taxes, and policymakers need to ensure that tax outcomes are more gender equitable. There is also likely to be increasing pressure on governments to raise taxes from the informal sector which links to some very important issues given that the informal sector is gendered. In Ghana, the informal sector is dominated by women entrepreneurs. Without careful consideration of the design of these tax policies, it is likely that they will hurt small and medium businesses that are mostly owned by women.

In Ghana, businesses are required to register for VAT when they meet the threshold for registering or they can voluntarily register if they satisfy certain conditions.<sup>57</sup> One of the basic features of VAT is its application to goods and services. Businesses act as intermediaries for VAT collection. They collect VAT from customers during the sale of goods or services, but they are not directly burdened by the tax. Businesses in the formal sector, when they are registered for VAT, can offset their input VAT against their output VAT. Businesses that are not registered for VAT, however, incur more costs as they cannot offset their input VAT against their output VAT. This implies that the input VAT becomes a cost to them increasing the cost of doing business. The majority of the non-registered VAT business owners are from the informal sector and hence do not pay VAT<sup>58</sup>. Because women-owned businesses dominate the informal sector, the impact of non-deductible VAT on their business cost is greater than on men-owned businesses.

#### 4.9. Excise duty

Excise duty is in the form of indirect tax which allows for the tax burden to be shifted to the final consumer. In Ghana, excise duties are taxed on some retail goods like bottled water, malt drink, and beer. A person must apply to the Commissioner-General for registration under this Act at least 30 days prior to starting a business that involves manufacturing excisable goods in

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56 W. Baah-Boateng, Joann Vanek. 2020. "Informal Workers in Ghana: A Statistical Snapshot." WIEGO Statistical Brief No. 21. WIEGO.

57 Section 6 of the Value Added Tax Act, 2013, Act 870 (as amended)

58 "GRA" (Go to GRA.) <<https://gra.gov.gh/domestic-tax/tax-types/vat-standard/#:~:text=The%20NHIL%2C%20GETFund%20Levy%20and,Pay%20for%20your%20NHIL%2FGETFund.>> accessed May 4, 2023

the nation.<sup>59</sup> Market traders, Street vendors, and home-based businesses, of which the majority are women, trade in this kind of product.<sup>60</sup> Women-owned businesses in the informal sector mostly engage in the vending of excisable products like bottled water, malt drinks, fruit juices, non-alcoholic drinks, etc. Trading in excisable products implies an extra cost of doing business since more money will be needed to buy the excisable products for subsequent sale.

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59 Section 14 Excise Duty Act, 2014, Act 878 as amended.

60 W. Baah-Boateng, Joann Vanek. 2020. "Informal Workers in Ghana: A Statistical Snapshot." WIEGO Statistical Brief No. 21. WIEGO.





# CHAPTER FOUR

## 5.0 The outcome of Tax Impact on women-owned business; The People's Perspective

### 5.1 Qualitative Analysis

#### Introduction

In this project, questionnaires and interviews were used with the goal of evaluating the impact of taxes on women-owned businesses in Ghana. Questionnaires were issued to women entrepreneurs to take their views concerning the tax system and its impact on their businesses.

### 5.2. Project Objective

The purpose of this research is to gather information on the tax burden faced by women entrepreneurs and how it affects their businesses. The survey also explored the level of awareness and understanding of tax laws among women entrepreneurs and their ability to comply with these laws. We assessed the questionnaire responses on the impact of the tax system on women-owned businesses and to provide evidence that will inform future FCDO programming and engagements with the GRA. A day for tax literacy was devoted to the survey by visiting women in the market.

The survey objective is to collate any recommendations for innovative approaches and solutions for improving the tax system to support gender equality whilst boosting revenues and economic growth.

### 5.3. Study population, sample size, and sample technique

The population of the study is women entrepreneurs in Ghana with a sample size of around 250. The simple random sampling technique was employed to administer the questionnaires. A total of 148 responses were received from the questionnaires.

### 5.4 Response from Interview Session with a Woman Entrepreneur

#### Question 1: Have you ever paid any taxes before?

**Response :** No, even though I started my business 2 years ago, I don't pay taxes because I



am unsure how the tax revenue is used. I suspect that some dishonest tax officials might be keeping the money for themselves.

## Question 2: What do you use to identify the people who come to you as tax officials?

**Response 2:** Most of the time, the tax officials who visit wear GRA uniforms or special outfits that help me recognize them. Occasionally, I even request their staff ID cards to make sure they're really from the GRA.

## Question 3; How does tax impact your business profit?

**Response 3:** The prices of products have gone way up, mostly because of tax (VAT). I run a retail store and haven't registered for VAT. Sometimes, I cover the tax elements myself to sell products faster. I barely make profits after I pay utility bills.

## Question 4: Any suggestions to improve tax administration?

**Response 4:** If I am ever to pay my tax, I would like to go to the GRA office to pay the tax instead of having tax collectors come to my shop. I don't really trust anyone who says they're a tax official. If there was a mobile application that let store owners pay taxes from their phones, it would make tax collecting more efficient.

## 5.5. Exploratory Data Analysis

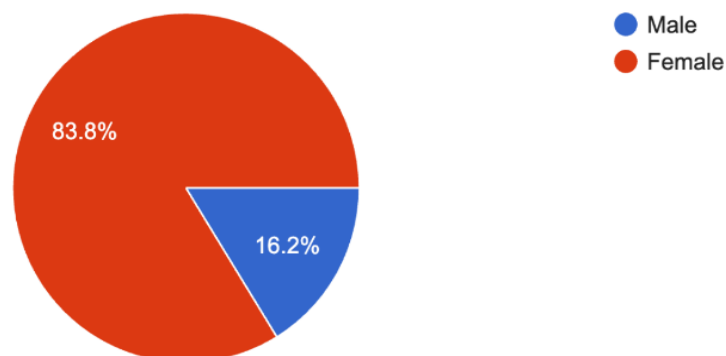
The response data was imported and calculations were formed which led to the plotting of these figures.

### Gender Distribution:

To begin our analysis, we start by examining the gender distribution of the participants.

#### What is your gender?

148 responses

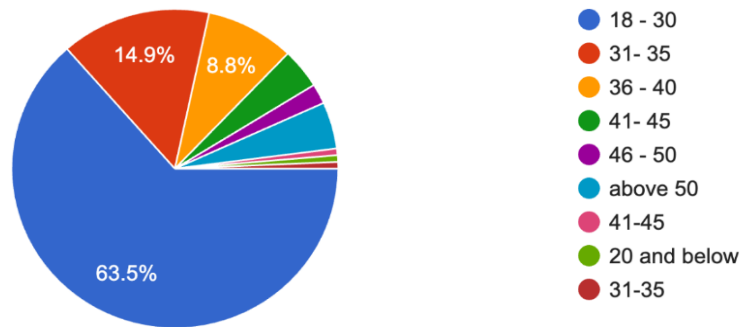


It is evident from the data that the majority of respondents are female, aligning with our focus on women-owned businesses.

## Age Distribution:

What is your age?

148 responses

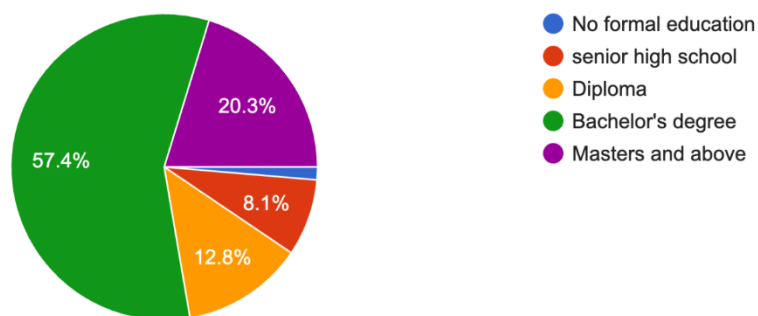


The data shows that a significant portion of the respondents falls within the 18 – 30 age group, indicating that young female entrepreneurs actively participated in our survey. This will leave a worrying effect where a culture of non-compliance is concentrated among the young population.

## Education

What response best describes your level of education?

148 responses

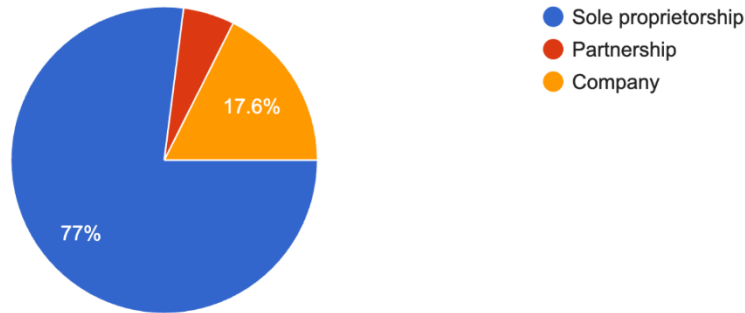


Most respondents, accounting for 57.4%, hold a Bachelor's degree, signifying a substantial educational achievement among women entrepreneurs. Additionally, 20.3% of respondents have pursued advanced education, such as Master's and higher degrees, further underscoring the commitment to education within this group. While a smaller percentage reported having no formal education (1.4%) or senior high school (8.1%), it's essential to recognize the diverse educational backgrounds of women entrepreneurs, each contributing to their unique perspectives and experiences in the business world. This rich educational diversity among women entrepreneurs is a testament to their resilience and adaptability in managing businesses across various industries.

## Understanding the Business:

### What is the type of your business?

148 responses



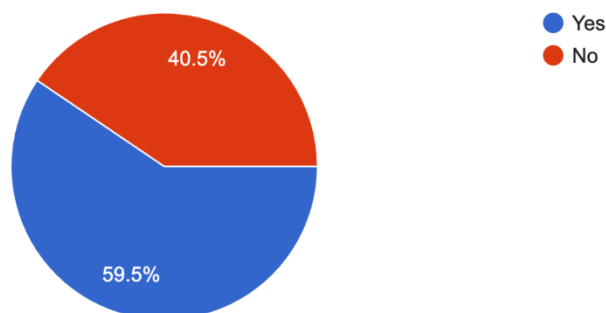
The majority of surveyed women entrepreneurs, comprising 77%, operate under the structure of a sole proprietorship. This finding suggests that a significant portion of women-owned micro and small businesses prefer the simplicity and autonomy that come with sole proprietorship.

A smaller percentage, 5.4%, indicated that they run their businesses as partnerships. This business structure typically involves shared ownership and responsibilities, allowing for collaboration and shared decision-making.

Lastly, 17.6% of respondents reported operating their businesses as companies. These diverse business types highlight the adaptability of women entrepreneurs in choosing the structure that best suits their goals and objectives, demonstrating their flexibility and resourcefulness in navigating the business landscape.

### Is the business registered?

148 responses

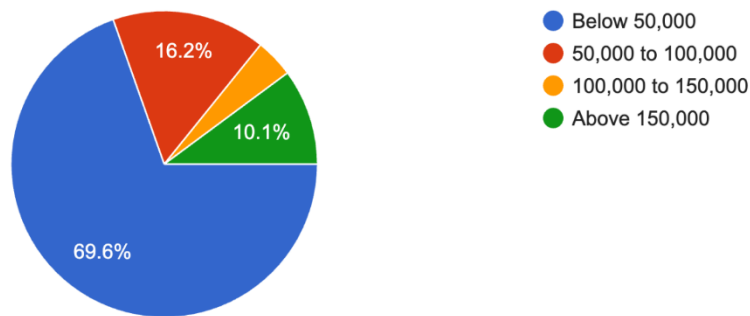


A majority of the women entrepreneurs surveyed, representing 59.5% of the respondents, have registered their businesses. This is a positive indicator of their commitment to formalizing their operations, which can offer various benefits such as legal protection, access to government support, and increased credibility in the business community.

However, it is notable that a significant portion, 40.5%, indicated that their businesses are not registered. This suggests that a considerable number of women-owned micro and small businesses may be operating informally. It is essential to consider the reasons behind this decision, as it could be due to regulatory barriers, limited resources, or other factors that impact their ability to formalize their businesses.

### What is your annual business revenue range? Amounts in GHS

148 responses



The data above reveals that the majority of women-owned micro and small businesses, accounting for 69.6%, reported annual revenues below 50,000 GHS. This indicates that a substantial portion of these businesses may be in the early stages of growth or operate in sectors with lower revenue potential.

A smaller percentage, 16.2%, falls within the revenue range of 50,000 to 100,000 GHS, indicating moderate levels of revenue generation among some participants.

Meanwhile, 4.1% of respondents reported annual revenues ranging from 100,000 to 150,000 GHS, suggesting a segment of businesses that have achieved a higher level of financial success.

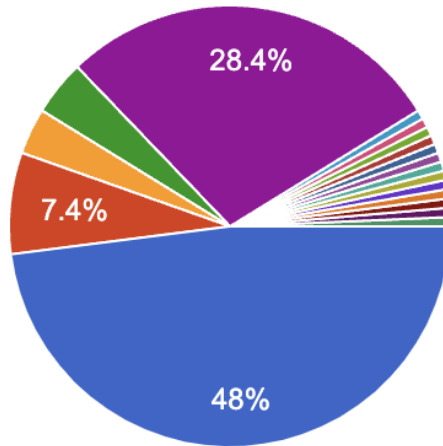
Lastly, 10.1% of respondents indicated that their businesses generate revenues above 150,000 GHS annually, signifying a subset of women entrepreneurs who have achieved significant financial milestones in their business ventures.

This also confirms the assessment by the respondents that high taxes are negatively impacting their profitability and ability to invest in their business. The low business size is a characteristic of low retained earnings leading to low level of reinvestment and business size.



## What industry are you in?

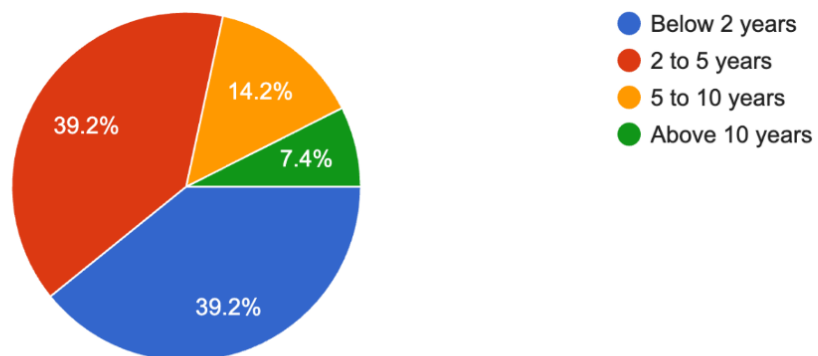
148 responses



- Retail
- Manufacturing
- Wholesale
- Agricultural
- Service provision
- Fashion industry
- Textile
- Construction
- Merchandising and Supply
- Food and beverage
- Craft
- Restaurants
- Professional services
- Sports
- Energy
- Banku and Tilapia Grilling
- all the above
- Creative work

## How long has your business been in operation?

148 responses



The data indicates that a significant proportion of women-owned micro and small businesses, totaling 78.4%, have been in operation for five years or less. This suggests that a substantial portion of the surveyed businesses are relatively new ventures.

Approximately 39.2% of respondents reported that their businesses have been operating for less than 2 years, indicating a high level of entrepreneurship and new business creation among women in the surveyed group.

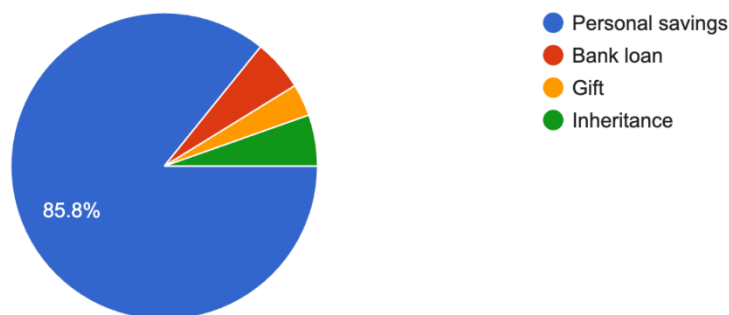
Another 39.2% indicated that their businesses have been in operation for 2 to 5 years, indicating a sizable segment of businesses in the early growth stages.

A smaller portion, 14.2%, reported businesses with a tenure of 5 to 10 years, indicating a group of women entrepreneurs who have successfully sustained their businesses over a more extended period.

Lastly, 7.4% of respondents indicated that their businesses have been operating for over 10 years, signifying a subset of women entrepreneurs with significant experience and longevity in their respective industries.

#### How was your initial start-up funded?

148 responses



The data demonstrates that a vast majority of women entrepreneurs, accounting for 85.8%, relied on their personal savings to fund the initial startup of their businesses. This reflects a significant level of self-investment and financial dedication to kickstart their entrepreneurial journeys.

A smaller percentage, 5.4%, indicated that they used bank loans as a source of funding. This suggests that some women entrepreneurs sought external financial assistance from financial institutions to start or expand their businesses.

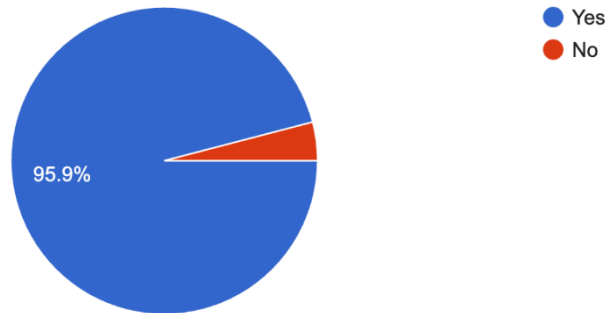
Meanwhile, 3.4% of respondents reported receiving gifts as a source of initial funding, indicating support from friends or family members.

Another 5.4% mentioned that they funded their businesses through inheritance, implying that they inherited assets or capital that enabled them to start their entrepreneurial endeavours.

## Tax Awareness:

### Do you know about Ghana Revenue Authority?

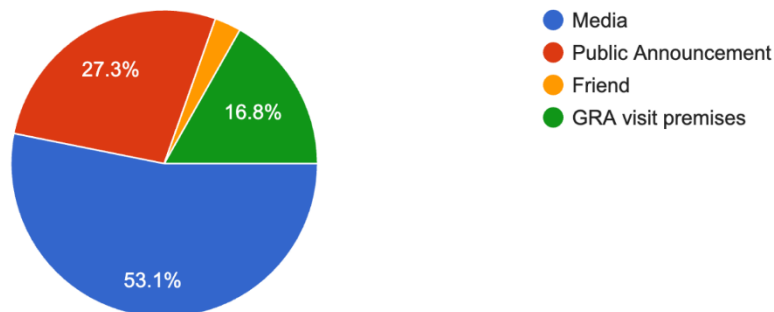
148 responses



The data indicates that the vast majority of respondents, representing 95.9%, are aware of the Ghana Revenue Authority (GRA). This high level of awareness suggests that a significant portion of women entrepreneurs in the surveyed group have knowledge of the government agency responsible for taxation and revenue collection in Ghana.

### If YES, how did you know Ghana Revenue Authority?

143 responses



Among the respondents who indicated that they are aware of the Ghana Revenue Authority (GRA), their sources of knowledge about GRA are distributed as follows:

The data highlights that the media, which includes various forms of mass communication such as television, radio, newspapers, and online sources, played a significant role in informing 53.1% of respondents about the Ghana Revenue Authority. This suggests that public information campaigns and advertisements have been effective in reaching a substantial portion of women entrepreneurs.

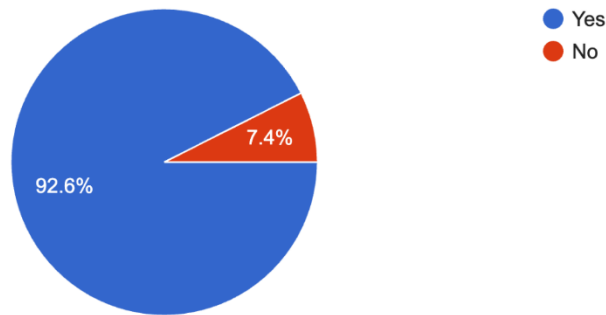
Additionally, 27.3% of respondents mentioned public announcements as a source of knowledge about GRA. This could include official announcements by government authorities or public events that disseminate information about taxation and the GRA.

A smaller percentage, 2.8%, reported friends as their source of information about GRA, indicating the role of peer networks in sharing knowledge and insights.

Lastly, 16.8% of respondents mentioned that their awareness of GRA came through GRA visiting their premises. This suggests that direct engagement and outreach efforts by the tax authority have also been effective in reaching a portion of the business community.

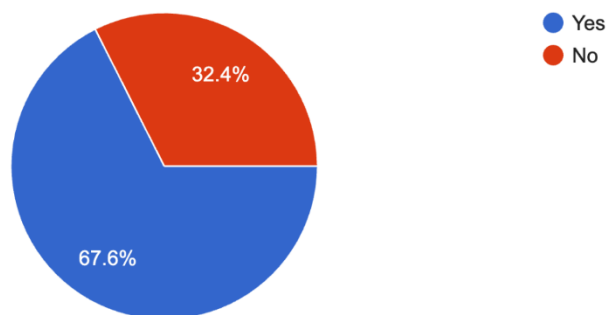
### Do you know the work the GRA do?

148 responses



### Are you a registered taxpayer?

148 responses



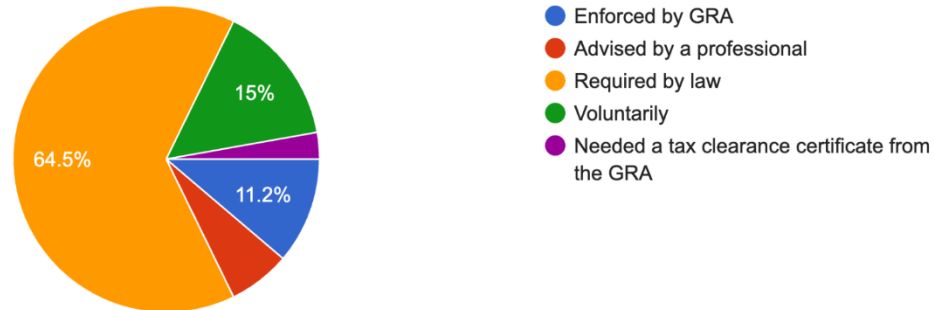
### If No, why?

54 responses



### If Yes, why did you register as a taxpayer?

107 responses



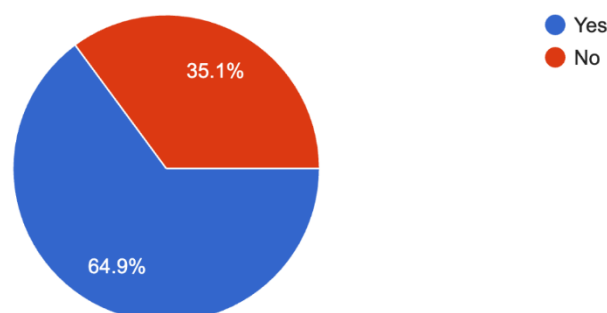
Among the surveyed women entrepreneurs, 67.6% indicated that they are registered taxpayers, while 32.4% reported that they are not registered.

For those who are not registered as taxpayers, the reasons provided for not registering are varied. A significant portion, 37%, mentioned that they don't know the appropriate means of registration, indicating a need for improved clarity and accessibility in the registration process. Additionally, 24.1% expressed a lack of understanding of the tax system and a similar percentage, 24.1%, mentioned not seeing the benefit of taxes collected, underlining the importance of educating businesses about the purpose and benefits of taxation. Lastly, 5.6% cited that they believe it is not compulsory to register, and 9.3% mentioned not wanting the Ghana Revenue Authority (GRA) to be on their "neck," highlighting concerns about potential tax enforcement.

Also, for those who are registered as taxpayers, the reasons for registration vary. The majority, 64.5%, indicated that they registered because it is required by law, highlighting the importance of legal obligations in ensuring tax compliance. Additionally, 15% mentioned that they registered voluntarily, suggesting a proactive approach to tax compliance. A smaller percentage, 11.2%, was registered due to enforcement by the GRA, indicating the role of regulatory actions. Meanwhile, 6.5% mentioned being advised by a professional, and 2.8% registered because they needed a tax clearance certificate from the GRA.

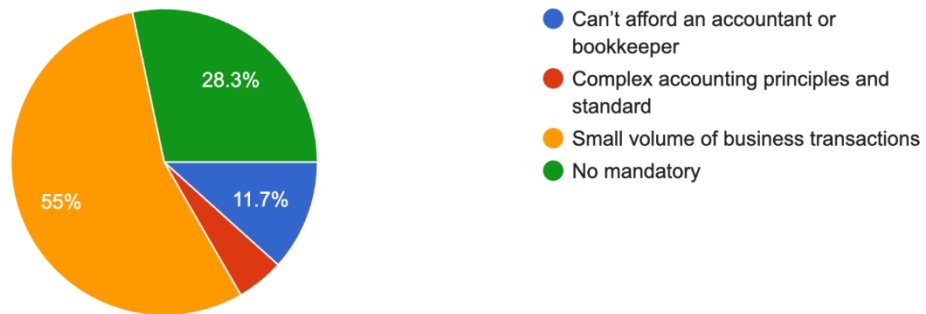
### Do you keep proper accounting records?

148 responses



### If NO, why?

60 responses



Among the surveyed women entrepreneurs, 64.9% reported that they keep proper accounting records, indicating a commitment to financial transparency and management within their businesses.

However, 35.1% of respondents indicated that they do not keep proper accounting records.

The majority of those who do not keep proper accounting records (55%) cited having a small volume of business transactions as the reason. This suggests that businesses with limited financial activity may perceive less need for formal accounting practices.

A significant portion, 28.3%, mentioned that there is no mandatory requirement for them to keep accounting records, indicating a potential gap in regulatory requirements or awareness.

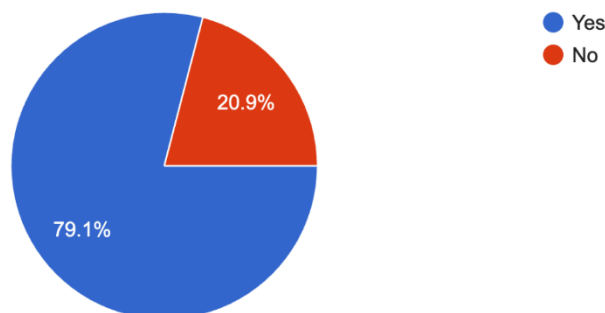
Additionally, 11.7% reported that they cannot afford an accountant or bookkeeper, highlighting financial constraints as a barrier to professional accounting services.

A smaller percentage, 5%, mentioned the complexity of accounting principles and standards as a hindrance to maintaining proper accounting records, emphasizing the need for simplified and accessible financial guidance for micro and small businesses.

### Tax Burden and Issues:

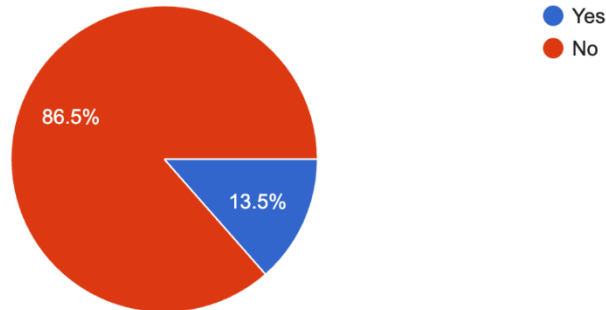
#### Do you find taxes imposed on your business high?

148 responses



### Over the last 12 months have you had any issues with the GRA?

148 responses

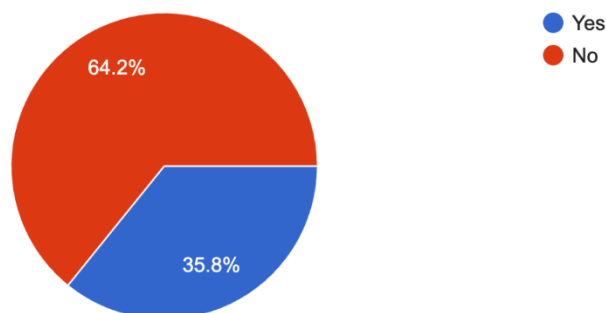


A significant majority of surveyed women entrepreneurs, comprising 79.1%, expressed that they find the taxes imposed on their businesses to be high. This perception suggests that a considerable portion of women-owned micro and small businesses are concerned about the tax burden they face. Also, the data reveals that a significant percentage of women entrepreneurs, accounting for 86.5%, reported have not experienced issues with the Ghana Revenue Authority (GRA) over the last 12 months.

Considering the high level of motivation to evade/avoid taxes by women in business, it gives impression in lack of proactiveness on the part of GRA to engage more women to be tax compliant.

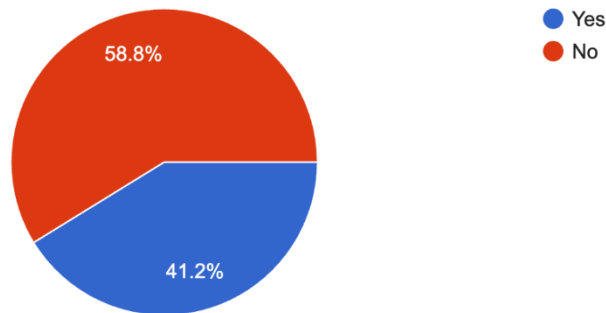
### Difficulty in paying your taxes on time?

148 responses



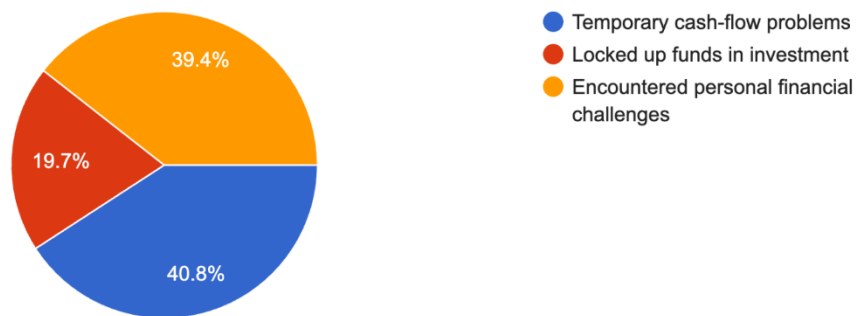
### Difficulty in paying your taxes in full?

148 responses



### If YES, why?

71 responses



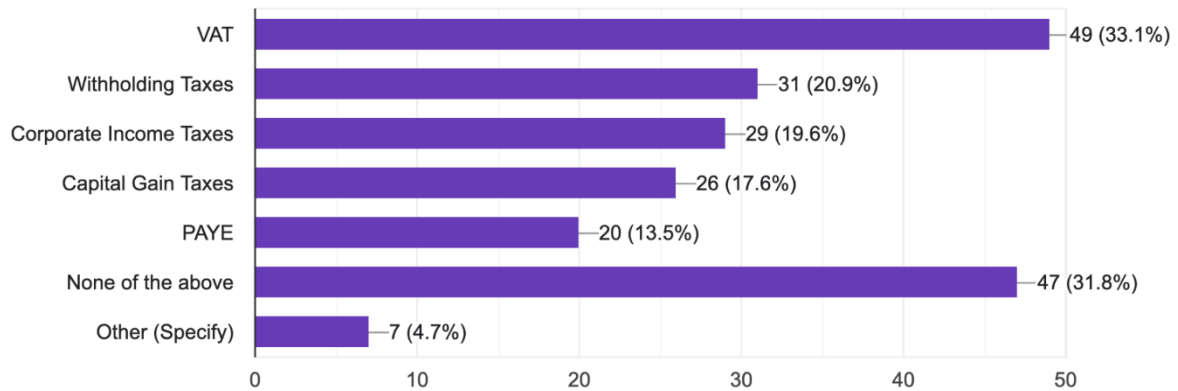
Among the surveyed women entrepreneurs, 35.8% reported experiencing difficulty in paying their taxes on time over the last 12 months. This suggests that a notable portion of businesses faced challenges in meeting their tax payment deadlines during this period.

Also, regarding the difficulty in paying taxes in full over the last 12 months, 41.2% of women entrepreneurs reported facing challenges in making full tax payments. This finding suggests that a substantial segment of businesses struggled to meet their tax liabilities entirely during this period. The most common reason cited for facing difficulties in paying taxes in full was temporary cash-flow problems, mentioned by 40.8% of respondents. This indicates that short-term financial constraints can impact a business's ability to meet its tax obligations.



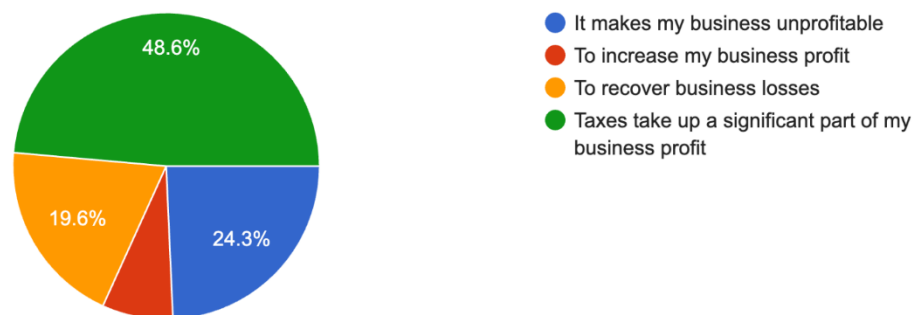
### What tax(es) do you find most difficult to comply with?

148 responses



### Why do you avoid/evade taxes?

107 responses



The above charts reveal that VAT is the tax most commonly perceived as difficult to comply with by women entrepreneurs. Understanding the specific challenges associated with VAT and other taxes can help in developing targeted support and guidance to enhance tax compliance.

Among those who admit to avoiding or evading taxes, the reasons provided for doing so are as follows:

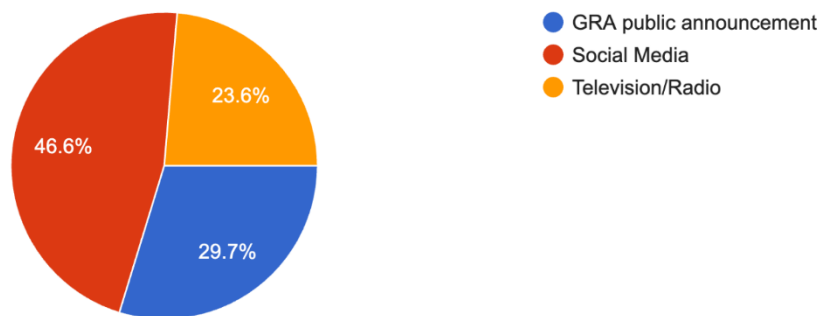
- 24.3% mentioned that paying taxes makes their businesses unprofitable.
- 7.5% indicated that they engage in tax avoidance or evasion to increase their business profit.
- 19.6% cited the need to recover business losses as a motive for avoiding or evading taxes.
- A significant majority, 48.6%, expressed that taxes take up a significant part of their business profit, leading them to engage in such practices.

These responses shed light on the motivations behind tax avoidance and evasion among women entrepreneurs and highlight the importance of addressing the underlying financial challenges that drive such behaviors. Implementing fair and effective tax policies can help reduce the incentive for businesses to engage in tax avoidance and evasion.

### Tax Policies and Regulations:

#### How do you get information about changes in tax laws and regulations?

148 responses



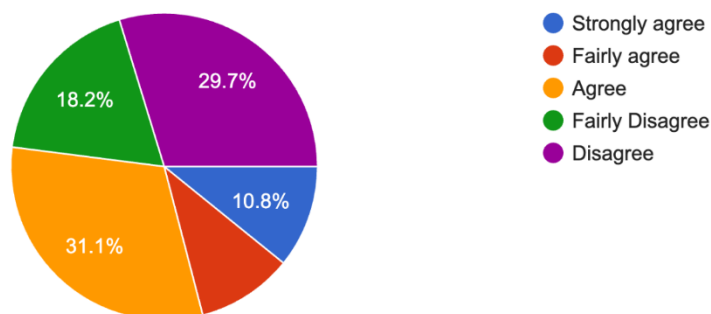
When asked about their sources of information regarding changes in tax laws and regulations, respondents provided the following distribution of answers:

- 29.7% rely on Ghana Revenue Authority (GRA) public announcements for updates on tax-related changes.
- 43.6% use social media platforms to access information about tax law and regulation changes.
- 23.6% obtain information through television and radio broadcasts.

These findings emphasize the significance of various communication channels, including GRA announcements, social media, and traditional media, in disseminating information about tax updates to women entrepreneurs. To enhance tax compliance and understanding, it is essential to continue utilizing these diverse channels effectively and efficiently to reach a broader audience of business owners.

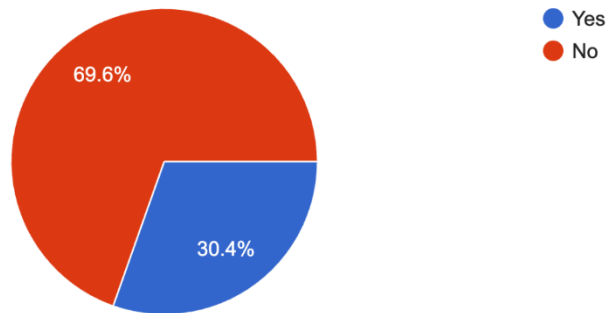
#### There is enough public consultation and education on new tax policies and regulations.

148 responses



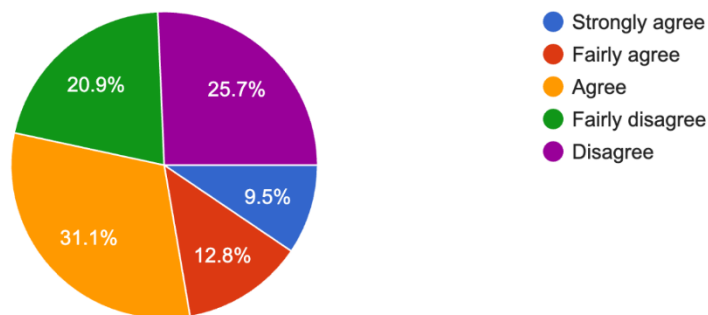
### Have you ever confronted a tax official on any business tax policies and regulations you think it's difficult to comply with?

148 responses



### Tax regulations and policies are made in simple language for easy understanding.

148 responses



When asked about the level of public consultation and education on new tax policies and regulations, respondents provided the following distribution of answers:

- 10.8% strongly agree that there is sufficient public consultation and education.
- 10.1% fairly agree that there is enough consultation and education.
- 31.1% agree that there is adequate consultation and education.
- 18.2% fairly disagree with the statement.
- 29.7% disagree with the assertion that there is enough public consultation and education.

These responses indicate a range of opinions on the adequacy of public consultation and education regarding new tax policies and regulations

A substantial majority, 69.6%, of respondents reported having confronted a tax official on business tax policies and regulations that they found difficult to comply with. This indicates a proactive approach by women entrepreneurs in seeking clarification and addressing challenges related to tax compliance.

Also, regarding the clarity and simplicity of tax regulations and policies, respondents provided the following distribution of answers:

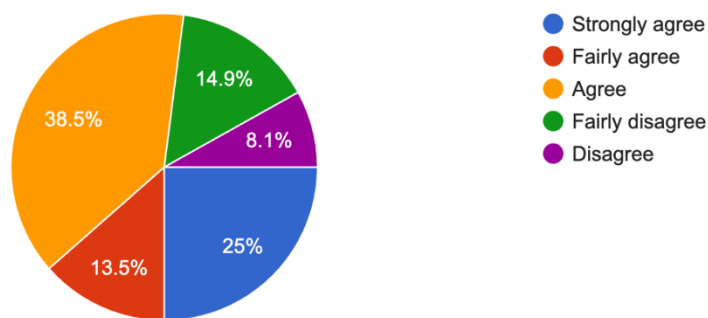
- 9.5% strongly agree that tax regulations are made in simple language.
- 12.8% fairly agree with the statement.
- 31.1% agree that tax regulations are straightforward.
- 20.9% fairly disagree with the assertion.
- 25.7% disagree with the statement that tax regulations are made in simple language.

These responses reflect mixed opinions about the simplicity and ease of understanding of tax regulations and policies.

### Tax Impacts on Business:

**Taxes greatly reduce your company's ability to invest in growth opportunities.**

148 responses



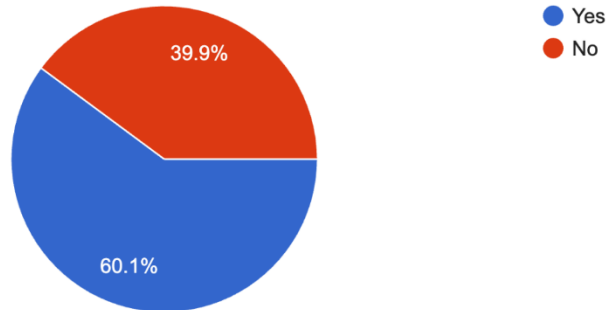
The responses to this question regarding the impact of taxes on a company's ability to invest in growth opportunities are as follows:

- 25% strongly agree that taxes significantly reduce their company's ability to invest in growth opportunities.
- 13.5% fairly agree with the statement.
- 38.5% agree that taxes have a negative impact on their investment capacity.
- 14.9% fairly disagree with the assertion.
- 8.1% disagree with the statement, suggesting that they believe taxes do not greatly hinder their investment in growth opportunities.

These responses indicate a prevalent perception among women entrepreneurs that taxes have a substantial impact on their businesses' ability to invest in growth initiatives. 77% of respondents agree to this assertion. This can be linked to the 71.9% profit motivated reasons to evade/avoid taxes.

### Have you ever had to delay or cancel plans for expansion due to high taxes?

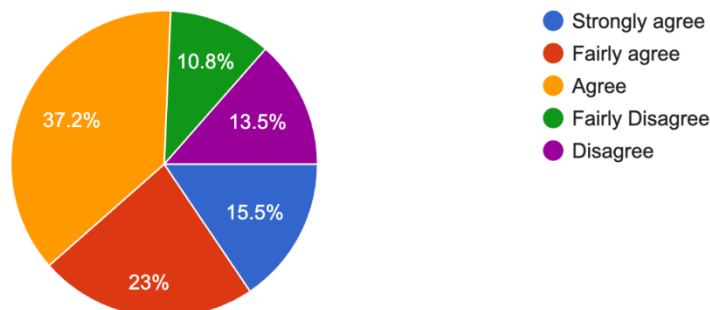
148 responses



A majority of respondents, accounting for 60.1%, reported that they have had to delay or cancel plans for expansion due to high taxes. This finding indicates that a significant portion of women-owned micro and small businesses have faced obstacles related to taxes when considering or pursuing growth opportunities.

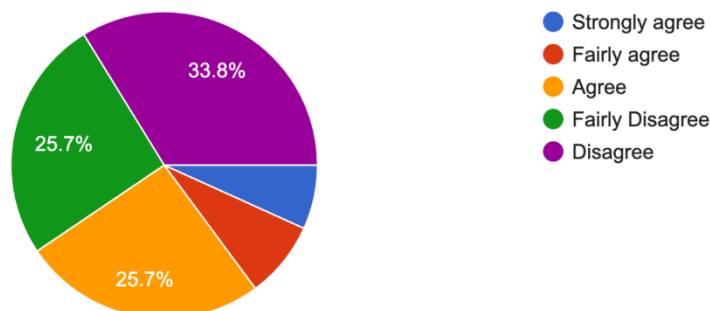
### Tax incentives or tax holidays impact your company's growth.

148 responses



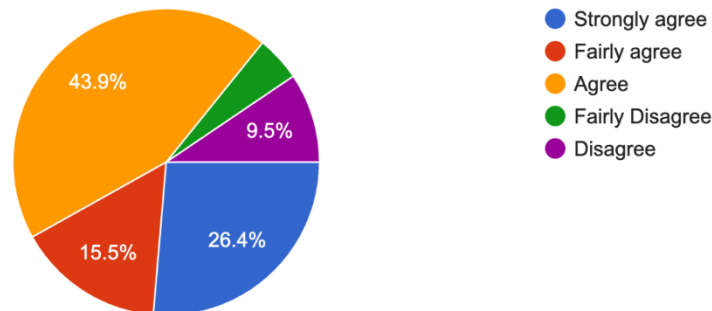
### The current tax system provides a fair and equitable environment for businesses of all sizes

148 responses



### Tax policies have a significant impact on your company's decision-making processes

148 responses



When asked about the impact of tax incentives or tax holidays on their company's growth, respondents provided the following distribution of answers:

- 15.5% strongly agree that tax incentives or tax holidays have a significant impact on their company's growth.
- 23% fairly agree with the statement.
- 37.2% agree that tax incentives or tax holidays influence their company's growth.
- 10.8% fairly disagree with the assertion.
- 13.5% disagree with the statement, suggesting that they do not believe tax incentives or tax holidays greatly affect their company's growth.

These responses indicate that a substantial percentage of women entrepreneurs perceive tax incentives and tax holidays as having a positive influence on their company's growth prospects. Average of 75.7% of the responded believe that tax holidays can be a catalyst that will help them achieve business growth and expansion through tax savings which would be reinvested.

Also, with regards to the fairness and equity of the current tax system for businesses of all sizes, respondents provided the following distribution of answers:

- 6.8% strongly agree that the current tax system is fair and equitable.
- 8.1% fairly agree with the statement.
- 25.7% agree that the current tax system provides fairness and equity.
- 25.7% fairly disagree with the assertion.
- 33.8% disagree with the statement, suggesting that they do not believe the tax system is fair and equitable for businesses of all sizes.

These responses reveal mixed opinions about the fairness and equity of the tax system, with a notable percentage expressing disagreement with the idea that it provides a level playing field for businesses of various sizes.

Finally, when asked about the impact of tax policies on their company's decision-making processes, respondents provided the following distribution of answers:

- 26.4% strongly agree that tax policies have a significant impact on their company's decision-making processes.
- 15.5% fairly agree with the statement.
- 43.9% agree that tax policies influence their company's decision-making.
- 4.7% fairly disagree with the assertion.
- 9.5% disagree with the statement, suggesting that they do not believe tax policies play a significant role in their decision-making processes.

These responses highlight that a substantial majority of women entrepreneurs believe that tax policies have a significant impact on their business decision-making, underscoring the importance of tax policy considerations in shaping business strategies and operations.

## 6.0. Conclusions and Recommendations

This survey investigating the impact of taxes on women-owned micro and small businesses has provided valuable insights into the experiences, perceptions, and challenges faced by women entrepreneurs in Ghana's business landscape. The findings shed light on various aspects of taxation, compliance, and the role of tax policies in shaping the growth and decision-making of these businesses. The research found out that, women in business face enormous challenges with respect to tax as their business is concerned. They find taxes imposed on their business being so high, having significant negative impact on tier profitability and ability to reinvest to expand their businesses. For this reason, we noted that, significant number of businesses have a very small size.

It is interesting to note that significant number of women in business are aware of GRA and their work, however, the level of education regarding the various tax handles is low. Women in business seem not to find taxes paid being usefully applied in the country/economy and therefore not motivated to comply with taxes. This culminated with high motivation to protect the meager profit through tax evasion and avoidance schemes have resulted low compliance rate among women.

- a. From the various interviews conducted, administration of questionnaire and discussions with respondents as well as review of literature, tax situation of women in business would be improve if the GRA increases tax education at the informal sector where significant activists are women.
- b. Reduce tax rates especially VAT rates to help reduce the cost of business to women.
- c. Government should provide special tax incentive through tax holidays and exemptions to women entrepreneurs to reduce the negative impact on their business. This incentive should be tied to compliance to enable Government to achieve a dual purpose.
- d. To help women in the informal sector to be compliant, GRA should set up a special desk for women by providing free of charge tax advisory and support services to women who cannot afford professional services. This will eliminate the challenges of women who have intension to be compliant but are unable to do so due to either the cost of professional service or know-how.



# APPENDIX 1

## QUESTIONNAIRE

### Women-Owned Micro and Small Business; Taxation Survey

Participate in our online survey investigating the impact of taxes on women-owned micro and small businesses. Help us understand the tax burden faced by women entrepreneurs and their compliance with tax laws. This questionnaire will be distributed to women-owned businesses across various industries. Your responses will remain confidential and contribute to informed policy decisions. Start the survey now and make a difference in supporting women entrepreneurs.

#### Demographic Data

1. What is your gender?
  - a. Male
  - b. Female
2. What is your age?
  - a. 20 and below
  - b. [31–35]
  - c. [36–40]
  - d. [41–45]
  - e. [46–50]
  - f. above 50
3. What response best describes your level of education?
  - a. no formal education
  - b. Senior High School
  - c. Diploma
  - d. Bachelor's degree
  - e. Masters and above
4. What is the type of your business?
  - a. Sole proprietorship
  - b. Partnership
  - c. Company
5. Is your business registered?
  - a. Yes
  - b. No
6. What is your annual business revenue range? Amounts in GHS
  - a. Below 50,000
  - b. 50,000 to 100,000
  - c. 100,000 to 150,000
  - d. Above 150,000
7. What industry are you in?
  - a. Retail
  - b. Manufacturing
  - c. Wholesale
  - d. Agricultural
  - e. Service provision
8. How long has your business been in operation?
  - a. Below 2 years
  - b. 2 to 5 years
  - c. 5 to 10 years
  - d. Above 10 years

**9. How was your initial start-up funded?**

- a. personal savings
- b. bank loan
- c. gift
- d. inheritance

**TAX AWARENESS**

**10. Do you know about Ghana Revenue Authority?**

- a. Yes
- b. No

**11. If YES, how did you know Ghana Revenue Authority?**

- a. Media
- b. public announcement
- c. friend
- d. GRA visit premises.

**12. Do you know the work the GRA do?**

- a. Yes
- b. No

**13. Are you a registered taxpayer?**

- a. Yes
- b. No

**14. If No, why**

- a. It is not compulsory.
- b. Don't understand the tax system.
- c. Don't see the benefit of taxes collected.
- d. Don't know the appropriate means of registration.
- e. Don't want the GRA to be on my neck.

**15. Why did you register as a taxpayer?**

- a. Enforced by GRA
- b. Advised by a professional.
- c. Required by law.
- d. Voluntarily

- e. Needed a tax clearance certificate from the GRA.

**16. Do you keep proper accounting records?**

- a. Yes
- b. No

**If NO, why**

- a. Can't afford an accountant or bookkeeper.
- b. Complex accounting principles and standard
- c. Small volume of business transactions
- d. No mandatory

**TAX BURDEN**

**17. Do you find taxes imposed on your business high?**

- a. Yes
- b. No

**18. Over the last 12 months have you had any issues with the GRA?**

- a. Yes
- b. No

**19. Over the last 12 months did you encounter the following?**

- I. Difficulty in paying your taxes on time?
  - a. Yes
  - b. No

**If YES, why?**

- a. Temporary cash-flow problems
- b. Locked up funds in investment.
- c. Encountered personal financial challenges.
- II. Difficulty in paying your taxes in full?
  - a. YES
  - b. NO

If YES, why?

- a. Temporary cash-flow problems
- b. Locked up funds in investment.
- c. Encountered personal financial challenges.

20. What tax(es) do you find most difficult to comply with?

- a. VAT
- b. Withholding Taxes
- c. Corporate Income Taxes
- d. Capital Gain Taxes
- e. PAYE

21. Why do you avoid/evade taxes?

- a. It makes my business unprofitable.
- b. To increase my business profit
- c. To recover business losses
- d. Taxes take up a significant part of my business profit.

### ***Views on tax policies and regulations***

22. How do you get information about changes in tax laws and regulations?

- a. GRA public announcement
- b. Social Media
- c. Television/Radio

23. There is enough public consultation and education on new tax policies and regulations.

- a. Strongly agree
- b. Fairly agree
- c. Agree
- d. Disagree
- e. Fairly Disagree
- f. Disagree.

24. Have you ever confronted a tax official on any business tax policies and regulations you think it's difficult to comply with?

- a. Yes
- b. No

25. Tax regulations and policies are made in simple language for easy understanding.

- a. Strongly agree
- b. Fairly agree
- c. Agree
- d. Disagree
- e. Fairly Disagree
- f. Disagree.

### ***Impact of taxes on your business profitability and growth***

26. Taxes greatly reduce your company's ability to invest in growth opportunities.

- a. Strongly agree
- b. Fairly agree
- c. Agree
- d. Disagree
- e. Fairly Disagree
- f. Disagree.

27. Have you ever had to delay or cancel plans for expansion due to high taxes?

- a. Yes
- b. No

28. Tax incentives or tax holidays impact your company's growth.

- a. Strongly agree
- b. Fairly agree
- c. Agree
- d. Disagree
- e. Fairly Disagree
- f. Disagree.



**29. The current tax system provides a fair and equitable environment for businesses of all sizes.**

- a. Strongly agree
- b. Fairly agree
- c. Agree
- d. Disagree
- e. Fairly Disagree
- f. Disagree.

**30. Tax policies have a significant impact on your company's decision-making processes.**

- a. Strongly agree
- b. Fairly agree
- c. Agree
- d. Disagree
- e. Fairly Disagree
- f. Disagree.

# APPENDIX 2

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