

**INVESTIGATING THE AFFECTIVE FACTORS ON THE QUALITY OF AVOIDING
DIRECT TAX PAYMENT AMONG TAXPAYERS OF URMIA**

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ABSTRACT

The aim of the present study was to investigate the affective factors on the quality of avoiding direct tax payment among taxpayers of Urmia. The study is applied, descriptive and survey in terms of goal, quality of data collection and quality of implementation. The statistical population comprises of employers working at tax Administration of Urmia and 278 people were chosen as sample size using stratified random sampling method. Researcher-developed questionnaire was the main instrument employed to collect the data and reliability was assessed as 0.782 using Cronbach alpha coefficient. SPSS software was used to make statistical analysis and the derived information from the questionnaire were employed to make statistical analysis. Also, Kolmogorov-Smirnov test as well as regression test were used in this study to make statistical analysis. The results of the study manifested that tax income of taxpayers as well as inflation and trade liberalization had an effect on the quality of avoidance of direct tax paying among taxpayers of Urmia.

KEYWORDS: tax evasion, tax payers, tax culture, tax process

INTRODUCTION

Governments are forced to come up with the incoming expenses. To provide financial support and to establish diverse income resources, governments are divided by tax and non-tax revenue groups. The role of tax revenues has been taken into account as important in many countries. In other words, the comparison of this resource with other resources indicates that higher rates of taxes share in expenses would reduce non-optimum economic repercussions. Unlike developing countries. The role of taxes in developed countries is more apparent and a large portion of government expenses is provided by this way. The notion of providing financial support through normal revenues is the one to be addressed by Iran in recent years. Investigation on Iran tax system in recent years shows that the tax system did not have efficient role. The ratio of taxes to gross domestic products in the year 1998 was about 7.7%. Such a ratio changed to 6.3% and 5.5% in the years 2002 and 1998, respectively. It is worth noting that although in developed countries all expenses of government are provided by taxes, Iran has had few share on taxes so that it has not been capable of providing a portion of government expenses (Jafari Samimi, 2004).

Review of literature

Tax

Tax is said to be similar to social expenses that people are coerced to pay it in order to provide efficiency and using the facilities. Tax is transferring a portion of society's revenues to government or is regarded as a benefit of economic activities to be advantaged by government due to the fact that it is the government which has paved the way for achieving the revenues and benefits. The income of soldiers' has been provided by issuing the command of public loot rather than providing it through the treasury of government (Wilde Meriam, 2002).

Tax culture

Tax culture is defined as people's beliefs toward paying the taxes and its necessity. Terter has defined tax culture as involving attitudes and behavioral paradigm that people possess in relation to paying the taxes. From Berner's point of view, tax culture is defined as the integrity of all official and non-official institutions which have to do with tax systems and its practical implantation. The components of tax culture involve taxpayers, policy makers, experts, educators and tax in-charge people. The interaction among different groups and within the members of one group are visible through establishing the relation and social dependencies, the interactions would be lengthened which itself is taken into account as a large portion of tax culture. So, tax culture encompasses a concept beyond receiving tax payments. Putting

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into simpler terms, one can say that tax culture is a set of interpretations, perspectives, goals, social values, current rules and the level of awareness on the part of people in relation to taxes (Jalaabadi & Azzikhani, 2005).

Direct taxes

It was in Esfand 1987 that the direct taxes law was approved by parliament accompanied by reform and executing the rules and laws adopted by Islamic Revolution goals which stated that no tax would be considered except for issued by law. Afore-said law was approved in its final draft by the parliament which involved 133 reformed terms. It is taken as a resource for making decision on direct taxes.

Tax process

The analysis of tax system processes from its declaration to the paying time in tax-based system is useful when it is accompanied by on-time information. In case the tax organization faces incomplete information, it is essential that the information systems is modified and reconsidered. In addition, based on the rules of tax-based accounting, the tax system should transfer its revenue either as cash or banking account). It is sometimes probable that legal barriers or the weakness of law bring about conditions which do not provide correct information to the tax system. This leads to the weakness of tax paying commitment although it is never visible. There are a number of problems occurring in tax processes of Iran. Many of the processes are inefficient and perplexed. There is no minimum of evaluation for them and all processes are proceeded manually. The input and output potentials are restricted. Lack of computer-based analysis leads to lengthened identifying and considering process which are probable to error. In addition, there are no definite evaluation criteria for measuring the processes and to be prosecutable (Pormogim *et al.*, 2006).

Tax evasion

One of the important issues pertinent to the quality of revenue of any tax-based type is identifying the ways of tax evasion and solutions for preventing it. The phenomena of tax evasion is accompanied by social, economic and counteractive repercussions. Tax evasion results in reduction of government revenue, causes disruption in budget and bring about hamper to achieve the goals. Such an issue brings impediments in managing social, economic, and cultural plans in relation to providing financial support and public welfare. Lack of paying the taxes changes the competitive potential and this leads to the fact that chasm appears within the revenue groups. In case no solution is offered for preventing the tax, it is probable that other people are motivated for doing the job in order to increase their financial power and that the tax evasion becomes more popular in this way. Since taxpaying is not satisfying for any taxpayer, the afore-said items lead to the fact that some taxpayers evade taxpaying 1 and 2 aiming to not paying the taxes. Generally, tax evasion is concerned with illegal not paying of tax. Such an embark can be done in the form of adjusting financial accounts. Providing incorrect financial information or not providing the information (Larsep & Hin, 2002). In addition, tax evasion has to do with non-official economy such as domestic transactions or illegal activities such as committing crimes. The important point to note is that no tax is taken for these categories due to lack of appropriate information. It is possible that opportunity is provided for taxpayers to evade taxpaying due to existence of specific score accompanied by special activities in relation to determining general rule so as to reduce or lack of paying the taxes. In such a case, the taxpayer can evade the taxpaying through legal ways. Tax evading is a legal behavior which means that economic factors attempt to reduce their tax debts through making use of tax-related rules and reconsidering their economic decisions.

Related studies

Anvarizade (1999) investigated the effectiveness of punishment in detecting system of tax evasion. I was mentioned that increasing punishment would not by itself guarantee the task of taxpayers; rather such a punishment works when the tasks of taxpayers are determined from every perspective and that all facilities and instruments are provided so as to inform the taxpayers from the determined punishment. Sending declaration through the post to all taxpayers and motivating them through all mass media are among the task for providing task-doing on the part of the taxpayers.

Gasmrezaei (2007) examined the efficacy of tax paying punishments in relation to reduction of tax evading of taxpayers in Iran. It was concluded that lack of taxpaying on-time and being involved in punishments are categorized by lower economic risk due to inefficiency of credit system and existing of inflation within the society. The punishment is less than the added value of credits or cash flow or even saving the financial accounts. That is the reason taxpayers prefer to pay the fines.

Rezaei and Hakshovai (2007) investigated the effect of reforms having to do with determining the tax-based fines within direct taxes law in order to increase the tax commitment. It was declared that tax fines are effective when eyed by guarantee and legal assurance. Some of the variables which were contributive to tax fines so that tax compliance, self-report and tax information transparency have increased by tax-based fines after being reformed.

MATERIALS AND METHODS

The study follows a survey approach. It is applied, descriptive and correlational in terms of goal, quality of data collection, respectively. Stratified random sampling method was used in the present study. Sample size was divided by two strata of Urmia tax administrations which comprise of tax employers and administrative employers. The first group comprise of 663 people and 304 people are chosen as the sample size. Also, the second group comprises of 269 people and 113 subjects were chosen as sample size. Cochran formula was employed to determine the sample size.

Inferential analysis on statistical data

In order to show the normal and non-normal status of variables distribution, Kolmogorov- Smirnov test is used. If the level of significance is greater than 0.05, data distribution is normal; otherwise data are not normally distributed.

RESULTS

Table 1. Kolmogorov-Smirnov test results for studying normal distribution of data

	Number	Kolmogorov-Smirnov	Level of significance
Revenue of taxpayers	278	1.034	0.236
Inflation	278	1.070	0.202
Trade liberalization	278	1.133	0.153

As it is seen from the above table, none of the variables is normally distributed.

Taxpayers revenue has an effect on direct tax paying evasion among Urmia taxpayers.

Based on the results of Kolmogorov-Smirnov test, regression model is use to study the hypothesis.

Table 2. Variance analysis of the main hypothesis relevant to regression model of taxpayers revenue and tax paying evasion among Urmia taxpayers

Standard error	Balanced identification coefficient			R2 identification coefficient	R	
0.76329	0.352			0.354	0.595	
Level of significance	Level of confidence	F	Mean of square	Total square	Degree of freedom	Changes resources
0.000	0.95	151.144	88.059	88.059	1	regression
Result of the test: effect exists			0.583	160.802	276	residue
			-----	248.862	277	total

As seen in the above table, the test level of significance is less than 0.05. So, null hypothesis is rejected. That is to say that taxpayers revenue has an effect on direct tax paying evasion among Urmia taxpayers. Since R2 identification coefficient is 0.630 which is defined as the ratio of described changes by x variable to the whole changes, one can say that 35.4% of direct taxpaying changes can be determined by taxpayers revenues.

First secondary hypothesis; inflation has an effect on direct tax paying evasion among Urmia taxpayers.

Table 3. Variance analysis of the first secondary hypothesis relevant to regression model of inflation and tax paying evasion among Urmia taxpayers

Standard error	Balanced identification coefficient			R2 identification coefficient	R	
0.76329	0.352			0.354	0.595	
Level of significance	Level of confidence	F	Mean of square	Total square	Degree of freedom	Changes resources
0.000	0.95	155.486	89.677	89.677	1	regression
Result of the test: effect exists			0.577	159.184	276	residue
			-----	248.862	277	total

As seen in the above table, the test level of significance is less than 0.05. so, null hypothesis is rejected. That is to say that inflation has an effect on direct tax paying evasion among Urmia taxpayers. Since R2 identification coefficient is 0.360 which is defined as the ratio of described changes by x variable to the whole changes, one can say that 36% of direct taxpaying changes can be determined by inflation.

Second secondary hypothesis: trade liberalization has an effect on direct tax paying evasion among Urmia taxpayers.

Table 4. Variance analysis of the second secondary hypothesis relevant to regression model of trade liberalization and tax paying evasion among Urmia taxpayers

Standard error	Balanced identification coefficient			R2 identification coefficient	R	
0.79712	0.293			0.295	0.543	
Level of significance	Level of confidence	F	Mean of square	Total square	Degree of freedom	Changes resources
0.000	0.95	115.661	73.491	73.491	1	regression
Result of the test: effect exists			0.635	175.371	276	residue
			-----	248.862	277	total

As seen in the above table, the test level of significance is less than 0.05. So, null hypothesis is rejected. That is to say that trade liberalization has an effect on direct tax paying evasion among Urmia taxpayers. Since R2 identification coefficient is 0.295 which is defined as the ratio of described changes by x variable to the whole changes, one can say that 29.5% of direct taxpaying changes can be determined by trade liberalization.

DISCUSSION AND SUGGESTIONS

It is suggested that the rate of fines and wage share is increased based on the result of the first hypothesis. It is recommended that expenses of tax adjustments, the level of non-official activities and the level of tax intervals are lowered.

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