

# Unlocking Ghana's Informal Economy through Inclusive and Trust-Based Tax Reforms

Prepared By: **BudgIT Ghana**

Reviewed By: **Dr. Abdul Malik Iddrisu**  
(Institute of Fiscal Studies (IFS), London, UK)



**budgIT**  
GHANA



Scan to download the  
Ghana's Untapped  
Economy Report

# *Table of Content*

Context	1
Key Findings and Implications	1
Integrated policy recommendations	5
Call to Action: Building a Fair and Inclusive Tax Future	8
Conclusion: Unlocking Potential, Building Trust, Driving Change	9
Future Research Considerations	9

## 1.0 Context

Ghana's informal economy remains a paradox: the largest driver of the nation's economy, employing over 70% of the nation's workforce, but bringing in minimal domestic revenue. A recent report by BudgIT Ghana, SWIT and the International Budget Partnership (IBP) shows that despite informal sector workers having knowledge about taxation, institutional problems, ranging from lack of education to core distrust of government, suppress voluntary compliance with taxation. The study focused on the Greater Accra Region using both qualitative and quantitative data collection, including focus group discussions and a 500-participant survey. The findings generated present a critical moment for development partners, civil society, and government institutions to collaborate and reimagine how taxation in Ghana can be made equitable, transparent, and inclusive.

## 2.0 Key Findings and Implications

### *1. Widespread but Fragmented Tax Awareness*

Operators within Ghana's Informal sector have a general awareness of taxation, however, they often confuse formal tax obligations with local levies, market tolls, and/or municipal fees. This mix-up is mostly a result of a lack of targeted education campaigns and limited engagement by tax authorities in spaces where informal workers operate. Although many informal sector workers assert they have knowledge about taxes, their understanding tends to be shallow and fragmented. The implication is that informal workers are open to participating in formal taxation, but their engagement is obstructed by misconceptions and false information. This incomplete knowledge base limits voluntary compliance and leaves room for

exploitation, either by local collectors or by people spreading misinformation.



## *2. Compliance Driven by Fear, Not Civic Duty*

Most tax payments among informal sector operators are triggered by enforcement threats or physical visits by tax officials, rather than by a deep-seated sense of civic responsibility. This behaviour demonstrates a tax ecosystem that is defined by intimidation rather than collaboration. Although prevailing compliance levels among informal sector operators remain low, their intentions to comply in the future are significantly more positive. This difference between present and future intentions indicates that targeted reforms such as streamlined processes, visible benefits from taxes and regular tax education efforts could result in improved voluntary compliance among informal sector operators. It also highlights a hidden readiness among informal workers to participate if systemic obstacles are removed.

### *3. Pervasive Distrust of the Tax System*

Informal sector operators harbour a deep mistrust in the government's ability to effectively manage tax revenues. Many informal sector operators believe that their taxes are either misappropriated or fail to translate into concrete public goods and services. This perception is further aggravated by a lack of visible investments, inadequate infrastructure and a perceived inequity in the manner in which taxes are collected and allocated. Moreover, the belief that small-scale traders are targeted while large organisations evade their tax responsibilities further intensifies the distrust. This emotional and perceptual barrier significantly diminishes the motivation of informal sector operators to formalise their businesses and comply with regulations.

### *4. Gender Disparities Are Deep and Structural*



Women, who comprise most informal workers in Greater Accra, experience taxation differently. They are overrepresented among those bearing the brunt of indirect taxes and daily charges, coupled

with stringent enforcement. Their experiences of taxation are shaped by inconsistent incomes, care work responsibilities, and limited access to money and legal resources. Though the compliance levels of men and women are not statistically distinct, qualitative data reveal that women face more intense economic and logistical obstacles. Such systemic disparities affect their ability to equitably engage with the formal tax system and recognise gender-sensitive reform

### ***5. Complexity of Formalisation Processes***

The study ascertained that majority of informal businesses are unregistered owing to the high cost, administrative delays, as well as ambiguity associated with the benefits of formalisation. While informal business owners tend to agree that legal registration will increase business legitimacy and ease the process of acquiring financial services, they view the costs, both administrative and financial, as outweighing the prospective benefits. This discourages their compliance with formal taxation mechanisms. Also, formalisation is perceived as an entry to new taxes, but not as a pathway to state support or legitimacy, thus resulting in reduced motivation for business registration.

### ***6. Demographic Moderators of Compliance***

Demographic characteristics such as education, gender, type of business, income level, and registration status also influence tax compliance behaviour. For example, the more educated and those who have already registered their businesses indicate higher awareness and inclination to comply. Likewise, experience in the informal sector influences whether or not an informal sector operator will employ avoidance tactics or partial compliance

approaches. Such complex dynamics imply that one-size-fits-all policy solutions are not likely to succeed. Rather, specific responses that take account of the experiential realities of particular sub-groups in the informal economy are needed.

### 3.0 Integrated Policy Recommendations

#### 1. Simplify and Localise Tax Processes



The government should streamline the whole process of tax registration and compliance in order to lower the cost of time and money of engaging with the tax system. This is possible through the establishment of mobile tax registration and payment points in high-traffic informal zones like markets, transport hubs, and community centers. Tax schemes should be tiered according to income levels, allowing micro-enterprises to contribute modestly without facing disproportionate burdens. This method lowers the administrative burden and psychological resistance of taxation.

## *2. Leverage Mobile Technology*

Digital tools must be central to any reform strategy. Mobile money platforms should be officially integrated into the tax payment system, allowing users to receive receipts and schedule payments conveniently. A USSD-based platform and mobile application should be developed by the Ghana Revenue Authority (GRA) to enable informal workers, many of whom do not own smartphones, to register, pay taxes, receive reminders, and lodge complaints. Digitalisation will not only reduce human interference (and related corruption) but also make compliance seamless and traceable.

## *3. Promote Gender-Responsive Taxation*

Tax policies must account for the realities of women who operate informal businesses. This includes training tax officials in gender sensitivity and deploying anti-harassment protocols to protect female traders. The government should design tax relief packages and incentives specifically for women-led microenterprises, especially those in caregiving roles or with unstable income. Additionally, outreach programs should intentionally include women's associations and cooperative groups in shaping the reforms, ensuring that their voices are part of the policy design and not just its implementation.

## *4. Rebuild Trust through Transparency*

To rebuild confidence in the tax system, authorities must create visible, verifiable links between what is paid and what is delivered. Launching a “Your Taxes at Work” campaign would allow citizens to see real-time community investments, such as better lighting,



drainage systems, or public toilets, which are funded by their taxes. Publishing simple, visual annual tax impact reports per district can also empower citizens and reduce speculation. Central to this transparency initiative should be the Ghana Community Tax Dashboard, a publicly accessible online portal that tracks revenue generation and its application in communities.

### *5. Strengthen Stakeholder Partnerships*

Trade groups and community-based organisations are trusted entities that can act as important intermediaries for the tax system. These associations need to be consulted to co-design and propagate simplified tax compliance messages and materials. Associations can also facilitate group registrations, peer learning sessions, and even mediate between members and the GRA. Furthermore, collaboration with local leaders like chiefs, religious leaders and market queens, among others, can also further integrate tax messaging in communal spaces. Finally, voluntary compliance may also be fostered by incentives such as certificates of compliance, public commendation and raffles.

### *6. Expand Inclusion and Deepen Research*

Current knowledge is primarily focused on Greater Accra and urban informal sectors. In order to formulate genuinely national and all-inclusive tax reforms, subsequent research would need to encompass rural regions, agricultural traders and informal enterprises operating various regions across the country. It is also essential to involve youth, migrants, and individuals with disabilities in future data collection and the design of reforms. Targeted investigation into how informal businesses utilise digital platforms, and the ways these can be incorporated into tax compliance

systems, will aid in the development of more adaptable, responsive and forward-looking policy measures.

#### **4.0 Call to Action: Building a Fair and Inclusive Tax Future**



BudgIT Ghana calls on policymakers, civil society organisations, development partners and community leaders to act in earnest on these revelations. We call on the Ghana Revenue Authority and the Ministry of Finance to prioritise transparency, equity and people-centred tax reforms. We also call on all stakeholders at all levels, from the market associations to institutions at the national level, to embrace inclusive conversation and collective implementation strategies that are responsive to the unique situations of workers in the informal economy. Together, we can create a tax system founded on trust, fairness, and shared prosperity.

## 5.0 Conclusion: Unlocking Potential, Building Trust, Driving Change

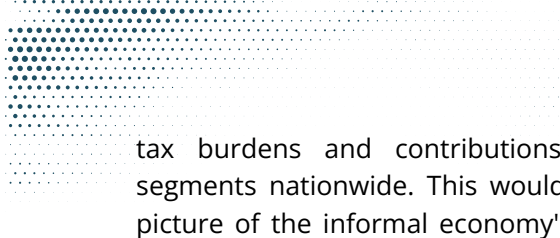
Ghana's informal economy holds vast untapped potential to propel national development, enhance public services and create sustainable communities. It is imperative for us to unlock this potential by changing our mindset about taxation, from one founded on fear and distrust to one of transparency, simplicity and fairness. The evidence presented from research by BudgIT Ghana, SWIT and IBP provides a blueprint for reforms that are gender-sensitive, technology-driven, and inclusive of all stakeholders. BudgIT Ghana continues to be dedicated to collaborating hand in hand with every stakeholder to convert the findings of the report into practical reforms, bottom-up advocacy, and institutional transformation.

## 6.0 Future Research Considerations

In light of the current study's focus on the Greater Accra Region's urban experience, it is worth noting that the different experiences in the informal sector across the country, particularly in rural communities and specific segments of the populace, might be distinctly different. To call for more in-depth research work is a strategic necessity to fill in these possible information gaps so that policy action in the future can truly be evidence-based and reflect varied experiences at the national level. This approach will help prevent a "one-size-fits-all" approach that might unintentionally overlook particular challenges or create new disparities. Priorities for future research include:

### 1. *Expand Geographical and Demographic Scope:*

Commissioning a national mixed-methods study is crucial to quantify



tax burdens and contributions across different demographic segments nationwide. This would provide a more comprehensive picture of the informal economy's interaction with the tax system across Ghana.

**2. *Extend Qualitative Research to Rural Communities:***

Qualitative research should be extended to rural communities, with a particular focus on agricultural traders and artisans, whose economic realities and interactions with tax authorities may differ substantially from their urban counterparts.

**3. *Investigate Migrant and Youth Entrepreneurship Dynamics:***

Future studies should delve into the unique entrepreneurship dynamics of migrant and youth populations, including their interactions with cross-border taxation and the potential for leveraging digital compliance tools in their specific contexts.



Scan to download the  
Ghana's Untapped  
Economy Report