

**Research Article**

## **THE EFFECT OF APPLYING THE TAX COMPREHENSIVE PLAN ON PROMOTING TAX PAYERS'S VOLUNTARY COMPLIANCE IN THE STATE TAX ORGANIZATION**

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### **ABSTRACT**

This study examines the relationship between the tax comprehensive plan and improving the taxpayers voluntary compliance. Data collection tools to measure variables are questionnaire. Questionnaire composed of 19 questions developed by the researchers to study the voluntary compliance of taxpayers According to the comprehensive plan of tax. To measure questionnaire reliability of Cronbach's alpha was used in which the rate of .83 was obtained and since the Cronbach's alpha of questionnaire is more than .07, so the questionnaire has the required reliability. The sample population is 352 people including all senior officials, heads of department and heads of tax administration projects in the cities of Tehran, Isfahan and Kermanshah. And based on stratified random sampling method, the statistical sample was chosen between them and finally 202 questionnaires were collected and analyzed. To determine the normality of obtained data the Kolmogorov-Smirnov test was used and test results confirmed data normality. Research hypotheses were surveyed using independent T test and their significant and positive impact was proved, which means that applying comprehensive tax plan on promoting voluntary compliance of tax payers in the tax affairs have a positive impact.

**Keywords:** *Comprehensive Tax Plan, Voluntary Compliance, Tax Evasion, Tax Fines*

### **INTRODUCTION**

Special importance and high position of tax system in the economy of any country is not covered by any of the professionals and experts in the field. Therefore, due to the weaknesses and limitations of the tax system, the tax system change has been the focus of attention in both public and private sector. In this context "tax reform plan" as a comprehensive plan for tax system has been on the agenda of Tax Administration (Aghaei, 2000).

The first step in implementing a comprehensive plan of tax was planning and organizing the project in which the State Tax Organization used collective power and expertise of professionals and managers, under the supervision of skilled and eminent experts of Deloitte Company. Prominent feature of the company was having experience of consulting, tax planning and organizing several comprehensive plan of tax. Final documentations being in the general methodology framework of assessing status quo, drawing favorable situation, gap analysis and design of the road map, which was reviewed and approved in various aspects and fortunately as the base document of a comprehensive tax plan had the general consensus. One of the most basic requirements of any tax system in society is promoting the growth of a culture of tax. Suitable attention to this issue involves one of the most fundamental problems of tax compliance and collection, a problem that would be solved only through the community's general culture and consequently the tax culture. The extent of any community's individual participation with tax system and their willingness to pay the taxes voluntarily on one hand depends on social growth and on the other hand to their trust and optimism regarding government and tax system. Establishing trust and a desirable mood among members of a society requires the existence of a condition that they may be just listed as follows.

Fairness of collected taxes from people and lack of sense of discrimination among taxpayers-

-Efficiency of Administrative department

-The wisdom of government spending and expenses

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By applying the comprehensive tax plan and deployment of information technology systems in the State Tax Organization, all important economic activities of economic actors is accessible in an integrated set and reduced the tax evasion significantly. Some of comprehensive plan tax purposes include:

- 1- To increase in tax revenues;
- 2-Reduction of the costs of tax operations;
- 3-To increase the satisfaction of stakeholders

Due to importance of tax which is the most important present concern of many countries and also Iran, because the annual budget macro planning will be based on tax and because the subject of comprehensive tax plan is now and fresh, the applicability and usefulness of thesis is clear and indisputable. State Tax Organization in this regard, and given that it is implementing and applying the comprehensive tax plan currently, then it is necessary to take maximal advantage of the created situation and perform this plan more efficiently, it means you need to review all aspects of the project and the impact of the project on the promotion of voluntary taxpayer compliance as well. So this study was to investigate the relationship between the comprehensive tax plans and to improve voluntary taxpayer complian (Sydnourany, 2009).

### **Comprehensive Tax Plan**

It is a plan that under paragraph (b) of Article 59 of the Third Development Plan is assigned to the State Tax Organization and the Organization shall have been made to try to design and set up a comprehensive tax information system until the first three years of the Plan., and by collecting and processing data about economic activity of tax payers in the nationwide networks, they develop and promote of self-declaration in the tax system (Zayer, 2009). Tax problems prompted authorities to draw seriously think about the tax system. On the other, bugs and the disruption of policies, tax inefficient systems and processes, lack of appropriate services to payers and insufficient information about the tax payers and the weakness of the culture to pay tax lead to an increase in operating costs, an increase in complaints and an increase in volume of tax evasion. Finally, these problems lead to reduce tax revenues and to increase the dissatisfaction of payers. So based on the above mentioned points,some factors necessitate the importance of applying comprehensive tax plan including existing drawbacks and limitations of information, processes, implementation and enforcement of the existing rules of the tax system and according to the above points the comprehensive tax is of high importance. This plan due to the extension of the scheme and its implementation has distinctive characteristics in comparison to similar schemes. Economic value, social impact, the presence of multiple groups of domestic and foreign consultants and contractors, as well as the technical complexity of the project, will apply special sensitivity in all stages of its implementation.

By applying the comprehensive tax plan and the deployment of information technology systems in the State Tax Organization, all important economic activities of economic actors is accessible in an integrated set and reduced the tax evasion significantly (Arshadi *et al.*, 2011).

### **Tax Compliance**

Prior to the occurrence of non-compliance, they identify its field and regard the prevention principle, in the process of collection of taxes, to secure the cooperation and consent of taxpayers' regarding the voluntary compliance of the tax system is of the basic strategy. Voluntary compliance management is the modern approach to give social and economic incentives to citizens. Some researchers believe that understanding behavioral aspects affecting decisions on the compliance of the taxpayer is critical in the formulation of policies to reduce tax evasion and promoting voluntary compliance. The researchers initial assumption is that since personal views about the compliance behavior is influenced by social norms, reforming policies of the tax system should be focused on creating institutions that are able to strengthen aspects of the norm of the compliance (Khan, 2004). The most important obstacles of voluntary compliance are: feeling unequal tax system, the complexity of tax laws and regulations, unfairness of the penalty system, poor education programs for taxpayers, the inability of tax office to prove the neutrality of the tax system in the process of tax assessment, weak audit, sense of lack of tax equity, negative attitude of tax payers towards the tax. Low Cost of tax compliance for taxpayers, fairness, ease of implementation of tax laws and regulations and the services provided to taxpayers by the tax system are

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important factors in promoting and encouraging taxpayers' voluntary compliance (Aghaei, 2000). Tax compliance in tax literature is considered as the main purpose of an efficient tax system. In most tax systems there is a precise, clear and operational definition of tax compliance, while in the Iran's tax system this concept is too vague. In Iran's tax context, compliance means adherence to the obligations of tax and keeping the tax laws being formalized by them. Tax full compliance is of the important objectives that all tax systems try to achieve it, and in fact we can say that the degree of tax compliance in each country is a measure of the efficiency of its tax system (Talebnia, 2007). As mentioned, precise and comprehensive definition of tax compliance isn't mentioned in Iran's tax laws and tax experts suggest different definitions based on different approaches, that some of them are:

A- Accepting all or part of the tax determined by the tax authorities on behalf of the tax payers;

B-To pay tax associated by providing tax returns or providing a declaration on the basis of tax office agreements with bodies of the Union INTA;

C - Voluntary adherence to the letter and spirit of tax law and conscious acceptance of and compliance with duties and tax laws by taxpayers;

Thing to note is that increasing tax compliance leads to reduce compliance costs, and reducing compliance costs leads to increase the rate of compliance. For example, by computerizing the tax system and tax payment process and full and quick implementation of comprehensive tax plan and naturally simplify tasks of tax payers, one can reduce compliance costs and help to increase tax compliance among taxpayers.

On the other hand, it should be noted that the costs of compliance have two main parts: the micro and the macro. The micro is the missed income of the taxpayer being spent on matters relating to tax paying and left behind making income. Macro sector, that is more important and more vital relating to this area that how much process of collecting or paying taxes lead to reduce the level of economic activity of society. Researchers in Iran with a Reductionism view have studied the compliance-oriented costs only from a microeconomic perspective.

In other words, as mentioned, some researchers in Iran consider the compliance costs equal to the cost of collection, in which this issue is a very clear theoretical error in this section. Based on this definition, with an increase in compliance costs, collection costs reduce. For example, when taxpayers need to provide any further information, compliance costs increased and collection are reduced. It should be noted that there is not always a direct relationship between these two types of costs (board Vzlt, 2003).

### **History Research**

Zayer (2009) in 2009 conducted a survey called "simplification state in comprehensive tax plans: global experience and challenges to Iran's tax system", that the summary of the research is as follows:

In the last two decades, simplifying the tax has become an essential component of comprehensive tax plans in different countries. This only doesn't leads to complexity of negative impacts on voluntary compliance costs and eventually tax evasion, but also leads to the fact that it placed a major obstacle in the way of tax fairness and productivity (about income tax), the investigation showed that the low compliance showed a high volume of administrative circular orders, and inappropriate composition of tax revenues clearly, in which apparently indicate that the tax system is quite complicated in Iran. So, overallly one of the essential challenges facing Iran's tax system can be simplifying the tax system and, in particular, simplifying the tax codes called for serious engagement between the tax authorities and legislative institutions.

RahmyZadeh and colleagues (2010) in a study called "environmental comprehensive tax plan and its effect on the economic and environmental behavior of world countries in 2010" that research summary is as follows:

This paper, at first, is an index with theoretical framework for environmental taxes. And then gives a description of the relevant comprehensive tax plan skillfully. This comprehensive study includes definitions, history, to increase profits doubled and experiences in different countries. The research results showed that based on foreign studies, the environmental and economic behavior out of this comprehensive review has been studied. Environmental benefits of data are clearly visible. Valid model

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in comprehensive tax plan of Corban energy, associates with offset policy of reducing social security bonuses and can provide a double benefit.

Rezai and colleagues (2011) conducted a study called "importance of change and adapt as a comprehensive tax system: global experiences and challenges of Iran's tax system in 2011" that research summarized as follows:

Accepting the tax means accepting tax assessment and tax preparation for tax paying in the tax system. The results showed that the effectiveness of the tax system can be estimated on the basis of rejection or the tax gap that is the important criteria in effectiveness of the tax system. The tax gap depth is in primary societies. In this article different aspects of tax acceptance, Iran's tax status quo, different experiences of different countries in accepting tax and its effect in different dimensions have been studied. Finally the policy recommendations have been provided to compile the government's tax reformation to increase tax acceptance.

### **Research Objectives**

#### **The Main Objective**

The main objective is to determine the effect of applying comprehensive tax plan on improving taxpayer voluntary compliance in tax office.

#### **Secondary Objectives**

- 1- To determine the impact of the implementation of the comprehensive plan of tax on transparency of tax laws and regulations.
- 2- To determine the impact of the implementation of the comprehensive plan of tax on continuous, transparent and complete information giving
- 3- To determine the impact of the implementation of the comprehensive plan of tax on tax payers training and awareness of tax rules and regulations.
- 4- To determine the impact of the implementation of the comprehensive plan of tax on tax justice (tax discrimination removal).
- 5- To determine the impact of the implementation of the comprehensive plan of tax on strong executive securities to collect tax.
- 6- To determine the impact of the implementation of the comprehensive plan of tax on creating a comprehensive tax information system.
- 7- To determine the impact of the implementation of the comprehensive plan of tax on culture of taxation.

### **Hypothesis of Research**

#### **The Main Hypothesis**

Applying the Comprehensive tax plan is effective to enhance tax compliance in the State Tax Organization.

#### **Sub-Hypotheses**

Sub-hypothesis 1- Applying the Comprehensive tax plan is effective to transparency of tax rules and regulations.

Sub-hypothesis 2- Applying the Comprehensive tax plan is effective to the taxpayer continuous, transparent and full notification.

Sub-hypothesis 3- Applying the Comprehensive tax plan is effective to taxpayer's training and awareness of tax rules and regulations.

Sub-hypothesis 4- Applying the Comprehensive tax plan is effective to tax justice Tax (tax discrimination removal).

Sub-hypothesis 5- Applying the Comprehensive tax plan is effective to create strong guarantees to collect taxes.

Sub-hypothesis 6- Applying the Comprehensive tax plan is effective to create a tax comprehensive information system.

Sub-hypothesis 7- Applying the Comprehensive tax plan is effective to improve tax culture.

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### MATERIALS AND METHODS

#### Methodology

Because this study tries to gather information about present situation and will examine the relationship between two variables of comprehensive tax plan on the promotion of voluntary taxpayer compliance, we can say that this study is descriptive regarding how to collect data and from a variety of descriptive studies is of correlation method.

#### Data and Information Collection Methods

In order to collect information, the research literature, is the library method (such as books and papers) and to collect statistical data the field method and to achieve results of research questionnaire method is used.

### RESULTS AND DISCUSSION

#### Results and Conclusions

In this research order to test the hypothesis first it must be determined whether the collected data distribution is normal or not. Normality or abnormality of data is measured using Kolmogorov Smirnov statistical test whose assumptions were made as follows:

**Table 1: Distribution of Research Data Observation**

The distribution of observations follows a normal distribution.	$H_0 : \rho = 0$
The distribution of observations doesn't follow a normal distribution.	$H_1 : \rho \neq 0$

The test statistics at the 0.05 level is less than the critical value, then the null hypothesis meaning normality of the data is accepted the opposite hypothesis showing that the data is not normal, is rejected. Therefore according to the normality of data to test these hypotheses the independent t-test was used.

#### The First Sub-Hypothesis of This Study

Applying the Comprehensive tax plan is effective to transparency of tax rules and regulations.

Using independent t-test and the results of this test (4/126) before and after the implementation of the comprehensive plan in significance level ( $P < 0/001$ ) there was significant difference statistically, and this indicates that applying the comprehensive tax plan has a positive impact on transparency of tax laws and regulations in the state tax office.

#### The Second Sub-Hypothesis of This Study

Applying the Comprehensive tax plan is effective to the taxpayer continuous, transparent and full notification.

Using independent t-test and the results of this test (5/276) before and after the implementation of the comprehensive plan in significance level ( $P < 0/001$ ) there was significant difference statistically, and this indicates that applying the comprehensive tax plan has a positive impact on the taxpayer continuous, transparent and full notification in the state tax office.

#### The Third Sub-Hypothesis of This Study

Applying the Comprehensive tax plan is effective to taxpayer's training and awareness of tax rules and regulations.

Using independent t-test and the results of this test (5.629) before and after the implementation of the comprehensive plan in significance level ( $P < 0/001$ ) there was significant difference statistically, and this indicates that applying the comprehensive tax plan has a positive impact on the taxpayer training and awareness of tax rules and regulations in the state tax office.

#### The Fourth Sub-Hypothesis of This Study

Applying the Comprehensive tax plan is effective to tax justice (tax discrimination removal).

Using independent t-test and the results of this test (5.705) before and after the implementation of the comprehensive plan in significance level ( $P < 0/001$ ) there was significant difference statistically, and this



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indicates that applying the comprehensive tax plan has a positive impact on tax justice (tax discrimination removal) in the state tax office.

#### **Fifth Sub-Hypothesis of This Study**

Applying the Comprehensive tax plan is effective to create strong guarantees to collect taxes.

Using independent t-test and the results of this test (5.006) before and after the implementation of the comprehensive plan in significance level ( $P < 0/001$ ) there was significant difference statistically, and this indicates that applying the comprehensive tax plan has a positive impact to create strong guarantees to collect taxes in the state tax office.

#### **Sixth Sub-Hypothesis of This Study**

Applying the Comprehensive tax plan is effective to create a tax comprehensive information system.

Using independent t-test and the results of this test (5.634) before and after the implementation of the comprehensive plan in significance level ( $P < 0/001$ ) there was significant difference statistically, and this indicates that applying the comprehensive tax plan has a positive impact to create a tax comprehensive information system in the state tax office.

#### **Seventh Sub-Hypothesis of This Study**

Applying the Comprehensive tax plan is effective to improve tax culture.

Using independent t-test and the results of this test (4.937) before and after the implementation of the comprehensive plan in significance level ( $P < 0/001$ ) there was significant difference statistically, and this indicates that applying the comprehensive tax plan has a positive impact to improve tax culture in the state tax office.

#### **The Main Hypothesis of This Study**

Applying the Comprehensive tax plan is effective to the promotion of voluntary taxpayer compliance in the organization's tax affairs.

Using independent t-test and the results of this test (5.476) before and after the implementation of the comprehensive plan in significance level ( $P < 0/001$ ) there was significant difference statistically, and this indicates that applying the comprehensive tax plan has a positive impact to promote voluntary tax compliance of tax payers in the state tax office.

The results of this study, Barbatador (2011) has studied about a review on some factors affecting tax on compliance review, the results of this study show that factors such as real income levels, tax rates, fines, penalties and tax incentives, probability and attitude to tax audit and tax compliance in understanding social justice in the community is effective is approved. Conclusions The results of studies of Chavo and Leung (2010) and Ping Zhang (2006) are in corresspondence.

For the purpose of this research and the results of statistical analysis of survey data the following suggestions can be provided:

- 1- Simplifying the system by improving the methods and updating the tax laws and regulations.
- 2- More advantage of the tax affairs of the mass media to inform the organization's announcements to tax payers.
- 3-To develop software infrastructure to facilitate continuous and non-verbal communication with the taxpayers.
- 4- To establish counseling service for advice and guidance on the tax payers of the tax system.
- 5- Utilization of capacity of Trades assemblies for training laws and regulations to taxpayers regarding the corporate tax systems.
- 6- To identify new sources and bases of tax in order to reduce pressure on the available resources.
- 7-The possibility to connect electronic systems to contry's economic and information for identifying and recording the tax payers tax activities.
- 8- Increasing executive securities to collect tax, including tax fines and enforcements.

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