

Assessing the Performance of Ghana Revenue Authority in Tax Revenue Mobilization

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Abstract: Every government relies on tax revenue as the main source of finance for its expenditure. The Ghana Revenue Authority (GRA) is a legal body mandated by the Ghana Revenue Authority Act, 2009 (Act 791) to mobilize tax revenue from both direct and indirect source. The study is a quantitative research that sought to evaluate the efficiency of tax revenue mobilization by Ghana Revenue Authority (GRA). Financial data were downloaded from the website of Ghana Revenue Authority (GRA) and Controller & Accountant General Department (CAGD) over a five (5) years period (2010 to 2014). Microsoft Excel (Ms-Excel) was used to compute efficiency rate ($\frac{\text{total tax revenue}}{\text{total revenue}}$), importance rate (total tax revenue divided by total revenue), and effectiveness rate (deviation of actual tax revenue from budgeted tax revenue). The study findings revealed that efficiency rate was 97%; 97%; 99.36%; 96.36% and 97.07% for each respective fiscal year (2010, 2011, 2012, 2013, and 2014). The importance rate was 70.47%; 80.18%; 84.35; 83.61%; and 80.53% for each respective fiscal year (2010, 2011, 2012, 2013, and 2014). Effectiveness level was 77.48%; 84.73%; 75.89%; 61.91; and 72.02%. It is therefore recommended strategies to enhance efficiency and boost revenue mobilization. GRA should engage in capacity building exercise, motivate their tax collection officers, collaborate with stakeholders, educate the public on the need to pay tax, and support tax collection officers with logistics to boost tax revenue.

Keywords: Performance, Ghana Revenue Authority, Tax revenue mobilization, etc

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I. Introduction

Developing nations are plagued with insufficient revenue to finance their expenditure and budget deficit. Tax revenue which constitutes the main stream of revenue for governments is often under-mobilized by government of developing countries. International Monetary Fund (2011) observed key challenges confronting developing countries in their tax revenue mobilization efforts. Key issues such as tax non compliance, hard to tax sectors (SMEs, stated owned enterprises, etc), weak revenue administrations, and tax evasion and avoidance obstruct state revenue institutions in their effort to mobilize tax revenue for the government.

In Ghana, the Ghana Revenue Authority Act, 2009 (Act 791) mandates the establishment of the Ghana Revenue Authority as a legal entity that is responsible for mobilizing tax revenue on behalf of the Government of Ghana. However, an observation of the national budget since independence shows a chronic budget deficit. The insufficiency of mobilized revenue against government expenditure has called into the question the effectiveness and efficiency of the state revenue generation institutions. Tax revenue constituting the major chunk of government revenue, the Ghana Revenue Authority is the focus for scrutiny and accountability. The study undertakes a quantitative assessment of the performance of Ghana Revenue Authority (GRA) in its tax revenue generating efforts.

The research questions are:

1. What is the percentage variation of actual tax revenue from budgeted tax revenue of Ghana Revenue Authority?
2. How efficient and effective is Ghana Revenue Authority (GRA) in mobilizing tax revenue?

II. Research Methodology

2.1 Research Design

The study is based on a quantitative research design to evaluate the performance of Ghana Revenue Authority (GRA).

2.2 Sources of Data

Two sources of data are often distinguished in literature. These are primary and secondary data. The primary data are obtained from first hand unpublished data from study survey whilst the secondary data are obtained from already published sources in the form of annual reports, industry reports, statistical data, academic journals and other internet sourced materials. Whilst the secondary data help in assessing the extent to which existing empirical works have addressed the research gap, the primary data sought to provide current evidence on the area of research.

Data for the study were gathered from secondary source. This includes published financial reports by Ghana Revenue Authority and public accounts of the Consolidated Funds by the Controller and Accountant General Department (CAGD) from 2010 to 2014. Other secondary sources are tax revenue report, economic data, and government expenditure published by the Ministry of Finance and Economic Planning.

2.3 Data Analysis

Statistical software such as Microsoft Excel (MS Excel) was used to compute percentage changes, mean score, and standard deviation. Also performance measures such as efficiency ratio, importance, and effectiveness ratio were computed. Quantitative methods of investigations were employed in the analysis and interpretation of data for the study. Based on the analysis and their interpretations, conclusions were drawn and recommendations given.

II. Data Analysis And Interpretation

In this section, the performance measures and analysis of Ghana Revenue Authority (GRA) is presented. Table 1a, 2a, and 3a shows five year trend of revenue and expenditure of GRA from 2010 to 2014. The actual tax revenue generated is shown against the budgeted tax revenue. Table 1b, 2b, 3b shows the performance measures in terms of efficiency and effectiveness of GRA in generating revenue.

Table 4.1b shows the performance measures for the fiscal year 2010 and 2011. Efficiency is a measure of tax revenue relative to tax expenditure. Efficiency rate was 97% each for 2010 and 2011. This signifies that only 3% of total tax revenue was incurred as expenditure for mobilizing tax revenue during the fiscal year 2010 and 2011. Importance is a measure of total tax revenue divided by total revenue. The importance rate was 70.47% for 2010 and 80.18% for 2011. This signifies that tax revenue constitute 70.47% and 80.18% respectively of total revenue generated in 2010 and 2011. Effectiveness is a measure of deviation of actual tax revenue from budgeted tax revenue. Effectiveness level was 77.48% for 2010 and 84.73% for 2011. This signifies that GRA was able to meet its tax revenue target by 77.48% and 84.73% respectively for 2010 and 2011.

Table 1a: Five Year Trend Analysis of Revenue and Expenditure

REVENUE	2010		2011	
	Actual	Budgeted	Actual	Budgeted
Direct Taxes	2,381,835,726		3,738,761,323	
Indirect Taxes	2,322,969,061		3,485,971,516	
TOTAL TAX REVENUES	4,704,804,787	6,072,200,000	7,224,732,839	8,527,100,000
Non - Tax Revenue	524,250,412		693,983,781	
Grant	1,446,941,452		1,092,102,947	
Total	6,675,996,651		9,010,819,567	
EXPENDITURE				
GRA Expenditures	141,144,144		216,741,985	

Source: Public Accounts (2010, 2011, 2012, 2013, 2014)

Table 1b: Performance Measures

		2010	2011
NET RETURNS		4,563,660,643	7,007,990,854
EFFICIENCY	$(\text{Tax Revenues} - \text{Tax Expenditures}) \times 100$ Tax Revenue	97%	97%
IMPORTANCE	Tax Revenue x 100 Total Revenue	70.47%	80.18%
EFFECTIVENESS	Actual Revenue x 100 Budgeted Revenue	77.48%	84.73%

Source: Author's Analysis (2016)

Table 4.2b shows the performance measures for the fiscal year 2012 and 2013. Efficiency is a measure of tax revenue relative to tax expenditure. Efficiency rate was 99.36% for 2012 and 96.36% for 2011. This signifies that 0.64% and 3.64% of total tax revenue was incurred as expenditure for mobilizing tax revenue respectively for the fiscal year 2012 and 2013. Importance is a measure of total tax revenue divided by total revenue. The importance rate was 84.35% for 2012 and 83.61% for 2013. This signifies that tax revenue constitute 84.35% and 83.61% respectively of total revenue generated in 2012 and 2013. Effectiveness is a measure of deviation of actual tax revenue from budgeted tax revenue. Effectiveness level was 75.89% for 2012 and 61.91% for 2013. This signifies that GRA was able to meet its tax revenue target by 75.89% and 61.91% respectively for 2012 and 2013.

Table 2a: Five Year Trend Analysis of Revenue and Expenditure

	2012		2013	
	Actual	Budgeted	Actual	Budgeted
REVENUE:				
Direct Taxes	5,408,491,338		5,136,451,308	
Indirect Taxes	4,140,962,193		5,444,605,856	
TOTAL TAX REVENUES	9,549,453,531	12,584,100,000	10,581,057,164	17,090,800,000
Non - Tax Revenue	904,706,594		1,290,799,132	
Grant	866,533,068		784,080,081	
Total	11,320,693,194		12,655,936,377	
EXPENDITURE:				
GRA Expenditures	61,249,743		384,678,009	

Source: Public Accounts (2010, 2011, 2012, 2013, 2014)

Table 2b: Performance Measures

		2012	2013
NET RETURNS		9,488,203,788	10,196,379,155
EFFICIENCY	(Tax Revenues - Tax Expenditures) x 100 Tax Revenue	99.36%	96.36%
IMPORTANCE	Tax Revenue x 100 Total Revenue	84.35%	83.61%
EFFECTIVENESS	Actual Revenue x 100 Budgeted Revenue	75.89%	61.91%

Source: Author's Analysis (2016)

Table 4.3b shows the performance measures for the fiscal year 2012 and 2013. Efficiency is a measure of tax revenue relative to tax expenditure. Efficiency rate was 97.07% for 2014 and averaging 97.358%. This signifies that 2.93% and 2.642% of total tax revenue was incurred as expenditure for mobilizing tax revenue respectively for the fiscal year 2014 and on average. Importance is a measure of total tax revenue divided by total revenue. The importance rate was 80.53% for 2014 and averaging 79.828% over the 5 years period. This signifies that tax revenue constitute 80.53% and 79.828% respectively of total revenue generated in 2014 and on average. Effectiveness is a measure of deviation of actual tax revenue from budgeted tax revenue. Effectiveness level was 72.07% for 2014 and averaging 74.416% over the five years period. This signifies that GRA was able to meet its tax revenue target by 72.07% and 74.416% respectively for 2014 and on average over the five years period.

Table 3a: Five Year Trend Analysis of Revenue and Expenditure

	2014	
	Actual	Budgeted
REVENUE:		
Direct Taxes	7,024,573,751	
Indirect Taxes	7,236,689,757	
TOTAL TAX REVENUES	14,261,263,508	19,788,590,000
Non - Tax Revenue	2,451,902,748	
Grant	995,626,782	
Total	17,708,793,039	
EXPENDITURE:		
GRA Expenditures	417,539,670	

Source: Public Accounts (2010, 2011, 2012, 2013, 2014)

Table 3b: Performance Measures

NET RETURNS		2014 13,843,723,838	AVERAGES
EFFICIENCY	$(\text{Tax Revenues} - \text{Tax Expenditures}) \times 100$ Tax Revenue	97.07%	97.358%
IMPORTANCE	Tax Revenue x 100 Total Revenue	80.53%	79.828%
EFFECTIVENESS	Actual Revenue x 100 Budgeted Revenue	72.07%	74.416%

Source: Author's Analysis (2016)

III. Conclusion and Recommendation

The study highlighted that effective revenue mobilization is essential because of the increased pressure on public expenditures. The study's assessment of the efficiency in public services more generally and in public spending in particular shows gross inefficiencies. Clearly, there is a significant potential for increased inefficiency in public spending. Such inefficiency may be reduced either by raising outputs for a given amount of public spending or by reducing the inputs required to obtain a given amount of output. This latter option would allow cutting public expenditures.

In view of the findings of the research the following were recommended:

Capacity Building: More tax officials should be employed to augment the staff strength of GRA. Also, training and re-training of tax official in modern trends of tax assessment is key. Therefore tax official should be well equipped in the area of tax education programmes..

Logistical Support: Tax officials should be provided with the requisite logistics for efficient and effective discharge of their duties. The tax system should be computerized to bring efficiency in the tax administration and a reduction in the cost of tax collection in the district in terms of time and personnel to be employed.

Regular Tax Education and Advertisement: There should be regular tax education for the general public using both the electronic and print media. Billboards should be mounted at vantage points in the district to educate the public about the importance of taxation. The IRS should organize seminars to teach tax payers basic bookkeeping principles. This will enable them submit accounts for fair assessments.

Motivation of Tax Officials: The tax officers should be effectively motivated at various levels like high salary, high end of service benefit, end of year bonus, housing and car loans payable in at least 10 years period.

Reward System: A reward system should be initiated whereby the best small tax payers at the district levels would be awarded annually as in the case of farmers, teachers, health workers among others. This will serve as incentive for tax compliance among the small taxpayers.

Collaboration: The GRA should collaborate with other institutions, for example, the assemblies to get information on potential tax payers since no person can operate business without license from the assemblies.

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