Factors affecting on tax subservient in the tax audit based risk

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A R T I C L E   I N F O

A B S T R A C T

Risk management is a key, effectives and efficient element in management of payers' taxation condescend and it is considered as one of the operational priorities in a modern tax organization. Actions of condescend strategy is a proportional reaction with the level of condescend of each payer by tax organization. This researches Main goal is consideration of factors which are potentially effective on payers' taxation condescend in tax audit based on risk. This research is a case study of tax administration in Rasht. The number of observations is 925. These are combination of data collected from business field taxation payers in Rasht from 1385 to 1391. To test the research hypothesis, multiple progression models are used. Totally the finding represents that characteristics of payers, such as gender, education, age do not have any role in the taxation condescend. When declared income have increased the level of taxation condescend, and arrears of tax improved payers' taxation condescend. Also according to findings, taxes crimes are not involved in taxation condescend. It seems that payer with tax debt have more accuracy in their regulation of tax returns.

1. Introduction

Tax is one of the basic elements in countries' economic system; its important is for the tax role in government income which has a direct effect on social welfare and forms the structure of government social services. In taxation topics, considering tax behavior of economic actors has great importance, because tax avoidance and tax evasion is the most common behavior of payers. Although in recent years financial politicians meet the article of Direct Tax At approval and also the role of office of accounting services use is for increase efficiency of country tax system. But, research results show a differentiation in surveys and defining taxable income from these two groups. It seems that, such mechanism efficiency in tax organization of country, may be caused by some payers' lack of tax condescend. The main goal of this research, is to survey effective factors on tax condescend with emphasize on risk based tax audits. This result is done through case study and in tax administration of Rasht. In this chapter, generality of the research is compiled and presented. In the current chapter, first the main issue of research is stated. 10 research hypotheses are proposed and some subjects are presented about the researches method and domain. Also some general descriptions are presented on

how to test the hypothesis. Finally, Keywords are defined in terms of conceptual and operational (Heydarpour et al., 2010).

2. Problem statement

Risk management is an effectives and efficient key element in management of payers' taxation condescend and it is one of the operational priorities in modern tax organizations. Actions of condescend strategy by tax organization is the proportional reaction to the level of each payers' condescend. The tax organization needs systematic approach and based on risk identification and selection of payers to audit, because of resource limitation and high number of payers. In a modern system to levy: 1) It is impossible that government audit and survey each payers; 2) The survey of low risk and compliant payers is waste of resources by the government. In such system, selection of payers to audit or verification is based on payers' risk criteria. As a result audit scheduling will be done due to the various classes of payers' risk. Risk management is based on creating self-reported; promotion of voluntary following, applying management risk, organizational structure based on functional focus not on geographic focus, promotion of fairness and justice; various service to meet the needs of different classes of payers (Ramezani et al., 2013).

But, meanwhile tax organization roll in a model based on risk will be as a strategic actor. In this

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model this fact will be considered that possibility of identification, assuming the payers naturally would declare their income less, depends on provided information to tax organization by payers when they complete the tax return. Tax organization knows that income reported through payers depends on organization performance and constraint of payers' budget. As a result in this process, condescend strategy by payers will act as an audit strategy by tax Organization. The most important result from this chapter of risk literature Is that rating mechanism Is using provided information by payers and their main features and specification would be evidence and It's hard to payers that continuously avoid from audit and under-reporting of their income. Also the cost of this method is less than others such as random audit (Ramezani et al., 2013).

According to the above discussion, the main issue of research is ambiguity of the factors which are potentially effective on tax payers' condescend which it dealt with tax audit based on risk. Finding from research can help to tax assessor in order to detect the risk of payers in tax audit. This research performed a case study in tax organization of Rasht city. Therefore, the main question of research is proposed as what factors are effective on tax condescend payers in tax audit based on risk?

3. Research variables

3.1. Dependent variable

The level of tax Condescend: The type of tax condescend which is always surveyed in case study view, is formed according to the classic theory of maximizing expected desirability, according this theory, when costs of condescend is paid including the amount of tax, time and the other spending on tax condescend, Which are more than net benefits of nonconformity, the payers will not pay their tax (Haghighat, 2013).

3.2. Independent variable

Personal characteristics of payers: These are such as gender, age and the level of education which are gathered and aggregate referring to their tax records (Mousavi et al., 2009).

Payers declared income: This variable reflects the number that payer interned in tax return and is the basis of tax calculating in the first diagnosis page. Number related to declared income, is obtained by referring to payers' tax record.

Amount of the deferred taxation: This variable, Reflect tax liability of payers and show a digit that payers are owned to tax organization for last year's taxable (Mousavi et al., 2009).

Background of Tax crimes: This variable reflect the crimes which the payer paid in last year for the delay of paying tax or other items to tax organization (Mousavi et al., 2009).

4. Literature review

Alabede et al. (2011) By using Fisher Model expansion and combination of tax administration services quality, Public government quality, ethic differences, as well as moderating effect of financial conditions and risk priority examined on relations between payers perspective and tax condescend. In this research economic, social, psychological and cultural factors are gathered in a comprehensive model, and consider appropriate situation and a specific environment to better understanding tax payers' behavior. Palil and Mustapha (2011), had surveyed tax Sons of condescend criteria And the factor of audit probability, payers perception of how spending by the government, payers' perception of tax system fairness, tax crimes, payers' budget constraint, changes in government policies, role of the payers family and relatives, organization role and payers knowledge are considered effective taxation condescend. Their research results show that knowledge has a meaningful effect on tax condescend, as well as, specifically tax condescend is Affected by audit probability, the percentage of government expenditure, crimes, budget constraint, and effectiveness of payers family and relatives. Mirmohammadi et al. (2011) performed a research that its goal is the impact of effective factor on tax payers condescend promotion from the viewpoint of great tax payer in Tehran. Results of hypothesis In this research Indicate that in confidence level of 95%, from the viewpoint of tax staff of Tehran great tax payer administration, there were no evidence based on rejection of payers awareness hypothesis about tax rules and regulations and related assignment, tax crimes tasks, proper use of tax income and declare them for tax payers, and They can be considered as effective factors on tax payer condescend promotion. Ramezani et al. (2009) dealt with serving tax audit based on risk and its determinative criteria emphasizing on number of tax payers and experience in other countries that are done through recognition of effective factor on the risk of audit Planning condescend along with service and training to payers. Based on presented model in this research, tax government can pay to match payers' details by analysis based on risk through use of external and internal tax government data including: custom, bank, insurance and previous declaration data. Conceptual model was shown in Fig. 1.

5. Hypotheses

H$_1$: Payer's personal characteristics are effective on tax Subservient in the risk-based tax audits.
H$_2$: Payer's declared income is effective on tax Subservient in the risk-based tax audits.
H$_3$: The amount of tax arrears is effective on tax Subservient in the risk-based tax audits.
H$_4$: History of tax crimes is effective on tax Subservient in the risk-based tax audits.
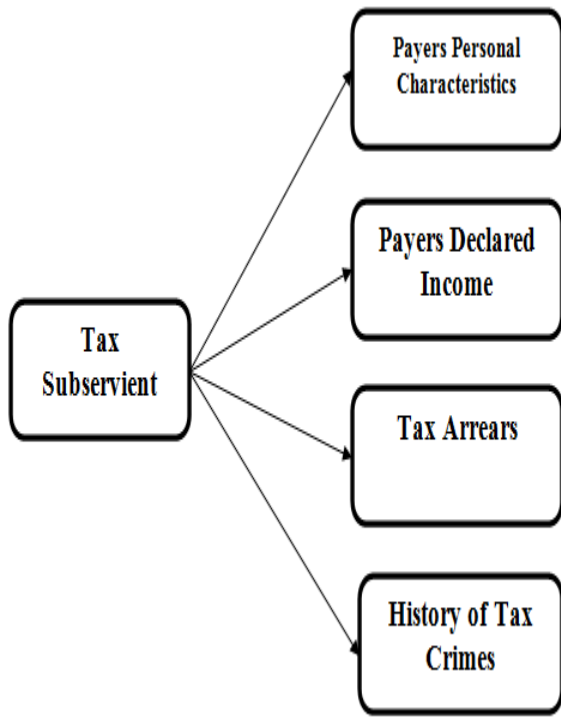
Fig. 1: Conceptual Model of Research

6. Methodology

Presented research in terms of applicable purpose and collecting descriptive survey data and also data analysis is a correlarive type. This research deals with variables relation and follows to proof these relations existence in current condition. Therefore, it can be classified as. To accumulate required information, two methods of field and library are used. Statistical society is tax payers of tax affair office section in Rasht which their records is surveyed based on tax audit based on risk.

7. Data analysis method

In this research to analysis the row data and turning to required information to hypothesis testing of multiple regression testing. To test the 1 & 3 sub hypothesis of sectional regression with method of Partial Least Squares and to test the second sub hypothesis the method of logistic regression is used.

8. Hypothesis test results

H_1: Payer's personal characteristics are effective on tax Subservient in the risk-based tax audits (Table 1).

Table 1: The results of statistical analysis

$TC_{it}=\beta_0+\beta_1Gen+\beta_2Age+\beta_3Edu+\beta_4ID+\beta_5FT+\beta_6OP+\varepsilon_{it}$			
R² Adjusted	Durbin-Watson	F	F
0.222	1.76	4.41	0.000
Variables	β (Standard)	t	Sig. P-value
Gen	0.02	0.83	0.40
Age	-0.04	-0.37	0.07
Edu	-0.02	-0.60	0.54
ID	-0.49	-3.49	0.00
FT	0.40	2.89	0.00
OP	-0.05	-1.58	0.11

Obtained coefficient meaningful level for variables of, gen, age, education, which show relations between personal characteristic of payers and level of tax condescend level is higher than 0.05 (level of test error). This result is for lack of a meaningful relationship between mentioned variables that is incompatible and proposed assertions in the first hypothesis. As a result hypothesis is rejected at 95% assurance level.

H_2: Payer's declared income is effective on tax Subservient in the risk-based tax audits (Table 2).

Table 2: The results of statistical analysis

$TC_{it}=\beta_0+\beta_1IP+\beta_2ID+\beta_3FT+\beta_4OP+\varepsilon_{it}$			
R2 Adjusted	Durbin-Watson	F	F
0.344	1.78	11.52	0.000
Variables	β (Standard)	t	Sig. P-value
IP	-0.30	-2.11	0.03
ID	0.32	2.29	0.02
FT	-0.07	-2.34	0.01
OP	-0.19	-4.64	0.00

Estimated coefficient for the IP variable which shows relationship between declared income of payers and level of tax condescend, at – 0.31 and meaningful level of 0.03 which implies an inverse and meaningful relationship between these variables. In the other word the more declared income of payers, the less level of their tax condescend. These findings are compatible with claims of second hypothesis. As a result this research will be accepted at 95% assurance level.

H_3: The amount of tax arrears is effective on tax Subservient in the risk-based tax audits (Table 3).

Table 3: The results of statistical analysis

	$TC_{it}=\beta 0+\beta 1TA+\beta 2ID +\beta 3FT +\beta 4OP +\varepsilon it$		
R2 Adjusted	Durbin-Watson	F	F
0.325	1.76	11.90	0.000
Variables	β (Standard)	t	Sig. P-value
TA	0/06	1/89	0/03
ID	-0/43	-3/08	0/00
FT	0/32	2/23	0/02
OP	-0/6	-2/11	0/03

Estimated coefficient for TA variable, which shows a relationship between deferred taxes of payers and level of tax condescend at 0.06 and meaningful; Eror level of 0.03 implies a direct and meaningful relationship between these variables. In the other words, the more deferred tax of payers, the more level of tax condescend.

H_4: History of tax crimes is effective on tax Subservient in the risk-based tax audits (Table 4).

Table 4: The results of statistical analysis

	$TC_{it}=\beta 0+\beta 1Sur+\beta 2ID +\beta 3FT +\beta 4OP +\varepsilon it$		
R2 Adjusted	Durbin-Watson	F	F
0.325	1.76	11.90	0.000
Variables	β (Standard)	t	Sig. P-value
Sur	0.00	-0.02	0.97
ID	-0.48	-3.40	0.000
FT	0.38	2.65	0.000
OP	-0.06	-1.93	0.05

These findings are compatible with 3rd hypothesis claims. As a result, this hypothesis will be accepted in assurance level of 95%. Coefficient meaningful level for Sur variable, which shows the relationship between payers' tax crimes and level of tax condescend to the 0.00 and with the meaningful level of 0.97 implies there is no significant relationship between these variables. These findings are Incompatible with Claims of 4th hypothesis. As a result this research will be rejected at 95% assurance level.

9. Discussion and conclusion

The result of first hypothesis test showed that in tax audit based on risk, personal characteristic of payers is not effective on their tax condescend. Potentially this finding reflect this matter that, tax condescend among statistical sample of the research probably has a stable structure while can be related to payers. In the other words payers attitude and decision on how to pay tax is affected by factors which are not different between men and women payer or their education cannot effect on them.

Second hypothesis findings show that in tax audit based on risk, payers' declared income has a negative impact on their tax condescend. In the other wards, payers with higher declared income, have less tax condescend. This does not mean that payers who have exposed higher income, failed in paying taxation, but reflect that payers with higher income, are more thinking about avoiding paying tax. Therefore, it is argued that difference between declared income and definite income of payer with higher income is more than other payers and in tax audit there will be high definite come for them.

3rd hypothesis findings show that in tax audit based on risk, the amount of payers' deferred taxation has a positive effect on their tax condescend. In the other words, payer who has more debt, declare their income more real to tax administration. These findings can be argued based on tax crimes and the consequences of failure to pay the correct tax for the economic actors. Therefore, condescend can be optional or be imposed.

Findings from 4th hypothesis test showed that in tax audit based on risk, background of payers' tax crime on their tax condescends are not effective. In the other words, crime doesn't cause to improve the tax condescend of statistical sample. So it can be deduced that tax crime system, doesn't have efficiency for tax administration. On this issue, it can be obtained two general reasoning. First, it is possible that the crime assigned with payers, is not for their lack of tax condescend in the past, and they paid these crimes for other reasons such as failure to submit tax declaration on time, and for not paying definite income on time. Second, the size of tax crimes might not be enough to have the role of deterrence to tax condescend.

10. Suggestions from results include

According to last hypothesis, on tax audit based on risk, personal characteristic of payers is not effective on their tax condescend, it is suggested to tax policy makers of country to implement plans to promote tax culture and try to create a positive attitude toward tax among the general public. Extension of findings from first hypothesis to all over the country is done by considering that cultural and economic situation govern on tax payers' behavior of business sector, in all over the world is the same.

According to second hypothesis findings, on tax audit based on risk, payers' declare income on their tax condescend has negative effect; it is suggested to tax audit to consider the average of payers' declared income as a criteria for the lack of condescend and survey the payers' who have higher income with more sensitivity.

According to third hypothesis findings, on tax audit based on risk, payers' tax deferred on their tax condescend has positive effect; it is suggested to country's tax policy makers to implement plans to promote payers' information and to give them necessary awareness about consequences of failure to pay tax on time so all of them can estimates cost and benefit of lack of tax condescend and According to it, adjust their tax treatments.

According to forth hypothesis findings, on tax audit based on risk, payers' background tax crimes is not effective on their tax condescend, it is suggested to country's tax policy makers to adjust the tax crime system in a way that lack of tax condescend cause to crimes which In terms of importance are in a size which to results in tax condescend.

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