The Effect of Tax Payment on the Performance of SMEs: The Case of Selected SMEs in Ga West Municipal Assembly

Evans Tee1*, Lawrence Asare Boadi2, Richard Takyi Opoku3
1. Kasser Law Firm, P. O. Box WY 712, Kwabenya, Accra, Ghana
2. Department of Banking and Finance, University of Professional Studies, Accra, Ghana
3. Department of Banking and Finance, Islamic University College, Accra, Ghana

Abstract
Taxation plays important role in the development of every economy as well as the growth of Small and Medium Enterprises (SMEs). In a middle-income country like Ghana, the role of SMEs is critical in pushing the socio-economic development agenda of the country further. Therefore, alignment of the tax system to the specific SME growth needs can be considered an important agenda for the policy makers. Keeping this issue at focus, the study aimed to explore the managers/executive officers’ perception of the tax system in Ghana on the profitability of their businesses. The study is based on a survey of 102 managers/Executive officers of the selected SMEs in the Ga West Municipal in the Greater Accra region of Ghana. The survey was administered using questionnaire and interview with the selected respondents. Data was analyzed by descriptive analysis method, correlation and regression analysis and findings were presented in terms of frequencies and percentage analysis. Findings indicate that majority of the respondents perceive the adverse impact of existing tax policies on the growth of SMEs and suggest for reforming the tax policies in the Country. The findings would help the stakeholders in designing measures to align the tax system to SMEs in a more effective manner. 

Keywords: Small and Medium Enterprises (SMEs), tax system, Ghana.

1 Introduction
Small and Medium Enterprises have always been considered an important force for economic development and industrialization in smaller economies (Aryeetey & Ohene, 2004 and Oludele & Emilie, 2012). These small enterprises have increasingly been recognized as enterprises that contribute considerably to the creation of jobs, economic growth and eradication of poverty in Africa. According to the 2005 World Development Report, the creating of “sustainable” jobs and opportunities for smaller entrepreneurs are the key strategies to take people out of poverty. Small and medium enterprises are mostly private enterprises and they face difficulties when dealing with the government in general and the tax administration in particular mostly the developing countries. Many of the difficulties with the tax authorities may be deemed as the consequences of poorly conceived tax policies and a lack of certainty regarding future policy changes. However, it would be rare indeed to not observe complaints about the complication and/or ambiguity of the tax laws as well as high tax rates (Baurer, 2005). 

The tax structure is not adequately designed to the specific environmental conditions, it may create a greater burden to the tax-paying organizations and eventually affecting the final consumer due to the shifting ability of tax. According to a study report by Mnewa and Maliti (2008), the majority of small businesses are less likely to attain or maintain their growing profitability due to factors including tax policies. This implies that as a policy maker and regulator, Government must consider the factors that could affect the competitiveness of the small enterprises.

Small and medium enterprises (SMEs) are considered the backbone of economic growth in all countries. Smaller enterprises represent over 90% of private businesses and they contribute to more than 50% of employment and GDP in most African countries (UNIDO, 2009). Small enterprises in Ghana are said to be a characteristic feature of the production landscape and have been noted to provide about 85% of manufacturing employment in Ghana (Aryeetey, 2001). SMEs are also believed to contribute about 70% to Ghana’s GDP and they account for over 90% of businesses in Ghana (Aryeetey, 20001). In line with the various statements noted above, it is reasonable to state that SMEs therefore have a crucial role to play in stimulating growth, generating employment and contributing to poverty alleviation, given their economic weight in African countries.

Despite the contribution that taxation can make towards the Gross Domestic Product (GDP) of a country in general, much attention is also needed to the side effects of tax on the growth of SMEs. This is because SMEs play a crucial role in driving economic growth in both developed and developed countries. As highlighted previously, as a group, they do not only generate more new jobs than large firms or macro-enterprises but also introduce innovative ideas, products, and business methods. However, literature has not contributed much in exploring the negative effect of tax payment on the financial performance of SMEs in developing countries (Baurer, 2005). This situation raises a serious concern about the issue of aligning the tax system to the specific requirements of a particular country’s growth need, as it has to balance both short-term and long-term impact of the policy. This also triggers the need for an in-depth study of how tax payments affect SME development. In addition, most of the literature and research on the subject matter are mostly foreign and
western in nature where the dynamics of SME activities are different from that of developing countries like Ghana. This study therefore seeks to examine the effect of the tax system on the performance of Small and Medium Enterprises in Ghana, focusing on those in Ga West Municipal Assembly.

The rest of the study deals with the review of literature (theoretical and empirical) related to the study in section 2. Section three (3) look at the methodology used to gather the research data in the study area. Section four (4) covers the analysis of data. It gives a descriptive report of the study as well as the analysis on the information gathered in section three from the questionnaires administered and interviews conducted. Section five (5) finally deals with the conclusion and recommendations of the study.

2 Literature Review
The Ghanaian Tax System
Tax is a charge levied on the citizens by a country or state. Tax is an obligatory payment which the country imposes on its citizens, firms, and organizations not as a penalty for any offence or immediate exchange of goods but as income to enable government meet its expenditure (Ali-Nayea, 2008). The Income Tax Administration in Ghana started in 1943. This came as a result of the passing into law of the income Tax Ordinance No. 27, 1943 and the establishment of Income Tax Department. Over the years other taxes and duties have been added to the income Tax Ordinance by way of amendments and enactments.

The continuous restructuring of the Ghanaian tax system has led to the enactment of the Ghana Revenue Authority Act, 2009 (Act 791) which established the Ghana Revenue Authority (GRA). The GRA was formed to integrate the three revenue agencies, namely the Internal Revenue Service (IRS), Value Added Tax (VAT) Service and Customs, Excise and Preventive Service (CEPS) with one head (Commissioner - General-General). The three divisions are; the Domestic Tax Revenue Division, the Customs Division and the Support Service Division. The Domestic Tax Revenue Division combines the financial operations of the Internal Revenue Service and the Value Added Tax Service.

The Customs Division is responsible for the functional operations of the collection of customs and excise duties and the preventive duties at the country’s borders while the Support Services Division is a fusion of the support service of the three agencies and is responsible for such services as finance and administration, estates and general services, and information and communication technology.

Taxation of SMEs
Atawodi and Ojeka (2012) explained that, the choice of tax policy to employ depends on the use of one or both two groups of instruments. The first being the use of special tax preferences and the other incentives to support start-up and growth of small companies (Atawodi & Ojeka, 2012). These incentives comprise of the lowering of corporate income tax rates, special tax exemptions or tax holidays and relieves for small businesses. The underlying reason for all these is to effectively raise revenue through measures that suit a country’s circumstances and administrative capacity (Atawodi & Ojeka, 2012).

Developing countries such as Ghana are usually struggling in terms of raising internal revenues for development. In order to solve this issue, scholars have discussed among others that the widening of the tax net is the way to go. This is due to the urgency to provide infrastructure, create jobs and reduce unemployment, expand the productive sectors of the economy and to significantly raise public revenues from the non-oil sectors. With this process, tax policies are to aim at bringing all taxable adults into the tax bracket with a graduated rate that should ensure that the well-off pay their own share while the low income earners are given savings incentives. An effective and efficient tax administration system should be integral to any country’s well-being (Atawodi & Ojeka, 2012). It is with this notion that Baurer (2005) argues that the tax administration must provide an even playing field for business by ensuring that all taxpayers meet their tax filing and paying requirements.

The authorities and the administrators of taxes should seek to balance their educational and assistance role with the enforcement role. According to Atawodi and Ojeka (2012), the rationale behind the whole system of tax is consistent with two of the three major theories of tax namely; the Ability-to-Pay Principle and the Equal Distribution Principle. The two principles stress equality and fairness. The Ability-to-Pay theory is of the view that individual should be taxed based on the individuals’ ability to pay while on the other breadth, the Equal distribution Principle proposes that the incomes, wealth as well as the monetary transactions of the individuals should be taxed at a fixed percentage. This implies that, the individuals who earn more and buy more should pay more taxes, but will not pay a higher rate of taxes (Atawodi & Ojeka, 2012).

Tax Compliance and SMEs
Tax compliance has been seen to be a complex issue to define according to (Marti, 2010). In simple terms, tax compliance can be defined as the fulfilment of all tax obligations as specified by the law freely and completely. It has been found that regulatory burdens fall excessively on small and medium enterprises (Pope & Abdul-Jabbar, 2008). The nature and size of small and medium enterprises makes the issue of tax compliance one of particular importance (Atawodi & Ojeka, 2012). Especially since most SMEs have access to limited resources
and inadequate expertise to comply with diverse and complicated regulation. Marti (2010) also believes that high compliance costs can result in tax avoidance, tax fraud, and inhibit investment by way of diminishing competitiveness of the country in terms of taxation attractiveness.

There is also the issue of noncompliance of tax and this could come in the form of: the failure to submit a tax return within the required period or total non-submission of tax returns, understatement of income, overstatement of deductions, failure to pay assessed taxes by due date. In some cases noncompliance of tax may mean an outright failure to pay levied taxes. Further, studies have shown that the problem of tax evasion is a widespread in development worlds.

Empirical study by Fagbemi, Udile and Noah (2010) have reported that noncompliance of tax is prevalent in developing countries and it hinders development thereby leading to economic stagnation and other social and economic problems. Chipeta (2002) has identified high tax rates as one of the reasons of tax evasion. Chipeta (2002) further pointed out that a higher tax rate increases the burden of the tax payer and reduces his disposable income hence, the probability of evading tax is higher.

Many scholars have addressed the questions that emerge from this literature especially the in-elasticity of tax location decision with respect to tax differences across jurisdictions. The issue of incomplete integration between personal and corporate tax has been addressed. Government need to review tax bias against entrepreneurs and design tax policies for entrepreneurship to remedy market failures, while avoiding adverse side effects. Marginal tax rates exert a statistically and quantitatively significant influence on the growth of firms. Marginal tax rate may be defined as the amount of tax paid on an additional cedi of income. This leads to the conclusion that raising income tax inhibits the growth of small firms. The following hypothesis has therefore been spelt out for testing in this study:

H₀: There is no significant relationship between the tax system and SMEs’ financial performance.
H₁: There is a significant relationship between the tax system and SMEs’ financial performance.

### 3. Methodology

#### Research Design

This research was an explanatory or a causal study. This is because it aimed at establishing causal relationship between two variables i.e. the relationship between tax system and the performance of SMEs. Since it involved collecting the views, perspectives or opinions of respondents regarding a particular issue or research interest, the research employed the survey method that uses questionnaire, personal interviews with respondents and perusal of past records and publications. The choice of this method was made due to the fact that the survey method is effective when it comes to getting opinions, attitudes and descriptions as well as getting cause and effect relationships. The study used both qualitative and quantitative methods. The selection of small and medium enterprises was done by judgmental sampling in order to attempt obtaining a fair representation of the population.

#### Target Population

For the purposes of our study the population designated comprised of selected SME’s in the Ga West Municipality who were registered tax payers. This target population enabled the researchers to form an objective view of SMEs who have actually been paying tax and the extent to which tax payment affect their business.

#### Sample Size

The size of the sample and the way in which it is selected will definitely have implications on the confidence one can have in the data and the extent to which the team can generalize. The study sampled one hundred and fifty (150) SMEs with up to date information with respect to their tax payment.

#### Sampling Technique

In order to get very accurate result for this study, the purposive sampling method was used to select the sample from the population. This method is a non-random sampling technique where the researcher establishes a criterion devoid of randomness for selecting the sample. In the purposive sampling, the sample is chosen to suit the purposes of the study. These methods will be used due to the time constraints and the difficulty involved in assessing the list of all SMEs from the authorities. It will also help to target SMEs who are tax payers and willing to accept the questionnaire. Sampling is the process of selecting a sufficient number of elements from a population so that by studying the sample and understanding the properties or characteristics of the sample, researchers would be able to generalize the properties of the sample to the population.

#### Primary Data Collection

Questionnaires served as a preliminary data collection technique for providing empirical analysis in the study. Both open- and closed- ended questionnaire were self-administered. The nature of the study was explained to the respondents, hence the respondents’ confidentiality of any information provided was assured. Respondents were provided with detailed instructions as to how the questionnaires should be completed and returned. The rationale behind providing clear instructions and assuring confidentiality of information is based on the fact that this significantly reduces the likelihood of obtaining biased responses.
Data Analysis
To analyze the effect of the tax system on SMEs performance, regression method, particularly multiple linear regressions will be the major statistical tool that will be used. The reasons for using regression method are: firstly, almost all variables in the present study are measured by interval/ratio scales; secondly, if the sample size is sufficient, regression is undoubtedly a more powerful way to test the relationship between two or more variables than other statistical methods like non-parametric tests. Graphs such as, histograms, pie charts, bar charts and tables will also use to summarize the result obtained with the help of the Statistical Software such as the Statistical Package for Social Science (SPSS, Version 20) and Microsoft Excel.

Model Specification
Sales revenue and return on investment are the most frequently used financial ratios in researches. Researchers argue that sales revenue is less, subject to manipulation and as such it is an appropriate measure used to reflect financial performance of SMEs. This study therefore adopted sales revenue(s) as its dependent variable for performance of SMEs. It is measured as the annual sales made by SMEs.

With regards to the independent variables, the study used the amount of tax (AT) paid by a particular SME for the past one year as the main explanatory variable (since the tax rate is constant for many SMEs). Other independent variables used based on the literature were the Time spent in compiling and paying tax (TM), tax impact on purchases (IP) which is measured as an index score (average score on a scale of 1-3), cost by employing tax practitioners (CP) and tax reliefs (TL) which is a dummy (yes or no). Applying the Ordinary Least Square (OLS) regression Method, the multiple regression equation that will be fitted for the study is in the form;

\[ S = \beta_0 + \beta_1 AT + \beta_2 TM + \beta_3 IP + \beta_4 CP + \beta_5 TL + \varepsilon \]

Where ‘\( \beta_1 \)’ is the Constant and ‘\( \varepsilon \)’ is the Error term.

4. Analysis and Discussions
4.1 Data Presentation
Table 4.1 depicts the gender distribution of the respondents. It was observed that 52.9% of the respondents were males while 47.1% were females. Fig. 4.1 shows the pie chart on the age of business in which 62% responded that they had been in business between 5-10 years, while 28% responded that they had been in business between 3 to 5 years, 7% had been in business between 10-15 years, 2% in business for over 15 years while 1% of respondents had less than 3 years in business.

Table 4.1: GENDER

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>MALE</td>
<td>54</td>
<td>52.9</td>
<td>52.9</td>
<td>52.9</td>
</tr>
<tr>
<td>FEMALE</td>
<td>48</td>
<td>47.1</td>
<td>47.1</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>102</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Author's Construct, 2014

Figure 4.1: Years in Business

Source: Author's Construct, 2014

The next issue was to assess the respondents’ perception on the tax system in general. Figure 4.2 shows the multiple responses to simple questions demanding YES or NO answers. The analysis was to measure the respondent’s perception of existing Tax-System in Ghana. Studies like Bank (2004) found that the business environment in less developed countries are characterized by high tax rates and cumbersome tax administration procedures. Hence it was necessary to ask these questions to know the respondents’ perception towards tax rates and tax concepts. As presented in figure 4.2, most of respondents had negative perception towards tax rates.

When the respondents were asked if they were generally comfortable with the tax system in Ghana, the response were that, only 12 out of 102 respondents agreed to be comfortable while the remaining 88.2% of them said they were not comfortable at all. With this uncomfortable tax regime in Ghana, only 19.6% of the
respondents believe the tax rates are fair to businesses. Questions were asked about the influence of the tax system on the entire business, up to 72.5% of the respondents believe the tax system affect their businesses (negatively) whiles 27.5% do not see any impact of the system on their businesses.

With regards to the issue of Tax reliefs (incentives) to SMEs, about 69.6% reported to avail no such benefits. This raises an important question on the effectiveness of Tax systems as majority of the surveyed SMEs with less than 10 years of age and during the initial growth period; often the organizations require support in terms of such incentives. Regarding training by the tax authority for the business owners, 88.2% of the respondents received no such training. With the limited knowledge about the core tax system and it legalities, only 44.1% of the respondents employ the services of tax practitioners.

Figure 4.2 Response Chart

Source: Author’s Construct, 2014

One of the possible impacts of increasing tax is the corresponding increase in the prices and thus, purchases, which in turn affect the growth of SMEs by influencing their competitiveness adversely. Table 4.2 presents the perceived impact of the tax increase on purchase of an enterprise.

Table 4.2: Impact of tax on purchases

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>NEGATIVE</td>
<td>65</td>
<td>63.7</td>
<td>63.7</td>
</tr>
<tr>
<td>NEUTRAL</td>
<td>37</td>
<td>36.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>102</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Author’s Construct, 2014

Table 4.3: Descriptive Statistics

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROFIT</td>
<td>102</td>
<td>300</td>
<td>84000</td>
<td>9944.12</td>
<td>14894.604</td>
</tr>
<tr>
<td>TIME</td>
<td>102</td>
<td>2</td>
<td>9</td>
<td>5.75</td>
<td>2.268</td>
</tr>
<tr>
<td>TAX PAID</td>
<td>102</td>
<td>100</td>
<td>9500</td>
<td>1109.31</td>
<td>1658.813</td>
</tr>
</tbody>
</table>

Source: Author’s Construct, 2014

The study looked at the profit, taxes paid and amount of time spent to file tax returns. The average profit made in a year by the 102 respondents was GHe 9,944.12 with a minimum of GHe 300 and a maximum of GHe 84,000. The average time spent to complete monthly tax return forms is about 6 days which imply that the SMEs in the Ga West Municipality used averagely a week to prepare and file their tax returns. Taxes paid by the sampled respondents ranged from GHe 100 to GHe 9,500.

Correlation analysis

The correlation analysis presented in table 4.4 measures the relationship between the profit and time, tax paid, impact on purchases and tax reliefs. The results shows that profit is strongly positively correlated with the amount of tax paid. This is of no surprise since both the tax paid and profit made are from the same source which is sales. Profit also recorded a negative relationship with the impact of taxes on purchases. Purchases are made in the form of inputs for the businesses which yield profit. The more expensive the purchases are in respect of taxes, the less the business makes profit and less the amount paid as taxes (this is shown in the negative relationship between tax paid and impact on purchases).
Table 4.4: correlation analysis

<table>
<thead>
<tr>
<th></th>
<th>PROFIT</th>
<th>TIME</th>
<th>TAX PAID</th>
<th>IMPACT ON PURCHASES</th>
<th>TAX RELIEFS</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROFIT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TIME</td>
<td>0.029</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.771)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TAX PAID</td>
<td>0.601**</td>
<td>0.159</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.111)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IMPACT ON PURCHASES</td>
<td>-0.259**</td>
<td>-0.005</td>
<td>-0.228*</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.009)</td>
<td>(.959)</td>
<td>(0.021)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TAX RELIEFS</td>
<td>-0.074</td>
<td>0.084</td>
<td>-0.233*</td>
<td>-0.277**</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>(0.461)</td>
<td>(0.401)</td>
<td>(0.018)</td>
<td>(0.005)</td>
<td></td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

Profit was not correlated to both time spent in filing tax returns and tax reliefs since both are not directly related to the operation of the business to yield profit. For the issue of tax reliefs, it can be seen from the table (table 4.4) that it is negatively related to both tax paid and impact on purchases. The more there is tax incentives, the lesser tax paid and the lesser negative influence on purchases.

Regression analysis

At this section, the study has determined the impact of the tax system on the profitability of the SMEs by conducting the regression below where the cost of employing a tax practionist had been omitted due to the fact that the respondents could not provide accurate measure of the variable.

\[ S = \beta_0 + \beta_1 AT + \beta_2 TM + \beta_3 IP + \beta_4 TL + \varepsilon \]

Table 4.5: Model Summary

<table>
<thead>
<tr>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.618</td>
<td>0.382</td>
<td>0.357</td>
<td>1943.899</td>
<td>1.574</td>
</tr>
</tbody>
</table>

Source: Author’s Construct, 2014

Table 4.6 regression output

<table>
<thead>
<tr>
<th>Model</th>
<th>Beta</th>
<th>Std. Error</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>14362.916</td>
<td>7499.762</td>
<td>1.915</td>
<td>0.058</td>
</tr>
<tr>
<td>TIME</td>
<td>-456.659</td>
<td>536.916</td>
<td>-0.851</td>
<td>0.397</td>
</tr>
<tr>
<td>TAX PAID</td>
<td>5.354</td>
<td>0.792</td>
<td>6.761</td>
<td>0.000</td>
</tr>
<tr>
<td>IMPACT ON PURCHASES</td>
<td>-3439.708</td>
<td>2704.845</td>
<td>-1.272</td>
<td>0.207</td>
</tr>
<tr>
<td>TAX RELIEFS</td>
<td>1292.596</td>
<td>2851.778</td>
<td>0.453</td>
<td>0.651</td>
</tr>
</tbody>
</table>

Source: Author’s Construct, 2014

The results from the regression analysis show that the specified model was significant at 5% level of significance since the p-value is less than 0.01. The R-square which measures how much of the variation in the dependent variable is explained by the explanatory variables is 0.382 implying that, up to 38.2% of the variations in the profit of the SMEs can be explained by the independent variables. The results furthers show that only the amount of tax paid significantly impacts the profit of the SMEs with p-value of less than 0.01. The amount of time spent on filing tax returns and the impact on purchases have no significant impact on the profitability of the SMEs. Tax relief was treated as a binary variable with a score of 1 for yes and 0 otherwise. The results indicates it insignificant impact on the profitability. This is understandable since the vast majority of the respondents alluded to the fact that they were unaware of such reliefs nor even benefited from them.

5. Conclusions and Recommendations

Conclusion

After the interpreted in section four, the main conclusion is that taxes imposed on small and medium enterprises impact their growth in terms of profits in different ways. From the study it has been found that changes in tax rates lead to the changes in prices of various goods and services. The results show that the increase in tax rates
leads to higher production, distribution and selling costs which lead to higher prices and as a result consumers change their buying behaviour. People react to the higher prices by buying less of the product.

Whenever prices increase due to increase in tax rates; prices of goods and service increase and there is a drop in the consumption rate and a decrease in sales volumes reducing profitability which leads to retarded growth of SMEs. More so, tax payment is among the outflows of cash from the business which reduce the purchasing power of an enterprise. This is due to the fact that a large amount of cash collected is used to pay taxes rather than to expand the business. The study shows that the purchasing power of an enterprise drops immediately after the payment of taxes. That is why the amount of tax paid relates negatively to the impact of taxes on purchases.

On incentives for SMEs growth in Ga West Municipality, most of them could not benefit from the tax system because they are meant for fully registered SMEs only but even with the registered business very few are aware of such incentives. This is because of the lack of education and training for the SME operators. The many SMEs that operate in the informal sectors cannot benefit from growth incentives.

Recommendations
Based on the findings made from this study, the following recommendations are therefore made:

i. Tax regulations governing SMEs should be simplified in order to make compliance easier for them. This includes clear and simple tax regulations, and an undemanding tax filing process. The use of information technology should be encouraged.

ii. Tax administrators should carry out their duties more efficiently with the most care and integrity as this will help combat issues such as multiple taxes.

iii. Tax administrators should improve their support services towards SMEs for example, small business owners should be educated on issues such as taxes they are expected to pay and the incentives and exemptions they are eligible for.

Further Studies
There were some very important issues raised but the study did not look into their details. These issues could be captured by interested researchers in future. Some suggested areas for further studies include: Assessment of the role of tax towards the growth of SMEs sector in Ghana by focusing on different contexts; and the perception of tax authorities / regulatory bodies towards the growth of Small and Medium Enterprises (SMEs) in Ghana.

Limitations
Though the findings and conclusions are not affected, it is important to highlight some limitations of this study. First, the survey was conducted in the Greater Accra region particularly Ga West Municipality hence it does not examine regional and municipal variations in Ghana. Secondly, it is also possible that some entrepreneurs did not provide their true opinions during the interviews because they regarded some of the questions as sensitive. However, this group was small and it is assume to not affect the overall results and conclusions.

References
Bauer, L. I., 2005. Tax Administration and Small and Medium Enterprises (SMEs) in Development Countries. s.l.:s.n.
UNIDO, 2009. Tanzania small and medium scale enterprises policy proposal, Tanzania: s.n.