

Investigate losses resulting from delay in tax receipt in Khorasan

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Abstract

The study aims to analyze losses ensuing from delay in tax receipt in Khorasan. during this study, the variable of delay has been utilized in payments; inflation; companies' kind of industry; kind of company governance; companies' geographical location and losses thanks to delay in tax receipt. During this regard, so as to analyze the impact of losses ensuing from delay in tax receipt, a form has been designed which can be completed by money managers of the provinces and also the CEO and money managers of contractor firms? To see the losses caused by the delay in tax receipt, they are studied mistreatment Pearson correlation take a look at and regression and analyzed with the applied math SPSS package. The results showed that there's significant relationship in the first and second hypotheses, but there is no significant relationship within the third hypothesis.

Key words: delay in tax receipt, corporate governance, industry, geographical location

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Introduction

A good tax system for each country has to be able to bring the three targets of efficiency, equity, and simplicity for the country and in other words, it should not disrupt the individuals' economic behavior, and should be tolerated by different classes too to easily understand it and operate. A taxpayer who is not satisfied, even without the complexity of the law, due to the usual bargain to avoid paying money, when faces with an incomprehensible and sometimes unfair tax system, as a result the total of this process would have a negative effect on its sense of cooperation and compliance in the field of the tax, while it is also an error and mistake productive system and over time it may create pessimism and reduce taxpayers' the level of cooperation. Of course at the time of legislating no one wishes such consequences but most of the tax experts believe that the results and consequences could be predicted in advance (Eghbali, 2013). One of the main purposes of the tax organization is to correctly implement the law provisions of direct taxes, as well as timely tax receipt as one of the most important part of the implementation of this law. However, despite the old topic of tax in Iran compared to the most developing countries and some developed countries, the tax system performance reflects the weakness form the perspective of the law efficiency (Maghsoudi, 2006). Low acceptability and the prior taxes law inefficiency and the penalties system belonging to it, particularly during the 70s led to revise and modify it. Modifying the previous law and current law enforcement, we were seeking to achieve the development program objectives in the tax affairs section. Elimination of inefficient and costly taxes that provided little proportion of the income tax was particularly emphasized on a new amendment (Maghsoudi, 2006). In 2002, following the adoption of the new tax policies, considered penalties increased than the previous years in some respects. On the one hand, besides the most cases of taxpayers' violation that was introduced and presented, on the other hand, most violations in addition to financial penalties included the criminal offences too and the controlling power over punishment provisions increased. Also offering more reasonable rates on the broader and more inclusive neglect of taxpayers such as lack of submission of declaration, financial statements and legal books, providing false declaration, unrealistic books and false claims, the efficiency and effectiveness of the country tax law was taken into more consideration than the previous laws (Eghbali, 2013). Despite the above mentioned conditions, improper use and misuse of exemptions and tax penalties and tolerance of fully getting the penalties has led us to see that sometimes we should act to cancel penalties or apply exemptions and eliminate penalties in bulk at certain times and occasions just in order to receive the tax quickly and this, in addition to the confusion, provides the taxpayers with hope towards economic decisions and tax obligations in the future and it's in turn as a factor to avoid paying tax on time, which can include the impunity of penalties at specific times, especially in the last months of year that has a punitive effect on taxpayers who have paid their taxes early and timely (Mousavi, 2008). Now in this research, due to inflation in the country and no adjustment of tax laws and the rates of tax penalties (cases specified in Direct Taxes Code from article 191 to 198), we want to investigate how much the taxpayers have caused the financial system loss in Bushehr, Khuzestan and Fars provinces with respect to the time value of money and the delay in timely payment?

Theoretical foundations and review literature

One of the ways of financing government costs is getting different taxation from taxpayers. In developed countries, the share of tax is significant in government costs and the ratio of tax revenues to gross domestic product (GDP) has been sometimes reported to 40 percent too. However, the ratio barely reaches to 8% in Iran economy and the share of taxes in financing government costs (but only the current costs) is very small, while it is anticipated by the end of the fourth development plan 100% of the current government costs is supplied from the tax revenues and other income, except the oil. One of the ways of increasing tax revenues is to expand tax bases in countries. But it would be only justified if the benefits are more than the possible harms. Direct tax is part of the national income which is the most important and the healthiest source of income to finance the current developmental costs and expenses of the government to carry out its duties and responsibilities. In addition to the role of tax in financing government

expenses, other functions such as redistribution of income and its use are mentioned as a guiding and corrective tool to support and encourage some of the sectors and activities for the tax. Direct tax is considered as a part of tax revenues and included in the state income (Amir Yousefi and Hafezi, 2005).

Foreign history

Forest et al (1975), in their study on the question that "whether the simplification of tax lead to more efficiency and justice "using the simulation model and applying the household survey data on the income of Germany, have studied the impact of tax simplification on the efficiency of the tax system as well as the country income distribution. The results show that simplification of the laws leads to a reduction of using professional services by tax consultants, more equitable distribution of income and increase of tax revenues. Stotsky and Wolde Mariam (1997) in an article entitled "tax effort in African countries" used panel data for 43 African countries during the period of 1990 to 1999 and computed the tax share factors in GDP and the rate of tax effort. This paper suggests that countries with relatively high tax share tax tend to have a relatively high tax effort index, although the results are not similar among the countries. Pink Steli (2001) in an article entitled "calculation of tax effort in developing and developed countries, panel data approach" has estimated the tax effort index for a 75-country sample for the period of 1985 to 1995. He stated that the per capita income, trade rate of GDP and the share of agriculture of GDP from the agriculture sector production are explanatory variables highly compatible with the tax rate, while several variables used in previous studies, such as mine output rate of GDP and quasi-money rate of GDP, that were not important in the analyses of the past period. In this article, tax rates and tax effort of developing and developed countries have been calculated and compared according to different income groups and countries. Altoni (2002), in an article entitled "measuring tax effort in the Arabic countries" has used the combination of time-series and cross data of countries for the period of 1994 to 2000 for Arabic 16 countries in order to determine tax effort. The results suggest that in the Arabic countries, the income tax share of GDP, the per capita income, the agriculture share of GDP and the mine share of GDP are the main factors. The results of tax effort index have shown that the Arabic countries facing a budget deficit, particularly gulf corporation council countries (GCC), the increase of tax income makes their tax system reform wider. Devos (2007) in his analytical article states that demographic characteristics proposed in social and psychological models play an important role in the behavior of taxpayers' compliance. Barbuta (2008), in a study entitled "economic and non-economic factors of accepting income tax" investigating economic and non-economic factors affecting the acceptance or evasion of income tax, knows the effective economic factors including, income level, auditor's probabilities tax audit, tax rate, penalties and penalties, and considers non-economic factors as personal factors, social and national norms and the feeling of being unfair. The results of research conducted by Kastlung et al (2009) also shows the effect of different auditing patterns on the level of compliance in the future, so that if auditing is not done completely random, the compliance will decrease and whatever the last time of auditing performed is closer to the current time, the level of compliance will increase.

O. Alabde et al (2011), in a research investigated the effect of ethnic diversity (from the dimension of race and religion) on taxpayers' compliance behavior in Nigeria. The results represent an enormous difference in the behavior of taxpayers' compliance between the different races in a community where there's a high diversity in this field. But the difference of tax payers' behavior between the different religions is not significant and important.

Amin (2011), in a study entitled "is the quality in tax administrations related to the country size?" has examined the quality of tax administrations due to the size of the country that the results show that the quality of tax administrations in small countries is better than the large ones and, using multi-line variables regression he demonstrates that the nonlinear relationship between tax administrations and countries is greater for larger countries.

Domestic research

Mahzarnia (1995) has investigated tax elasticity and tax revenues forecast in the second development plan. In this study, it has been tried to explain the relationship between goals of compilation and effects of levy by the concept of tax elasticity. Model results indicate that the tax elasticity for tax sections in Iran economy is about one or less than it. In other words, for every increase in GDP, total tax and tax of any section will increase about one or less than one per cent. During the research he has considered the process of taxation receipt as a function of tax culture and the company size, while knowing the taxpayers' lack of awareness very important in this process. Eisazadeh Roshan (1998) using time series data dedicated to the three economic decades of Iran (1966-1996) and the three-stage least squares method (3SLS) has estimated the equations system. In this study, first the economic capacity of Isfahan province, using the value added calculation of different economic sectors of the province has been examined and then its tax capacity has been estimated. Overall, based on the results of this research, to establish a logical relationship between the two ratios, it's possible by reducing the size of government that is reduction of the current expenses and increase of tax revenues through taxation reform of the country. Mohammadi and Nourbakhsh (1999), after a review of the tax system it has been noted that the country tax system is deficient and needs to be reformed. There is no optimal tax structure that can be applied to all countries and at all times. But the current situation of the country as well as the experience of other countries in this field indicates that the method of expanding the tax base through the base development of a kind of existing tax and reduction of tax exemption and introduction of new taxes to reform the tax system seems essential. Thus, the researchers have suggested economic issue system for the taxation system reformation of the country. Parvin and Gholibegloo (2000) have investigated the impact of the methods of the government funding on important macroeconomic variables. For this purpose, using a model of simultaneous equations system of and through the simulation, the results of using each of the funding methods have been compared. The results of estimating the model, applying time series data of 1962-1996 and using the three-stage least squares (3SLS) method estimator represents a slight positive impact of the money supply on production. In general, when reducing the fluctuations of more objective variables is important, funding would be more

appropriate through increasing taxes. Ja'fariSamimi and Hamzehie (2006) during a research showed that the structural, legal and institutional factors are as the tax evasion in gold sellers class of Mazandaran province and among the studied variables, the weakness of country monetary circulation, the weakness of tax information system and the complexity of tax laws have the greatest impact on tax evasion of the activists in this class, respectively. Ameli et al (2008) studied the effect of public trust in the way of allocating and using tax on the tax compliance from the perspective of tax experts, officers and taxpayers from the two intra and extra organizational dimensions. The results showed that there is a significant relationship between the public trust arising from the awareness of how to use tax and tax compliance, so that more level of public accountability to the tax revenues, the more level of tax compliance by taxpayers would be. Parvin (1990) in his doctoral dissertation has investigated the economic fields of poverty in Iran in which fourth chapter he has studied the redistribution effects of taxes in the form of eight options according to the Gini coefficient. In the mentioned study, tax policies have no adjusting effect on income distribution and even because of the tax structure and the high share of indirect tax and the tax receipt system inefficiency they have had anti-adjusting effect though, so that assuming the tax portability to consumers, low classes have devoted greater share of income to tax. Also according to the literature of his research, on the process of tax receipt we can mention this important point that the tax expression and its detection by the tax auditors have no consistency, resulting from low tax culture. Askarifard (2008) has studied the impact of the quality of services provided by tax administration on taxpayers' voluntary compliance using the model of Parasuraman in active non-governmental organizations (NGOs) in Tehran. The results showed that increasing the quality of services by the tax affairs organization of the country we can see the increase of taxpayers' voluntary compliance and reduction of tax evasion. Also, according to the results of this study, ranking constituent dimensions of the quality of services from the perspective of taxpayers in order of preference are assurance of the services offered; sympathy of the tax auditors with taxpayers, employees' appropriate accountability, credit of provided services and the quality of tangible factors. Ghetmiri and Eslamlooieian (2009), in an article titled "estimation of the tax effort in Iran and its comparison with selected developing countries" investigate the tax capacity of Iran and its comparison with 14 developing countries. In this regard, the pattern of tax ratio through the application of seemingly unrelated regressions methods for the period of 1994 to 2002 has been estimated. The results show that there is a positive and significant relationship between the tax ratio and the value added of agriculture sector of GDP, and the ratio of foreign debt to GDP and the inflation rate negatively impact the tax ratio. Similarly the tax effort in Iran has the lowest tax rate among the countries studied. Mousavi Jahromi et al (2010) during a research showed that with the increase of the cost payments included the value added tax (VAT), tax evasion will increase and tax compliance will be reduced. It has to be said that with the increase of the probability of tax declaration investigations well as the increase of the rate of penalty penalties in cases where tax documents are not examined, the tax compliance will increase.

Research hypotheses

In the present study, based on theoretical literature and foundations raised in relation to the subject, hypotheses have been designed and we'll test them during the work processes. Five of our hypothesis state that:

- 1) Delay in the tax receipt harms the financial system of the country.
- 2) Inflation causes delay in timely payment of the tax.
- 3) Type of industry of the companies causes delay in timely payment of the tax.

Data collection

The research data and information is collected from the financial statements and database of the Iranian national tax administration. The information provided in financial statements therefore, given that this approach is considered as gathering information from the existing documents, data collection method of the present study is the questionnaire type. Then the data is classified in Excel and finally would be analyzed using SPSS software.

The statistical population and sample

In this research the probability random sampling has been used to sample the method; it is probability to select a method for choosing a sample to provide all population with an equal chance to be selected; observing the probability principle for each of the population will lead to a representative sample of the population, has scientific value and its trait is consistent and uniform with social traits (Hafeznia2008) and it's a random sampling because this type of sampling is used in descriptive, field, correlational, casual and experimental and can be easily performed (the same source, 122). In this research to calculate the sample size the variance of S^2 and Cochran formula has been used, according to the formula for the 75-member statistical population, a sample size consisted of about 42 companies have been determined.

Cochran formula to calculate the sample size when the population size is known:

Defaults: Confidence coefficient: 95% $Z = 1.96$ the error value: $d = 0.1$

$$n = \frac{Nz^2pq}{Nd^2 + z^2pq} = \frac{75 * (1/96)^2 * 0/5 * 0/5}{75 * (0/1)^2 + (1/96)^2 * 0/5 * 0/5} = 42/1129$$

Research variables and the method of their measurement

In order to achieve the desired results and proper conduct of the study, the field method and questionnaire tool was used.

The field method: To collect data and measure the variables of research a questionnaire was used, the indicators to be measured were subject to financial executives of listed companies in Tehran Stock Exchange that are in Khuzestan and Bushehr provinces before rating them in a form of questionnaire, and finally the agreed questionnaire was used as a tool for collecting data. The questionnaire is a set of questions that are designed as open or closed scales through which individuals' attitude state towards reality could be evaluated (Terrestrial,

1390).Dataas raw and unprocessed awareness are the most basic knowledge of the researcher around possible answers that have been raised on the issue of research. Therefore the researcher after accessing to this data, according to their nature and structure and format of hypotheses, faces with the question that how to classify, process and finally analyze the data to be able determining the hypotheses that have possible and temporary answers for the research issue (Khaki, 2008).According to the fact that the research seeks to estimate the amount of loss caused by the delay in payment of taxes, so based on the research method described (Khaki, 2008) hypothesis is proposed in question form. Furthermore, in the research method part, due to the loss estimation, no model or regression line will be expressed but this study will seek to estimate the loss.

Descriptive statistics Research

Describing the variable of the loss resulting from delay in payment

Table 1: describing the variable of the loss resulting from delay in payment

Descriptive statistic of the variable	number	minimum	Maximum	mean	Standard deviation	variance
Losses resulting from the tax payment delay	42	3.86	5.87	4.6585	0.573090.	0.328

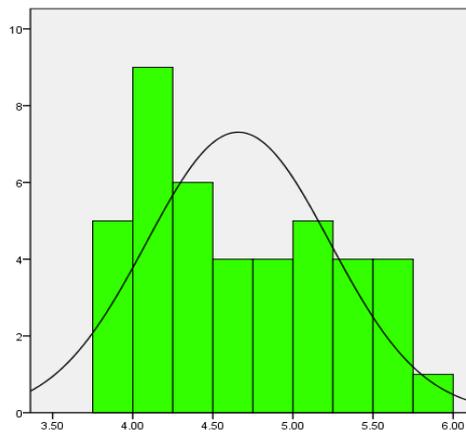


Chart 1: the histogram of losses resulting from the tax payment delay variable

According to the diagram and Table (1) it can be seen that the variable of losses resulting from the tax payment delay has the minimum value of 3.86, the maximum value of 5.87; the mean of 4.6585, standard deviation of 0.57309 and variance of 0.328.

Describing the variable of delay in payment

Table 2: describing the variable of delay in payment

Descriptive statistic of the variable	number	minimum	Maximum	mean	Standard deviation	variance
Delay in payment	42	4.05	5.85	5.0942	0.43311	0.188

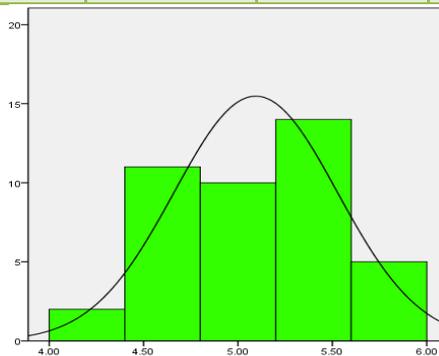


Chart 2: the histogram of delay in payment variable

According to the diagram and Table (2) it can be seen that the variable of in payment has the minimum value of 4.05, the maximum value of 5.85; the mean of 5.0942, standard deviation of 0.43311 and variance of 0.188.

Describing the variable of inflation

Table 3: describing the variable of inflation

Descriptive statistic of the variable	number	minimum	Maximum	mean	Standard deviation	variance
Inflation	42	3.28	5.54	4.3725	0.50611	0.256

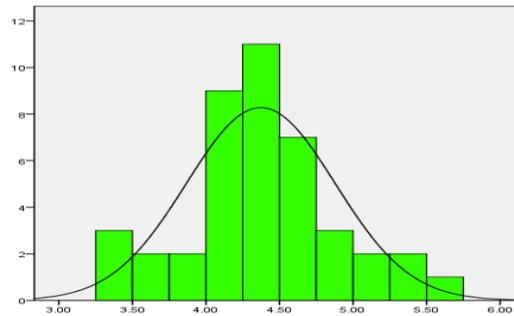


Chart 3: the histogram of inflation variable

According to the diagram and Table (3-4) it can be seen that the variable of in payment has the minimum value of 3.28, the maximum value of 5.54; the mean of 4.3725, standard deviation of 0.50611 and variance of 0.256.

Describing the variable of companies' type of industry

Table 4: describing the variable of companies' type of industry

	number	minimum	Maximum	mean	Standard deviation	variance
Companies' type of industry	42	3.27	5.87	4.3937	0.68337	0.467

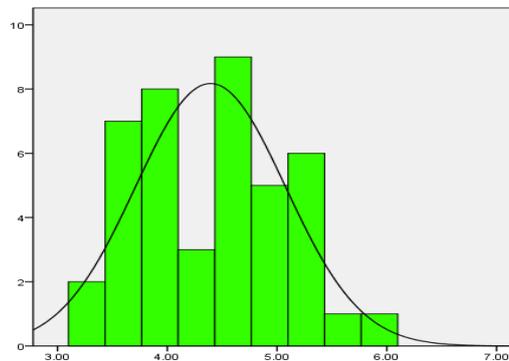


Chart 4: the histogram of companies' type of industry

According to the diagram and Table (4) it can be seen that the variable of companies' type of industry has the minimum value of 3.27, the maximum value of 5.87; the mean of 4.3937, standard deviation of 0.68334 and variance of 0.467.

Check the normality of research variables

To use parametric statistical techniques the values of dependent variable should be normally distributed which is also tested using the Kolmogorov-Smirnov test.

H_1 : the research variables are normally distributed

H_0 : the research variables are not normally distributed

Table 5: Kolmogorov-Smirnov test

Name of variable	Significance level	The test statistic
Losses resulting from tax payment delay	0.247	1.022
Delay in payment	0.858	0.604
Inflation	0.694	0.710
Companies' type of industry	0.228	1.041
Companies' type of corporate governance	0.451	0.504
Companies' geographical location	0.094	0.640

According to Table (5) it can be seen that the significance level of research variables is more than 0.05, as a result the research variables were normally distributed in the sample. Finally, the null hypothesis cannot be rejected.

Research hypotheses test

The first hypothesis) delays in the tax receipt harms the country financial system.

Table 6. The correlation coefficient

Result	Significance level	The correlation coefficient (R)	Number	Variables
Hypothesis approval	0.028	0.340	42	Delay in tax receipt and financial loss

According to Table (6) it can be seen that the value of significance level is less than 0.05, because of this with 95 percent confidence the hypothesis H₀ is rejected and the hypothesis H₁ is approved. With this condition, the relationship is significant. Also based on the table

It can be stated that the severity of correlation between delay of tax receipt and financial loss is 34.8 + percent.

The second hypothesis) inflation leads to delay in timely tax payment.

Table 7. The correlation coefficient

Variables	Number	The correlation coefficient (R)	Significance level	Result
Inflation and delay in tax receipt and financial loss	42	0.498	0.001	Hypothesis approval

According to Table (7) the significance level is smaller than 0.05 (Sig= 0.001 < 0.05), because of this with 95 percent confidence the hypothesis H₀ is rejected and the hypothesis H₁ is approved. With this condition, the relationship is significant. Also based on the table it can be stated that the severity of correlation between delay of tax receipt and financial loss is 49.8 + percent.

The third hypothesis) companies' type of industry leads to delay in timely tax payment.

Table 8. The correlation coefficient

Variables	Number	The correlation coefficient (R)	Significance level	Result
Company's industry and delay in timely tax payment	42	0.279	0.073	Hypothesis rejection

According to Table (8) it can be seen that the value of significance level is Sig= 0.073 < 0.05, because of this with 95 percent confidence the hypothesis H₀ is approved and the hypothesis H₁ is rejected. That is there is no significant relationship between the two variables of companies' type of industry and delay in timely tax payment.

Conclusion

According to the results obtained and the losses due to delay in companies' tax refunds obvious in this area have led, based on the importance of the matter, social justice to be more evident through the tax refund. The results of the first and second hypotheses in this study indicate losses resulting from delay in timely tax receipt and the effect of inflation on delay in tax payment. Taxation process can be chronologically analyzed to legislation, taxpayer identification, tax assessment, assessment monitoring and reviewing, protesting plan to detective tax and ultimately tax receipt. The weakness of tax policies (tax management) in each of these steps can prevent the legislators' goals in any way. Analysis of the tax system processes from decoration to payment in a tax system may be useful and possible when the information is timely and properly placed in the correct channel. If the tax administration faces with incomplete information, it must revise its audit and information systems and should change it. Furthermore, according to tax accounting rules, the tax system should deposit tax revenues (either in cash or in taxpayer's bank accounts) without the intermediary from the taxpayer to the treasury's account. Legal barriers or the weakness of the law often causes valid information not to enter the tax system. This undermines the culture of tax compliance, although it is never visible. Summary of problems and impasses of the tax processes in Iranian tax system could be classified as the following: Most processes are inefficient and fragmented. Also there are no minimum assessment criteria for them. Currently, businesses and corporate income tax almost follow a common process. All other taxes have independent processes and separate forms, tax declaration with different times of declaration returns. This leads to useless application of resources in repetitive activities. Almost the entire processes are done manually and data entry and storage capabilities are limited. Lack of computer analysis leads to the long and manual process of detecting and investigating that is prone to error. Almost there is not any standard measurement criterion (such as waiting time, project-based scheduling based on the percentage of work progress, etc.) for processes which can be regularly followed and traced.

Suggestions for Future Research

- 1) The complexity and ambiguity of tax laws and regulations
- 2) Lack of knowledge as well as up-to-date information of tax senior managers
- 3) Failure to observe the tax determination principles
- 4) Lack of information systems on the day economic situation of community

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