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ACCOUNTING RECORD-KEEPING AND TAX COMPLIANCE IN THE HOSPITALITY INDUSTRY IN GHANA

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ABSTRACT

Accounting Record-keeping is one of the important elements of running a successful business to assist in the compliance of Tax. The study examined the relationship between record-keeping practices of hospitality businesses and tax compliance in the Hospitality Industry in Ghana using Cape Coast Metropolis as a case study. Based on survey data from 109 businesses and multiple regressions, the study found a significant positive relationship between recordkeeping and tax compliance. It is concluded that record keeping facilitates tax compliance in the hospitality industry just like other industries. Thus, managers should take advantage of developments in information, communications and technology to assist them in their record-keeping and facilitate voluntary tax compliance. Also, the Ghana Revenue Authority should liaise with the accountancy professions to develop and apply basic record- keeping systems that would facilitate tax information gathering.

KEYWORDS: *Tax Compliance, Accounting Records-Keeping, Hospitality Industry, Ghana*

INTRODUCTION

Some form of record-keeping is essential for all business operations and is one of the most important elements of running a successful business (Braithwaite, 2003). The records provide feedback on the effectiveness and profitability of operations on a regular basis. Good records enable a business to analyze growth and identify new opportunities. More importantly, good records provide evidence for the true value of a business.

In Ghana, appropriate record-keeping system is required at least for tax purposes. Section 122, subsection one of the Income Tax Act, 2015(Act 896), stipulates that, where a person (also referring to a business) does not maintain records, the Commissioner may adjust that person's liability to tax in a manner that is consistent with the intention of the Act (Income Tax Act, 2015 (Act 896)).

Governments all over the world need resources in the form of taxes to undertake developmental projects such as the provision of potable water, good educational facilities and maintenance of law and order (Asante & Baba, 2011). They depend to a large extent on taxes to run the economy. In Ghana, government revenue as a percentage of Gross Domestic Product (GDP) increased from 16.8 percent in 2010 to 20.8 percent in 2011 and further to 21.6 percent in 2012 (Institute of Statistical, Social and Economic Research (ISSER), 2013).

The broader perspective of tax compliance becomes a major issue since the total amount of tax payable is highly dependent on the levels of accounting record-keeping (Somasundram, 2005). Low levels of record-keeping, according to Asante and Baba (2011), contribute to non-compliance by tax payers. The Organization for Economic Co-operation and Development [OECD] (2010) add that, businesses can comply with tax regulations through the improvement and maintenance of accurate record-keeping and keeping more detailed accounts. A greater portion of the source of income to the government of Ghana, as said above, is from taxes provided by natural and artificial persons, including the hospitality industry, due to the country's myriad of tourist attractions.

In Ghana, tourism is the most rapidly growing sub-sector of the service sector, which has very strong linkages with many sectors of the economy, especially the hospitality industry, making it a composite industry product (Cape Coast Metropolitan Assembly [CCMA], 2006).

Mensah (2009) noted that a tourist visiting any tourist site in a country, or community, spends money on accommodation, transport, food, entrance fees, and souvenirs among others. The rest of the stay of tourists, after visiting tourist sites, is left to the care of the hospitality industry. He further asserted that, alongside the tourism sector, many hotels and restaurants have been established by people, especially, at tourist sites, to ensure the provision of certain complementary services.

Hospitality industry's ability to create employment and contribute to the development of the economy through payment of taxes to the local authorities and the Ghana Revenue Authority depends to a large extent on their ability or willingness to keep proper record and how they are managed efficiently (Evans et al, 2005). It is only when this is done that businesses in the hospitality industry would be able to access funds from banks and other financial institutions to expand and also get a proper and fair assessment of their tax obligation (preventing under and over payment of taxes) which would contribute to the development of the economy.

A number of studies have established a relationship between tax compliance and other factors of tax compliance (examples are: Chau& Leung, 2009; Marti, Wanjoh i& Magutu, 2010; Asante & Baba, 2011; Alabede, Ariffin & Idris, 2011). Few studies have, however, established relationship between record-keeping (as a factor of tax compliance) and tax compliance (examples are: Hanafeh & Almureshi, 1991; Evans, Carlon & Massey, 2005; Abdul-Jabbar & Pope, 2008), considering various compliance risk, such as increased audit exposure, higher compliance costs, and liquidity/cash flow issues. Most of these studies were conducted in the developed countries with very few in the developing countries, with small and medium enterprises as their population.

Earlier studies had shown that tax compliance does not depend on record keeping but other factors (Hanefah & Almureshi, 1991). This assertion was however refuted by latter studies asserting that lack of proper records led most businesses fail to comply with business taxation requirements and that businesses can comply with tax regulations through the improvement and maintenance of accurate record-keeping and keeping more detailed accounts (Abdul-Jabbar & Pope (2008); OECD (2010)).

The extent to which these opposing assertions remain true in the hospitality industry in Ghana is not known. From the review of earlier studies, the argument so far has been whether the businesses' failure to comply with tax regulations can be attributed to their poor attitudes towards record-keeping. Despite the importance of the concept of tax compliance, research interest in the area within the hospitality industry has been scanty especially in a developing country like Ghana. This calls for attention because the tourist sector, linked to the hospitality industry is considered vital and the most rapidly growing sub-sector of the service sector contributing a lot to the country's revenue and employment (CCMA, 2006; Hospitality in Ghana, 2009). Thus, this study assessed the relationship between record-keeping and tax compliance in the hospitality industry? The rest of the paper is structured as follows: section 2 reviews relevant literature; section 3 discusses the methodology used for the study while sections 4 and 5 contain the discussion of results and conclusions respectively.

LITERATURE REVIEW

For a business to know its result, the owner or manager has to remember all the transactions of his business. However, due to lack of memory, it is not possible for anybody to remember all the transactions over a period of time. This has given rise to maintenance of a set of accounting books in which business transactions are chronologically recorded (Thukaram& Ram, 2005).Before Thukaram and Ram (2005), Carter (1972), defined record-keeping as the science and art of correctly recording in books of accounts all those business transactions that result in the transfer of money or money's worth.

The definition by Carter (1972), recognizes record-keeping as a science since it is based upon a well defined principles which are followed throughout, so that the reason for recording a transaction in a particular manner can be explained fully. He also referred to record-keeping as an art because, it deals with a system in which human skills and ability is involved in recording the business transaction according to principles of record-keeping. However, only transactions which can be expressed in terms of money can be recorded in business books.

Tax compliance generally encompasses all activities necessary to be carried out by the tax-paying public in order to meet the statutory requirements of the tax law. This includes the preparation of tax returns that must be filed by individuals and organizations each year (Ali-Nakyea, 2008).

For the purpose of this study, (based on Kirchler (2007), ATO (2009); and IRS (2009)), tax compliance is defined as the taxpayers' willingness and ability to comply with tax laws, declare the correct income, claim the correct deductions, relief and rebates and pay all taxes on time.

Theoretical Foundations of Tax Compliance

According to Blumenthal et al (2001), Tax authorities must choose whether to rely on more persuasive methods, such as an encouraging and respectful interaction with taxpayers or to pursue aggressive enforcement techniques. The choice of these techniques is highly influenced by the various theories of tax compliance which reveal the attitudes of tax payers.

Economic Theory

Taxpayer compliance is based on the principle of rationality of behaviour.That is every human being's opportunistic behavior behind the decision to comply or not the tax obligations. Based on this principle, individuals will maximize profits with minimum costs (Brooks, 2001). Economic theory's approach to the problem of tax evasion is based on the economic preferences of individual choices to avoid taxes. In addition, the complex tax rules and tax payers require complex active role in understanding and implementing.Therefore the complexity of tax laws has consequences in the form of high compliance costs incurred bytaxpayers (Brooks 2001).

Psychological Theory

This theory assumes that individuals are moral beings and that their ideas, values and decisions are influenced by a moral view. Moral views affect individual'sbehaviour and perception. Psychologist's assumption regarding compliance with tax obligations is that the compliance or non-compliance is simply caused by the habit, that is the tendency to do things more easily, and indifference. Psychologically,attitudes, beliefs, and values will be developed during its formation (Brook, 2001).

Sociological Theory

This theory suggests that one's tax liability will be developed on the pattern of the more important cultural norms of a society, namely delayed gratification, extensive social relations, and who value performance than individual privileges. Conversely, an individual who develops the culture that loves the processing ability of individuals, looking for something quick to give results, individualism in social relations tend to show the attitude and character in connection with his tax obligations (Brook, 2001)

Accounting Record Keeping and Tax Compliance

According to Ahmed and Braithwaite (2005), most businesses do not comply to tax, since it restrict their economic freedom (Kirchler, 2007), and also because tax compliance requires some accounting and financial management knowledge.

In order for businesses to file their tax returns on time, they need appropriate record-keeping systems to process accounting and tax information (Evans et al., 2005).

Accounting information,according to Lignier (2009), enables businesses to make informed decisions based on objective information instead of relying on their intuition. One of the major business decisions which require objectiveness is the decision to determine tax liability to the Domestic Tax Revenue Division of the Ghana Revenue Authority.

McKerchar (1995) is of the view that most taxpayers are not interested in record-keeping due to poor accounting and tax knowledge. Some taxpayers also view record-keeping as burdensome and therefore do not consider it as an integral part of their business (Ashby &Webley, 2008; Prescott & Hooper, 2009).

According to Adams and Webly (2001), Small and medium businesses,which most hospitality businesses in Cape Coast belong to, keep records largely for taxcompliance purposes. This assertion was confirmed by Ashby and Webley (2008), although some owners/managers have used their records to manage theirbusinesses (Evans et al., 2005).

According to Prescott and Hooper (2009), businesses deliberately refuse to comply with tax. They further asserted that businesses often deliberately ignore or transfer their tax obligationto other areas where tax can be easily avoided or evaded. Many also avoid tax compliance by deliberately operating below the tax registrationthreshold, with evidence of business failures caused by tax obligations.

On the contrary, Evans et al (2005) and Kirchler (2007) are of the view that most businesses do not deliberately avoid tax compliance but as a result of poor record-keeping. The extent of the diverse assertions needs to be examined in details.

H_0: There is no significant relationship between record-keeping and tax compliance in the hospitality industry in

Cape Coast Metropolis.

Other Tax Compliance Determinants

In addition to record-keeping as the main determinants (independent variable) of tax compliance for this study, other tax compliance determinants were considered. The other determinants for this study were based on some demographic and other factors discussed by Fischer, Wartick and Mark (1992); Kircher (2007); Chau and Leung (2009); Asante and Baba (2011); and Palil and Mustapha (2011), considering their limitations and strengths. Also, some of the factors were not considered due to the difference in country developments. Some of the factors are more applicable to developed countries, where education is paramount, whiles other factors are peculiar to developing countries.

Five other controlled determinants have therefore been identified as factors influencing tax compliance in the hospitality industry in Cape Coast Metropolis. These factors were considered, due to the situational and environmental peculiarity of Cape Coast Metropolis, for better understanding of the hospitality businesses' tax compliance. These adapted factors include but not limited to: Gender of Owner/Managers, Age of Owner/Managers, Education level of Owner/Managers, Business Position and Class of establishment.

Gender of Owner/Managers

Devos (2005) asserts that gender is one of the most common variables used in tax compliance. The relationship between gender and tax compliance has been extensively reviewed in prior literature, however, findings of these studies vary. Early researchers (Vogel (1974); Tittle (1980) and Kinsey &Grasmick (1993)) on gender and tax compliance report that females are more likely to tax compliance than males. These researchers posited that females have more conservative life pattern, traditionally conform to rules and mostly identified with moral restraints. Other studies by some researchers (Friedland&Rutenberg, 1978 and Tran, 2001) have contradicting opinion. They indicated a higher proportion of tax evasion committed by women than men.

Mohamad, Mustafa andAsri (2007) also supported the earlier view that females are more compliant than males. From the above assertions, there seem to be discrepancies in the relationship between gender and tax compliance. Richardson (2008) had a different view from the two positions above. His empirical study found no significant association between gender and tax compliance. There is therefore, the need to examine gender of owner/managers as one of the determinants of tax compliance and its influence.

Age of Owner/Managers

Another variable considered as most important in the area of tax compliance is age (Devos, 2005). Earlier Research of Jackson and Milliron (1986), posits a positive relationship between age and tax compliance, where the young owners/managers tend to be less compliant than the old ones. This assertion was latter confirmed by Richardson and Sawyer (2001); Thomas and Ferrier (2003), and Devos (2005), that older taxpayers are more compliant than their younger counterparts.

Asante and Baba (2011) supported the positive relationship with the reason that older taxpayers at their age would have acquired sufficient assets and would be stable and independent. Their tax compliance will therefore be higher, compared to younger taxpayers who are actively acquiring wealth. These younger ones are likely to devise strategies to underreport and overstate deductions in order to increase their wealth.

However, researchers such as Mohani (2001) and Loo (2006) found a negative relationship between age and tax compliance. They were of the opinion that older owner/managers are less compliant than their younger counterparts. Before these assertions, Porcano (1988) found no relationship between age and compliance. Torgler (2007) explained the inconsistencies with his findings, that when age is considered in association with a number of other variables, its effects on taxpayers' compliance is diluted. He further explained that the interaction of age with other compliance variables could be problematic. The irregularities in this relationship call for the need to examine age of owners/managers as one of the controlled variables for this study.

Education Level of Owner/Managers

Education relates to the taxpayers' (owners/managers) ability to comprehend and comply or not with tax laws (Chau& Leung, 2009). Chan, Troutman and O'Bryan (2000), postulate that, greater education is directly linked to tax compliance. They are of the view that, though educated taxpayers may have knowledge about tax evasion opportunities, their moral development and better understanding of the tax system promotes greater compliance. Mohani (2001), shared the same view with Chan et al. (2000) by asserting that, for taxpayers to voluntarily comply to tax, they need higher level of education which helps in their ability to discern the importance of tax compliance.

In contrast to the above assertions, few researchers in recent studies like Richardson (2008) revealed that there is a negative relationship between education level and tax compliance. The different assertions by different researchers from different part of the world, call for a test of significant relationship between these variables.

Business Position

According to Akyeampong (2008), the majority of tourism-dependent businesses in Ghana belong to local entrepreneurs who either manage their own businesses or leave the businesses in the hands of a manager. The question often asked is whether a business position influences the payment of tax. That is whether one's position as a manager or owner influences the business' tax compliance level.

According to Awusabo-Asare et al. (2001), most business owners find it difficult to raise capital for expansion. This makes them feel reluctant in paying the right amount of tax since they want to make savings to expand or improve their businesses. Managers who are not owners but want to lift the image of their businesses will comply with the tax regulations to prevent exposure to tax audit. As part of the controlled variables for record-keeping, the influence of business position (managers, owners/mangers) on tax compliance would be examined due to the peculiarity of the area of study.

Class of Establishment

Class of establishment in the hospitality industry can be grouped into three according to Dittmer and Griffin (2002). They are restaurants, hotels and guest houses. In terms of tax compliance, questions as to which of the classes influence tax compliance has been of neccessity to the researcher, in examining the influence of tax compliance in the hospitality industry.

According to Awusabo-Asare et al. (2002), hotels have been in Ghana a longer period, but a good number of modern hotels were added to the existing ones to cater for the increase in the tourist arrivals. This however led to the increase in restaurants to feed tourist guest. Since most hotels are more established than restaurants, there is the need to significantly examine their influence on tax compliance.

According to Evans et al (2005), record-keeping is essential for tax compliance issues. He further posited that poor record-keeping is one of the major causes of tax compliance problems. For the purpose of this study, record-keeping was used as the main determinant of tax compliance.

MATERIALS AND METHODS

The quantitative approach was used for the study with descriptive survey research design. Descriptive research is concerned with the relationship that exists, such as determining the nature of prevailing conditions, practices and attitudes, opinions that are held, processes that are going on, or trends that are developed (Bryman& Bell 2003). The Study was conducted in the Cape Coast Metropolis, which is the hub of tourism in Ghana due to its ancient and historic nature; and other attraction sites, accommodating several tourists every year. The target population consisted of all owners and/or manager of hotels and restaurants in the hospitality industry in Cape Coast.

116 registered hotels and restaurants were obtained from the Cape Coast Metropolitan Assembly. These were made up of 57 restaurants and 59 hotels/guest houses. The entire registered list (census) was used as the sampling frame. Out of the 116 registered businesses, 109 were identified at their listed location for the study. Self-administered questionnaire was used for collecting primary data, mainly designed to elicit information from owners/managers of hotels and restaurants. Out of the 109 questionnaires administered, 107 (98%) were received and analysed.

Self-administered questionnaire was used for collecting primary data, mainly designed to elicit information from owners/managers of hotels and restaurants. The questionnaire was designed with short questions and simple language to encourage legibility and maximize response rate. Large amount of relevant quantitative data was needed therefore constructing user friendly questions to encourage responses. There were a total of 58 questions grouped into six identifiable parts.

The first part (I) of the questionnaire was sub-divided into two main sections (A and B). Section A elicited socio-demographic information with 4 items. Questions about the business owners/managers were asked. Section B elicited information about the features of the establishment with nine (9) items. Questions about the length of time that the business had operated, the number of employees, regular guests and annual turnover were solicited.

Part two (II) collected data on record-keeping details containing 11 items. Questions asked included types of records maintained by the business, together with other elements of the business record-keeping. Part three (III) solicited data on tax compliance with nine (9) items. The first five soliciting information about their preparation for tax compliance, with the last four measuring tax compliance. Questions included income reporting, tax deductions reporting, tax return filing and tax payment. The last four (4) items requested participants to select any of the options of somewhat compliance, moderately compliance and full compliance, where the first two are equated to non compliance. Part four (IV) and five (V) also collected data on tax audit and compliance costs respectively with five items each while Part six (VI) solicited data on issues relating to the liquidity history of the firm. Most of the questions in part I to VI required the participants to tick where appropriate with few writing of estimated figures.

Part seven (VI), which is the final part, asked attitudinal questions to compliment the questions in the previous parts as well as to enhance validity and reliability. Participants were asked to respond on a five-point Likert scale to a range of questions relating to their attitudes towards the relationship between record-keeping and various factors. The Likert scale had the end points being: Strongly Agree = 5 and Weakly agree = 1. It is the most widely used method of scaling in the social sciences (Tittle & Hill 1967) for measuring people's attitude. Respondents also had an opportunity to add any comments that they did not feel were otherwise covered in the survey

To test the above hypothesis, the following model was formulated:

$$TComp = \alpha + \beta_1 RecKep + \beta_2 AgeMan + \beta_3 GenMan + \beta_4 EduMan + \beta_5 BusPos + \beta_6 EClass + e$$

Where:

TComp = Tax compliance,

RecKep=Record-keeping,

Other Determinants:

AgeMan= Age of Owner/Manager,

GenMan = Gender of Owner/Manager,

EduMan = Educational level of Owner/Manager,

BusPos = Business position of Owner/Manager, *EClass* = Class of Establishment

DISCUSSION OF RESULTS

The results indicate that 12 (11.2%) of the responses came from owners who do not manage the firm by themselves whiles majority of the questionnaires were filled by 63 (58.9%) managers, who have been employed by the owners to manage the firms on their behalf. However 32 (29.9%) of the respondents were owners, managing their firms at the same time. From the results, there might be an indication that most owners have employed people to manage their firms helping solve the unemployment problem.

With regard to gender, the result revealed that majority (59) of the owners/managers representing 55.1 percent were males whiles the minority (48) representing 44.9 percent were females. There is an indication that more males enter into businesses than females. However, in terms of managing the hospitality industry, females are catching up with their male counterparts due to the close gap between the males and females. With respect to age, result showed that only eight (7.5%) of the persons completing the surveys were aged 46 to 60. Majority of the respondents were below the age of 46 years.

The discussion indicates that most of the businesses were owned and operated by people who were in their youthful age. About 39 percent of the respondents were within the ages of 18 years to 30 years, showing probably that most of these people could not further their education and therefore, have found themselves in owning or managing businesses in the hospitality industry. However it is also an indication that though they could not further their education, 55

(51%) respondents operated restaurants businesses and did not rely on the government to provide them with jobs which is in the right direction with respect to private sector development.

In terms of education, it was deduced that 55 (51.4%) of the respondents had secondary, technical or vocational training while the minority (eight) of the respondents representing 7.5 percent had basic education. 44 (41.1%) of the respondents had tertiary education. This shows that most of the people who own or manage businesses in the hospitality industry have some form of education, with majority in the restaurant business.

Table 1: Demographic Characteristics of Respondents

Variables	Frequency	Percentage (%)
Position		
Owner	12	11.2
Manager	63	58.9
Owner-Manager	32	29.9
Total	107	100.0
Gender of Respondents		
Male	59	55.1
Female	48	44.9
Total	107	100.0
Age of Respondent		
18 – 30 years	42	39.3
31 – 45 years	57	53.3
46 – 60 years	8	7.5
Total	107	100.0
Education Qualification		
Basic	8	7.5
Secondary/Technical/Vocational	55	51.4
Tertiary(Univ./Poly/Training)	44	41.1
Total	**107**	**100.0**

Source: Field Data (2015)

Table 2 indicates that out of the 107 valid respondents, 55 (51.4%) were from restaurants, whiles 52 (48.6%) owners/managers were from guest houses and hotels. Guest houses and Hotels were grouped together for comparison against restaurants due to their similarities. This suggests that in the Cape Coast Metropolis, the hospitality industry has more registered restaurants than registered hotels and guest houses.

Table 2: Class of Establishments

Class	Frequency	Percentage
Guest House	23	21.5
Restaurants	55	51.4
Hotels	29	27.1
Totals	107	100.0

Source: Field Data, 2015

Table 3, the legal form of business result reveals that majority 73 (68.2%) of the businesses that responded, were in sole proprietorship, while minority (3) representing 2.8 percent were into partnership. 21 (19.6%) and 10 (9.3%)

belonged to the private company and wholly state-owned company respectively. All the three partnership businesses have been operating as guest houses, while five guest houses and five restaurants as wholly state-owned, managed mostly by University of Cape Coast. This result is however inconsistent with Evans et al. (2005) who reported majority (60%) of their respondents as private companies while only nine percent of the respondents were into sole-proprietorship.

Again, the study revealed that 27 respondents representing about 25 percent had been in operation for more than 10 years. However there was a sprinkling of 21 newly established businesses (less than four years) representing 20 percent of the total respondents.

Table 3: Characteristics of Establishments

Variables	Class						Total	
	Guest House		Restaurants		Hotels			
	Freq	%	Freq	%	Freq	%	Freq	%
Legal form of Business								
Sole-proprietorship	13	56.5	43	78.2	17	58.6	73	68.2
Partnership	3	13.0	0	.0	0	.0	3	2.8
Private company	2	8.7	7	12.7	12	41.4	21	19.6
Wholly state-owned	5	21.7	5	9.1	0	.0	10	9.3
Total	23	100	55	100	29	100	107	100
Duration in operation								
Less than one year	0	.0	4	7.3	0	.0	4	3.7
1 – 3 years	5	21.7	12	21.8	0	.0	17	15.9
4 – 5 years	8	34.8	16	29.1	5	17.2	29	27.1
6 – 10 years	5	21.7	13	23.6	12	41.4	30	28
More than 10 years	5	21.7	10	18.2	12	41.4	27	25.2
Total	23	100	55	100	29	100	107	100
Other Services								
Conference facilities	9	81.8	1	9.1	19	79.2	29	63
Business centre	1	9.1	8	72.7	5	20.8	14	30.4
Other	1	9.1	2	18.2	0	.0	3	6.5
Total	**11**	**100**	**11**	**100**	**24**	**100**	**46**	**100**

Source: Field Data, 2015

On the issue of whether businesses in the hospitality industry keep records, Table 8 depicts that, 74 (69.2%) kept records while 33 (30.8%) did not keep records. The result shows that majority of the guest houses and hotels maintained records while majority of the restaurants did not keep records. This outcome was reinforced later in the survey with 79 (73.83%) respondents strongly agreeing that record-keeping requirements are too time consuming.

Table 4: Record keeping practices of Respondents

Variables	Class						Total	
	Guest House		Restaurants		Hotels			
	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Business Records								
Yes	22	95.7	27	49.1	25	86.2	74	69.2
No	1	4.3	28	50.9	4	13.8	33	30.8
Total	**23**	**100.0**	**55**	**100.0**	**29**	**100.0**	**107**	**100.0**

Source: Field Data 2015

Table 5 depicts that, 48 respondents representing 64.9 percent opted for General business management as the most important reason for keeping records. This was followed by compliance with tax laws, with 15 (20.3%) respondents, responding as their most important reason for keeping records. Record-keeping for profitability information rated lowly with 11 respondents at 14.8 percent. All the three classes of establishments (restaurants, guest houses and hotels), considered general business management as the most important reason for keeping records.

37 percent of the valid responses considered profit and loss information as the second most important reason for keeping business records. For compliance with tax laws, 18 (24.7%) considered it as the second most important reason while 14 (19.2) respondents considered general business management as the second most important reason. Three respondents representing 4.1 percent maintained records with bank requirement as the second most important reason. This shows that most of the respondents keep business records not for the main purpose of tax compliance, though it may facilitate tax compliance.

The emphasis that respondents placed on the value of record-keeping for general management was interesting, as it appeared to be quite significantly consistent with earlier research in related areas by Evans et al (2005). However, profit and loss information being the second most important reason for keeping records is in contrast with Evans et al (2005) who asserted that compliance with tax laws is the second most important reason for keeping records.

Table 5: Reasons for Record-Keeping

Variables	**Est. Class**						**Total**	
	Guest House		**Restaurants**		**Hotels**			
	Freq.	**%**	**Freq.**	**%**	**Freq.**	**%**	**Freq.**	**%**
Reason A								
Compliancewith tax laws	2	9.1	8	29.6	5	20.0	15	20.3
General business management	16	72.7	16	59.3	16	64.0	48	64.9
Profit and lossinformation	4	18.2	3	11.1	4	16.0	11	14.8
Total	22	100.0	27	100.0	25	100.0	74	100.0
Reason B								
Compliance with tax laws	9	40.9	4	15.4	5	20.0	18	24.7
General business management	3	13.6	6	23.1	5	20.0	14	19.2
Tracking debtors and creditors	4	18.2	4		2	8.0	10	13.7
Profit and loss information	6	27.3	11	42.3	10	40.0	27	37.0
Bank Requirement	0	.0	0	.0	3	12.0	3	4.1
Others	0	.0	1	3.8	0	.0	1	1.4
Total	**22**	**100.0**	**26**	**100.0**	**25**	**100.0**	**73**	**100.0**

Source: Field Data, 2015

The objective of the study was to determine the relationship between record-keeping and tax compliance in the hospitality industry in Ghana. The results from Table 6 indicated that there is statistically positive linear relationship between record-keeping and tax compliance (β = 0.446, p =.000; Table 10). Also, dummy variables for business position (β = 0.370, 0.262; p =.003,.029), contributed significantly and positively to tax compliance, while class of industry in relation to restaurant (β = -0.222, p = 0.05) contributed significantly and negatively to tax compliance. This means that the position of the respondents in the business positively influenced tax compliance behaviour. Other controlled variables (age, gender, educational level and class of establishment in relation to hotel) did not contribute significantly to tax compliance since they had significant values greater than 0.05 level of significance. Furthermore, the regression model showed that, 56% of the variation in tax compliance is explained by record-keeping, class of industry, business position, age of owners/managers, gender of owners/managers and educational status of owners/managers. The remaining unexplained 44% may be due to other factors other than the factors mentioned.

With p-value less than 0.05, the hypothesis stated as "There is no significant relationship between record-keeping and tax compliance in the hospitality industry in Cape Coast Metropolis"was rejected. Thus Accounting Record Keeping contributes significantly to tax compliance. The finding was consistent with Kirchler (2007), and Asby and Webley (2008) who reported a positive relationship between record-keeping and tax compliance among businesses.

Table 6: Multiple Regression Analysis of Record-Keeping and Tax Compliance

Coefficients						
		B	**Std. Error**	**Beta**	**t**	**Sig.**
	(Constant)	5.663	.919		6.163	.000
	Business Records	2.279	.532	.446	4.280	.000
	Age	-.066	.341	-.014	-.193	.842
	Gender	-.020	.374	-.005	-.055	.956
	Educational Level (sec/tech/voc)	-.018	.661	-.004	-.027	.978
	Educational Level (tertiary)	.869	.735	.192	1.181	.241
	Business Position (Manager)	1.684	.552	.370	3.050	.003
	Business Position (Owner/Manager)	1.307	.590	.262	2.214	.029
	Establishment Class (Restaurant)	-.991	.471	-.222	-2.103	.038
	Establishment Class (Hotel)	-.724	.464	-.144	-1.560	.122

a. Dependent Variable: Overall Compliant
b. Variables are significant at 0.05 level

R	R Square	Adjusted R Square	Std. Error of the Estimate
.748[a]	.560	.515	1.564

CONCLUSIONS AND RECOMMENDATIONS

From the discussions, it is evident that record-keeping is a critical aspect for tax compliance. Thus, businesses in the hospitality industry will generally comply with tax obligations if records are maintained effectively. As general business management is seen as one of the most important reasons of keeping records, good record-keeping practices, in part induced by tax obligations, could lead to improved management control for the businesses. This means that businesses with effective record-keeping systems and practices encounter fewer compliance problems than businesses with poor record-keeping systems.

In conclusion a positive and significant relationship between record-keeping and tax compliance of the hospitality industry in Cape Coast Metropolis indicates that record-keeping contributes positively to how well these businesses comply with tax obligations, though there are some indirect relationships between record-keeping and other tax compliance issues. Thus an improvement in recordkeeping practice in the Metropolis will lead to higher compliance with tax obligations ensuring the long term survival of the businesses.

The Ghana Revenue Authority as part of its education program, should undertake record-keeping programs to improve the quality of reporting by the businesses in the hospitality industry. The program should primarily be an education initiative that seeks to increase taxpayer compliance by developing policies on Tax audit schemes to target businesses with poor record-keeping. Managers must take advantage of developments in information, communications and technology to assist them in their record keeping.

Suggestions for Further Research

Record-keeping variable was assumed to be exogenous in this study. In subsequent research, the endogenous state of this variable should be tested, applying the appropriate econometric techniques. Also, a longitudinal study as an alternative to the cross-sectional survey used by this study would provide more conclusive evidence to the relationship between record-keeping and tax compliance.

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