



Journal Homepage: -www.journalijar.com

INTERNATIONAL JOURNAL OF ADVANCED RESEARCH (IJAR)

Article DOI:10.21474/IJAR01/11006

DOI URL: <http://dx.doi.org/10.21474/IJAR01/11006>



RESEARCH ARTICLE

WITHHOLDING TAX KNOWLEDGE AND SUPPLY PRICING: PERSPECTIVE OF SUPPLIERS IN THE CAPE COAST METROPOLIS

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Manuscript Info

Manuscript History

Received: 14 March 2020

Final Accepted: 16 April 2020

Published: May 2020

Key words:-

Withholding Tax, Tax Knowledge and
Supply Pricing

Abstract

This paper explored the relevant knowledge of suppliers about withholding tax (WHT) system in Ghana and the implication on supply pricing. The study was conceived from the fact that procurement cost of government institutions are often higher than private institutions. Therefore, the paper sought to explore some of the possible causes from the perspective of withholding tax enforcement. The paper followed qualitative approach and exploratory design using data from suppliers in metropolis. The structure of the study featured two themes: suppliers' knowledge of WHT and implications of WHT on supply pricing. It was found that the suppliers' generally have very low knowledge about WHT in Ghana. It was further revealed that suppliers compensate the WHT deduction by increasing their prices especially when supplying to Government institutions. It is recommended that tax education especially on WHT should be intensified by the Ghana Revenue Authority. The WHT agents are advised to educate their suppliers. GRA should also make the effect of WHT deduction on suppliers' tax affairs transparent to them so that they would not assume that they are paying the tax twice. This could minimise the urge to increase pricing due to the WHT.

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Introduction:-

Taxation is fundamental for national development. It provides a stable flow of revenue to finance development priorities, such as strengthening physical infrastructure. It is also interlinked with many other policy areas including good governance, formalisation of economies, stimulation of growth as well as expedition of government fiscal obligations (Almunia & Lopez-Rodriguez, 2018; Almunia, Liu, Lockwood & Tam, 2019; Bachas & Soto Rodríguez, 2016; Besley, Jensen & Persson, 2019). In most advanced countries, expectation in tax revenue is the basis upon which governments annual budgets are drawn. The implication is that, effective and efficient mobilisation of tax revenue dictates the pace for all politico-socio-economic developments.

The case is not different in developing countries in parts of Asia and Africa including Ghana. (Bachas & Soto Rodríguez, 2016; Debrah & Yeboah, 2016). Although, expectations of aids and grants runs through governments budget in developing countries, considerable amount of revenue for government expenditure comes from tax revenue mobilisation (Debrah & Yeboah, 2016). In fact, reports from the Organisation for Economic Co-operation and Development (OECD) and the World Bank have shown that taxes in Africa constitute a greater portion of

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government revenues (OECD, 2018; World Bank, 2019). This means that tax revenues remain one of the most reliable and sustainable sources of funding to the government, unlike aids and grants.

In spite of the significant contribution of tax to national developments, taxation in developing countries like Ghana still remains a challenge, thus, attracting increasing attention in the last two decade (Almunia, & Lopez-Rodriguez, 2018; Sakoe, & Asare, 2015). Some of the notable challenges include poor and low capacity of tax administration, failing to collect sufficient tax revenues, absence of horizontal and vertical structural integration, inefficient monitoring and vague tax education (Almunia, & Lopez-Rodriguez, 2018; Debrah & Yeboah, 2016; Sakoe, & Asare, 2015). Till date, the contribution of tax to the GDP growth is still low (14.1%) in Ghana as compared to the average ratio of 19.7% in Africa (Amboko, 2017; Opoku, 2016). To expand tax mobilisation, Ghana aspires to achieve tax to GDP ratio of 18% by 2023 (Andoh, Osoro, & Luvanda, 2019). To meet this tax revenue target, various tax systems and schemes have been introduced by the tax authorities to widen the tax net in order to capture vast majority of people in the informal sector. Some of these include, mandatory filing of tax by small and medium scale enterprises to the Ghana Revenue Authority (GRA) and the introduction of tax stamp (Hope, 2019). One other tax scheme aimed at widening the tax net and ensuring the inclusion of entities in the informal sector is the introduction of withholding tax.

In the typical withholding tax scheme, the payer in a transaction withholds tax from the payee, remitting the deducted tax to the government as an advance tax payment for the payee (Best, Brockmeyer, Kleven, Spinnewijn, & Waseem, 2015; Sakoe, & Asare, 2015). The payer who could be described as the withholding agent can be a state agency, financial institution, or another firm. This withholding tax is made to the government by the agent (employer, financial institution, corporate firms) on behalf of the payee. The Income Tax Act, 2015 (Act 896) in Ghana regulated by the Ghana Revenue Authority (GRA), stipulates that corporate bodies, employers and all other institutions both within the formal and informal sectors withhold a percentage of monies paid for services as tax (Oppong, & James, 2016). The act categorically indicates that resident person other than an individual, shall withhold tax on the gross amount of a payment at the rate provided for in the first schedule when the person makes a payment to another resident person for the supply or use of goods, the provision of any works, or the supply of services, in respect of a contract between the payee and the resident person, where the contract exceeds 2,000 currency points (Amboko, 2017; Opoku, 2016). This implies that, officers in organisations and other business institutions are required to deduct a percentage of amount paid to suppliers of goods and other materials as withholding tax.

In spite of the fact that withholding tax (WHT) has been key part of the Ghana tax system, there are still challenges with regard to its operation and administration among tax payers. Some suppliers often have confrontation with their customers in respect of the deduction of the WHT (Takumah, & Iyke, 2017). Although withholding tax agents try to implement the requirements of the scheme, it is believed that the needed level of knowledge on it has not adequately been transferred to suppliers. For instance, it is perceived that to compensate for the foreseeable deduction, most of these suppliers increase the cost of products exponentially (Amboko, 2017; Opoku, 2016; Takumah, & Iyke, 2017). This attitude of suppliers toward WHT is believed to be influenced by their low level of knowledge on the withholding tax scheme. According to Ameyaw, Korang, Twum and Asante, (2016), if knowledge on tax is low, attitude would also be negative. Other studies have also found that public education increases knowledge on tax scheme and considerably improves compliance (Abdul-Razak, & Adafula, 2013; Nsor-Ambala, 2015; Asante & Baba, 2011; Oppong & James, 2016; Sakoe & Asare, 2015). These studies illustrate that the behaviour of suppliers towards withholding tax could be attributed to level of knowledge and entrenched attitude.

However, there is dearth of tax literature on withholding tax in Ghana. Most studies have focused their attention on determinant of tax revenue, increasing the tax net and efficient tax revenue mobilisation (Abdul-Razak, & Adafula, 2013; Asante & Baba, 2011; Oppong & James, 2016). The focus of this paper is therefore to examine the knowledge of withholding tax system and procurement pricing. The study throws more light on the knowledge and attitude of suppliers in the Cape Coast metropolis towards withholding tax. The results provide empirical evidence on behaviour of suppliers towards WHT system in the metropolis and reflection on procurement pricing.

Literature Review:-

This section deals with theoretical and empirical foundations that support the study. The theoretical provides assumptions upon which the study variables are built. The empirical review discusses ongoing debate in taxation and explains how the current study contributes to enrich the debate.

Theoretical Review:

Theoretical review is fundamental for this study. The theoretical framework provides assumptions that underline the various concepts of the study. The assumptions of these theories help explain how pricing of goods and other materials by suppliers is influenced by their knowledge and attitude towards withholding tax administration.

Norm Theory:

The norms theory maintains that taxpayers are swayed to comply with tax obligations by psychological factors (Takumah&Iyke, 2017). These factors focus primarily on the taxpayers' knowledge level, attitude/ethics and the perceived equity or fairness of the tax system (Besley, et al 2019;). This theory suggests that with adequate knowledge and right attitude a taxpayer may comply even when the probability of detection is low. This implies that changing individual attitudes towards tax systems and increasing their knowledge level is the key to increasing compliance levels. The assumption of the norm theory implies that for the suppliers to accept and comply with withholding tax scheme, more is expected from the tax administrators. Tax administrators are required to tune the attitude of taxpayers (suppliers) from non-compliance to compliance through evidence of tax equity and fairness. Additionally, tax administrators are required to provide adequate information through tax education to taxpayers. This will increase their knowledge and ensure smooth compliance. The implications of the assumptions of the theory provide theoretical justification that adequate knowledge on tax and for that matter withholding tax is fundamental basis for smooth compliance

Prior studies have supported this theoretical justification by concluding that compliance could be influenced by educating taxpayers of their social responsibilities to pay and thus their intention would be to comply (Antwi, et al 2015; Mohamad Ali, Mustafa, & Asri, 2007). Abdul-Razak and Adafula, (2013) contend that knowledge about tax law is assumed to be important for preferences and attitudes toward taxation. As a behaviour problem, tax compliance depends on the cooperation of the public. There are greater gains in assisting compliant taxpayers meet their fiscal obligations rather than spending more resources pursuing the minority of non-compliers. The implication derived from the study of Abdul-Razak and Adafula, (2013) is that a successful means of reducing tax evasion is to provide more tax knowledge to as many taxpayers as possible in order to improve their tax ethics and perceptions of fairness and equity. Antwi, Inusah, and Hamza, (2015) also found that assisting tax payers by improving the flow and quality of information or educating them (eg. public sensitisation, TV campaigns) to becoming more responsible citizens has the potential to yield greater revenue than if it were spent on enforcement activities.

Juxtaposing, the theoretical justifications of the norm's theory to the current study, there is ample basis to believe that the misunderstanding that usually ensues between withholding tax agents and suppliers on withholding tax compliance could be attributed to lack of knowledge. If suppliers are well informed and knowledgeable about the withholding tax scheme, deduction from the actual amount to be received on goods sold would not come as a surprise. However, when suppliers have inaccurate information on the withholding tax schemes, most of them unleash their anger on withholding tax agents or resist compliance.

Institutional Theory:

The institutional theory posits that the success of schemes, policies and laws depend largely on supervisory institutions (Scott (1995). The assumptions of the theory are that for tax schemes and laws to be successful, the supervisory authorities (Ghana Revenue Authority) should play an integral role by ensuring proper public education and strict compliant measures. According to Scott (1995), organisations conform to institutional pressures for change because they are rewarded for doing so through increased legitimacy, resources and survival capabilities. The implication of the institutional theory on the current study is that, the role of the tax authority in reducing the tax gap and increasing voluntary compliance is clearly very important. Confirming the assumptions of the theory, Ameyaw and Dzaka, (2016) were of the view that government and the tax authority are the main party that needed to continuously and efficiently administer tax system through designing of good tax system and an efficient and effective enforcement and collection mechanism in order to minimise tax evasion. In order to achieve the overall purpose of any tax system, Ameyaw and Dzaka, (2016) indicated that tax education cannot be relegated since high level of knowledge on tax by taxpayers is an antecedent of effective tax system.

Additionally, Gbadago, and Awunyo-Vitor (2015) also suggested that in order to increase compliance, maximise tax revenue and be respected by taxpayers, a government must first have an economical tax system, which is practicable. It has been argued that simplifying tax returns and administration potentially could help taxpayers to complete their tax returns accurately and increase compliance (Asante & Baba, 2011). In addition, Silvani and Baer

(1997) added that simplifying the tax return will encourage taxpayers to complete the tax return on their own rather than employing a tax agent and thus reducing compliance costs

Almost all studies which have investigated tax administration using the institutional theory have also highlighted the importance of education. These authors argue that greater education is directly linked to a likelihood of compliance (Abdul-Razak, & Adafula, 2013; Ameyaw et al, 2016; Takumah, & Iyke, 2017). They argue that educated taxpayers may be aware of non-compliance opportunities, but their potentially better understanding of the tax system and their higher level of moral development promotes a more favourable taxpayer attitude and therefore greater compliance. Greater education potentially increases compliance, as educated taxpayers may be more aware of their responsibility as well as the sanctions to be imposed if they were not compliant with tax laws.

The two theories have given theoretical linkage between tax education, level of knowledge and attitude of taxpayers towards compliance of tax schemes and systems. The assumptions of the theories suggest that with accurate information to suppliers through education, level of knowledge on withholding tax would be increased. Moreover, from the theories, when knowledge level is increased, people's attitude toward compliance would be positive. The implication is that procurement pricing by suppliers is influenced by knowledge and attitude on withholding tax.

Empirical Review:

Similar to the current study, Sakoe and Asare, (2015) examined the challenges that small and medium enterprises (SMEs) encounter in complying with the provisions which deal with withholding tax issues, the effects of non-compliance with the tax laws and offer suggestions on viable ways of dealing with the challenges to minimise the effects on the SMEs. The study was conducted using the case study approach. Data was collected by administering open-ended questionnaires to business owners and accounts staff of the selected SMEs. The results of the study showed that some of the challenges that SMEs in Ghana encounter in complying with the provisions on withholding tax were inadequate knowledge of the tax laws in relation to withholding tax issues, deliberate failure of owners of SMEs to comply with the provisions of the tax laws, non – enforcement of the provisions of the withholding tax schemes by the tax authorities (GRA), failure of withholding agents to give the tax credits issued by the commissioner general of GRA to those from whom tax was withheld and impracticability of withholding tax on payment for certain goods and services. The finding implies that inadequate education is one of the problems that affect compliance within the context of withholding tax. Additionally, attitude of withholding tax agent becomes disingenuous to compliance.

In a related study, Kuug, (2016) sought to identify the factors that made SMEs comply with the tax laws with the aim of increasing voluntary tax compliance among these entities. A questionnaire was administered to gather data from respondents made up of 500 small taxpaying units and medium taxpaying units selected from 3 regions in the country. In addition to this, an interview guide was used to gather information from the management and staff of GRA. The results indicated that capital structure, compliance cost, tax rates, tax audits and morals of taxpayers significantly influenced tax compliance. The GRA also indicated that unions and associations of businesses could help increase voluntary tax compliance of SMEs. The study recommends among others that an in-depth interview is used in future studies to enable the researcher to interview owners and managers of SMEs on the factors that influence the tax compliance behaviour of these entities. Also, policy developers should endeavor to make tax systems less complex and less costly to encourage SMEs to comply with tax requirements. The current study follows the recommendation by Kuug, (2016) to conduct in-depth interviews to investigate what pushes these suppliers to comply with the payment of the withholding tax.

In another vein, Asare (2016) conducted a study to examine the reasons for the low level of tax collection as well as the challenges facing the Berekum District Domestic Tax Division in its quest to meet its revenue collection targets. The study also investigated the level of voluntary tax compliance in the Berekum Districts tax office. Questionnaires were administered to two hundred (200) taxpaying public and seven (7) tax experts. The study found that tax compliance is low in the Berekum tax District. Low tax education, inadequate resources and low staff motivation were identified as key reasons for the low compliance. Also, tax efficiency and effectiveness has not been attained. The study by Asare (2016) has reported, deficiencies in tax mobilisation and attributed low compliance to education. The current study expands the findings of Asare (2016) to examine how low education affects the attitude of taxpayers from the perspective of suppliers in the Cape Coast Metropolis.

In the Tamale Metropolis Wahabu, (2017) examines compliance with tax laws by suppliers. It is fixated on tax knowledge, factors of tax compliance; the measures tax authorities adopt to encourage tax compliance and the relationship between components of tax knowledge and tax compliance. In an attempt to fill a gap in research regarding tax compliance of suppliers in the Tamale Metropolis, the study adopted the descriptive survey and cross-sectional study design. A close-ended questionnaire was employed in gathering primary data for the study. The study was analysed using descriptive statistics and multiple regression. Findings from the study suggested that the tax knowledge of owners/managers is low and that major factors contributing to tax compliance among suppliers in the Tamale Metropolis include complexity of the tax laws, perception of government spending, profit level of businesses and the rate of tax. The study concludes that there is a significant relationship between tax knowledge and tax compliance. The implication of the study is that, to improve voluntary tax compliance, tax authorities should simplify the tax laws and provide adequate tax training and education to suppliers to enhance efficient tax collection. Suppliers should be encouraged to keep proper accounting records and file their tax returns promptly. Finally, promoting taxpayers' knowledge about awareness of offences and penalties could increase voluntary tax compliance by suppliers.

Essilfie-Afful (2018) examined tax evasion and its effects on the Ghanaian economy with evidence from Cape Coast Metropolis. The study revealed that most tax payers lack the fundamental knowledge on the tax payment process. It was again found that even though the level of evasion was high, there were no evidence of sanctions applied to anyone found culpable. It was revealed also that both categories respondents were very much aware that tax evasion reduces government revenue thereby affecting governments' ability to provide the citizenry with the needed infrastructural development. The study indicated that the GRA in the Metropolis should embark on tax education on payment processes, and the importance of tax to the national economy. The results imply that appropriate reviews of tax processes should be integrated into the entire tax system to encourage taxpayers' compliance. The GRA should in their attempt to profile businesses and individual tax payers, collaborate with Electricity Company of Ghana since ECG has a complete data of all commercial structures, to help them in their search for people liable to pay taxes.

Conceptual Review:

The study discusses some of the key concept or variables in the literature relating to tax and compliance. Some of these key concepts are withholding tax, knowledge and compliance as well as attitude towards compliance.

Withholding Tax Administration:

The Act under the provisions of the Income Tax Act, (Act 896) requires a resident person to withhold tax at the rate provided for in paragraph 8 of the First Schedule where that person pays a service fee with a source in Ghana to a resident individual-as fees or allowances, to a resident director, manager, trustee or board member of a company or trust, for part-time teaching, lecturing, examining, invigilating or supervising an examination; as an endorsement fee; as a commission to a resident lotto receiver or agent as a commission to a sales or canvassing agent; as a commission to an insurance sales or canvassing agent; for any other supply of services or for any other matter as may be prescribed by Regulation; This provision requires all resident persons whether a company, trust, partnership or any firm to withhold tax on payment of a service fee with a source in the country to a resident individual (Atuahene, et al, 2018).

Additionally, the Act requires Withholding from the supply or use of goods, the supply of service or the supply of works. A resident person other than an individual, shall withhold tax on the gross amount of a payment at the rate provided for in the first schedule when the person makes a payment to another resident person for the supply or use of Goods the provision of any works, or the supply of Services, in respect of a contract between the payee and the resident person, where the contract exceeds 2,000 currency points.

Tax Knowledge and Tax Compliance:

The level of tax knowledge is of importance to the way people understand the reality underlying taxation and the associated attitude to taxation that is expressed (Wahabu, 2017). Education attainment is an important determinant of tax evasion (Asare, 2016). It usually relates to a taxpayer's ability to understand and comply or not comply with tax laws (Seidu, et al, 2015). Enhancing the level of general fiscal knowledge may lead to improving tax compliance because of more perceptions about taxation. Increase knowledge of tax evasion opportunities has a negative influence on tax compliance as it assists non-compliance (Mukasa, 2011).

The influences of tax knowledge on tax compliance behaviour of taxpayers have been proven in prior researches (Mohamad, Mustafa & Asri, 2014). It has been argued by Kuug, (2016) that education has two elements: the general degree of fiscal knowledge and the specific degree of knowledge regarding tax evasion opportunities. Similarly, Trawule (2017) divided tax knowledge into two aspects namely: knowledge through formal education in pursuing a course and knowledge specifically directed towards possible opportunities to evade tax. The general knowledge received by taxpayers is a key factor that contributes to the general understanding of tax laws and regulations (Takumah, & Iyke, 2017). Similarly, majority of studies examining the impact of education on tax evasion use taxpayers' general education level as the approach to measure attitude towards tax evasion (Essilfie-Afful, 2018). According to Asamoah-Mensah, (2016) high tax knowledge is assumed to lead to higher compliance.

Methodology:-

The study examines withholding tax administration and procurement pricing from the perspective of suppliers in the Cape Coast Metropolis. The study adopts qualitative approach and exploratory design. The qualitative approach according to Creswell, (2009) is appropriate when a study seeks to give priority to target audiences, their culture or situation and involves direct interaction with respondents. On the other hand, the exploratory design makes it possible to collect information by interviewing or administering a questionnaire to a sample of individuals. It is applicable in collecting data about people's attitudes, opinions, habits, education and social issues. The current study uses, qualitative analysis where interviews are primarily used in the data collection.

Population and Sampling:

The target population is the suppliers within Cape Coast Metropolis. The study selects 20 suppliers for the investigation using purposive sampling. Hennink, Hutter and Bailey, (2020), qualitative survey through interviews do not require large sample size. The basis for the sampling is that the supplier should have registered and make supplies to governmental institutions within the metropolis.

Research instrument:

The study used primary data source. This primary data is sourced using interview with the participants. Interview is a two-way conversation method which permits an exchange of ideas and information (Harvey, 2015). According to Sidhu (2015), the use of interview involves collection of data through direct verbal interaction between the interviewee and interviewer. Interviews require the actual physical proximity of the two or more people involved. In this study, the semi-structured interview was used to gather data for the study.

Data analysis:

The study uses content analysis from literature and thematic analysis from the interviews to analyse and discuss the gathered information. According to Besley, et al (2019), content and thematic data analysis procedure follows some process. The authors indicated that the process begins with repeated and comprehensive reading of all relevant text data. This gives the reader a good understanding of the entire content of the information. After carefully reading the text, codes are developed from the various text. After the codes have been developed, these codes are sorted into categories based on similarities between them. After the categorisation, data is reduced into meaningful themes based on the research questions. These themes thus form the basis for answering the research questions. The current study follows similar processes in answering the research questions.

Results and Discussion:-

Out of the total sampled size of 20 scheduled to have participated in the interview for data gathering, 17 actually participated. The implication is that the turn-out for data collection was 80%. This response rate is above 70% which is referred to as very good according to Kothari (2007). The responses from the participants are presented and discussed in the paragraphs to follow.

What is the level of knowledge on Withholding tax by suppliers in the Cape Coast metropolis?

The first research question was on the knowledge of suppliers on withholding tax. From the literature, it was observed that knowledge on tax is antecedent to compliance. The responses revealed that almost all the participants have never heard of the concept of withholding tax. Although all the participants were aware of tax and the need to file monthly and annual tax returns to the GRA, the modus operandi of withholding tax was alien to the participating suppliers. One of the participants indicated that

“.....yes! for monthly tax returns and annual declaration to the GRA am fully aware and regularly do it. However, some of the government institutions I supply goods to sometime reduce my payment. They say they have to deduct and pay to GRA as tax.....meanwhile I have been paying my taxes.....This is quite confusing” (PT # 4)

Another participant revealed total ignorance about the withholding tax. The participant stated as follows”

“.....Really, I have never heard of anything like that. Well I usually see such deduction on my payment but since I supply my product to the assembly, I perceived it was a deduction for the development of the metropolis” (PT # 6). Another participant stated that

“I once overheard the accountant at one of my customers’ office making remarks on something [Withholding tax]like that but I was not properly briefed on it.....these deductions have also affected my dealings with them.....I treat my supplies to the assembly differently” (PT # 9). Similar sentiments were expressed by PT #7, # 2, # 13 and # 10

Some few participants also showed that they have some basic knowledge of the WHT and therefore aware of the deductions. However, they were not aware of the threshold for deductions and the rate of deductions.

“.....I am currently aware of the deduction through practice.....Initially, I used to fight with the accountant about the deduction.....No matter how hard I tried to stop the accountant, the accountant has his way.....” (PT # 1). It was also found that “My accountant has briefed me on the WHT.....but I don’t think what he said is what is happening.....despite the WHT deduction, my payment of tax to GRA has not changed”(PT # 19).

Other participants indicated some level of knowledge through practice. They learnt after the customers make the deductions after supplies are made (PT#11; #6; #15 and #20)

In addition to the general knowledge on the existence of the withholding tax, participants were asked of their awareness of withholding tax certificate. The results revealed that, the withholding tax agents have not given any withholding tax certificate to the suppliers. One of the participants indicated:

“I have never been given any withholding tax certificate to be added to my annual tax fillings” (PT # 7)

Another stated in surprise

“Like seriously..... Well deductions are often made from the actual amount I have to receive. However, I am not aware that there is any certificate of such sort.anyway no tax certificate in that name [withholding] have ever been given to me” (PT # 11).

The findings on knowledge of withholding tax by supplier within the metropolis have revealed two important things. The first finding is that there is low level of knowledge on the withholding tax scheme as far as suppliers are concerned. The second finding is that, though withholding tax agents deduct these taxes, such monies do not get to the tax authorities since certificate are not issued to the suppliers for reclaim when filling their annual tax returns. This underscores the concept of transparency which makes it difficult for taxpayers to comply with tax schemes.

The finding is supported by the tenets of the norm theory. The norms theory assumes that compliance could be influenced by educating taxpayers of their social responsibilities to pay and thus their intention would be to comply (Antwi, et al 2015; Mohamad Ali, Mustafa, & Asri, 2007). From the results, it could be observed that if suppliers were to be more knowledgeable on withholding tax, most of them would have insisted on withholding tax certificate. The findings are consistent with that of The Abdul-Razak and Adafula, (2013) who contended that knowledge about tax law is assumed to be important for preferences and attitudes toward taxation. The implication is that being a behavior problem, tax compliance depends on the cooperation of the public and such mass education is needed to get people sensitized on tax schemes. The norm theory suggests that there are greater gains in assisting compliant taxpayers meet their fiscal obligations rather than spending more resources pursuing the minority of non-compliers. Consistent with the study findings, the implication derived from this suggestion is that a successful means ensuring good tax schemes is to provide more tax knowledge to as many taxpayers as possible in order to improve their tax ethics and perceptions. If this were done, suppliers would have received their certificate which would then translate to withholding tax agents sending deducted tax to the tax authorities.

Empirically, the importance of tax education to the overall compliance to tax schemes have been found by Awunyo-Vitor and Mbawuni, (2015), Asare, (2016) Asamoah–Mensah (2016). Wahabu (2017). All these authors revealed that with the implementation of public education on tax schemes, knowledge level of taxpayers will be high, thereby increasing compliance.

How does the knowledge of WHT affect pricing of supplies?

The second research question dealt with attitude of suppliers within the metropolis on withholding tax. Two sub-questions were asked to answer the main research question.

The first sub-question was directed towards their reaction whenever withholding tax is deducted from the actual expected amount after sales of products.

The second sub-question was to find out if such deduction has bearing on their pricing.

The study thrived on the assumption from the norm theory that knowledge has a positive relationship on attitude (Antwi, et al 2015). Therefore, if suppliers have accurate knowledge on withholding tax, such knowledge would ultimately shape their thinking and attitude towards it.

The first sub-question was directed towards their reaction whenever withholding tax is deducted from the actual expected amount after sales of products. Majority of the suppliers indicated that, they do not take it softly at all and that always feel cheated by the customers with the implementation of the withholding tax. One of the participants indicated that

“I was very furious the first time such deduction was done because I never expected it.well I even pleaded with the accountant to spare me for the next consignment but my plea was rejected” (PT # 5)

Another participant indicated by saying that

“It is a way that these people use to cheat us, because I do not understand why such deductions should be made”. (PT # 1)

One of the participants also noted that

“I have been complaining of this withholding tax deduction for several years now. However, no explanation has ever been given me. All that the accountant says is that, that is the law” (PT, #14).

The consistent complaints on the withholding tax was further corroborated by PT # 2, 9 12 and 13

The next question was to find out if such deduction has bearing on their pricing. The responses clearly demonstrated that, prices of products are increased exponentially to compensate for all the deduction to be made by the withholding agents.

One of the participants indicated that

“For me I usually increase the price of my goods so that I will not feel the pain of the deduction especially when I am supplying to Government Institutions”. (PT # 7)

Another participant noted by saying that

“Initially I never knew, but when I got to know of the deduction, I started increasing the price of my products so that even after deduction I can still realise my profits” (PT # 4). Almost all the participant gave similar answers about what they do to compensate for the deduction of withholding tax.

In summary, the findings reveal that suppliers are not comfortable with the implementation of withholding tax on their supplies. Additionally, the poor understanding of the withholding tax leads to increase in prices of goods supplied by these suppliers to their various customers within the metropolis especially Government institutions. The implication is that the poor understanding of the WHT increases the procure prices of Government institutions leading to high cost of procurements.

The findings are supported by the norms theory which maintains that taxpayers are swayed to comply with their tax obligations by psychological factors (Takumah & Iyke, 2017). Most of the suppliers perceived that they are unfairly treated with the withholding tax system. This is also supported by the theory. It states that factors such as taxpayers’

knowledge level, and the perceived equity or fairness of the tax system influence their attitude (Besley, et al 2019). The findings show that the withholding tax agent do not help the suppliers understand the concept of the WHT and this leads to their disagreement to it and subsequent increase in supply prices.

Furthermore, relating the findings to the institutional theory, for the suppliers to accept and comply, with the withholding tax scheme more is expected from the tax administrators. It is therefore incumbent on the Ghana Revenue Authority (GRA) to simplify the tax administration system to the suppliers to ensure positive attitude towards it. This positive attitude would be realised when suppliers no longer feel cheated after deduction and willingly accept such deductions as forms of tax payment. The assertion of simplification is supported by Asante and Baba, (2011) who found that simplifying tax returns and administration potentially could help taxpayers to complete their tax returns accurately and increase compliance.

Conclusion and Recommendation:-

The study examined withholding tax administration and procurement pricing from the perspective of suppliers. The focus was on the Cape Coast metropolis in the Central Region of Ghana. Exploratory design was employed for the study supported by qualitative research approach. Interview was used as means of data collection after which data was recorded and edited. The study concluded that the level of knowledge on withholding tax among suppliers is very low. This is because most of them, though are aware of tax in general, they are not abreast with the withholding tax system. The study further concluded that, withholding tax agents do not often give withholding tax certificate to suppliers. This implies that the withholding tax agents are being complicit in tax malpractices. Moreover, the study concluded that, suppliers have negative attitude towards withholding tax and this attitude influence their pricing. The participants revealed that the suppliers increase their products exponentially to compensate for deducted amount by the withholding agents.

The implication of the findings is that the limited or inadequate knowledge on withholding tax leads to the negative attitudinal balance from which prices are increased by the suppliers. The study therefore recommend that tax education effort needs to be tackled as a matter of urgency. Current poor adherence to the withholding tax system is attributed to inadequate tax education campaigns. The GRA should engage with local radio stations to intensify public sensitisation of the various tax schemes including withholding tax. Moreover, the GRA should undertake regular tax audit as monitoring mechanism for the withholding agents by ensuring that withholding tax certificates are given to suppliers. Sanctions should be meted out to all withholding agents who are caught flouting the laws. The WHT agents are advised to educate their suppliers. GRA should also make the effect of WHT deduction on suppliers' tax affairs transparent to them so that they would not assume that they are paying the tax twice. This could minimise the urge to increase pricing due to the WHT.

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