Study of regional reorganizational plan effects of paragraph 3 of article 97 in direct tax law and its performance on tax efficiency

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Abstract: The main aim of the study was to evaluate the effects of regional reorganizational plan of paragraph 3 of article 97 in direct taxes law and its tax performance. If the organization of tax affairs wants to continue its survival as well as the development of community approaching to an appropriate place along with the most suitable source of revenue for the government, there must be urgent issues fulfilled in which this make the related tax organization to determine the effective factors and its own performance as well. This research aimed to access to the same targets: four questionnaires were distributed to collect data and information. 26 individuals from Zanjan and Qazvin provinces, as auditors and 66 ones were employed in legal entities tax auditor were selected randomly. Also, in these two provinces, 53 taxpayers who were qualified for this study were chosen for this study and also, a questionnaire was distributed among 35 ones who were qualified and employed in the organization of tax affairs. Single sample t-student and Wilcoxon tests were used for the hypotheses of the research and also Kruskal Wallis test was applied for raking the significance of the variables and questions of the questionnaire. It is specified that using expertise and skillful auditors causes to increase the efficiency of taxpayers, recovery of tax culture, unity and cohesion among issuing the comments of tax and taxpayers affairs at well.


Key words: Tax efficiency, auditor, tax culture, processing unity, tax compliance

1. Introduction

Governing tax has long been inevitable for the governments; as far, it can be said that every government at any period or sovereignty era asks and collects taxes from people to meet the needs of the community and now the determination and tax has been considered seriously by the officials of tax affairs more them the past decades. Before the amendments of tax economy approaches, the income aspects have been strongly considered but today, the governments not only pay attention to the main targets of collecting tax, but also they consider the tax as the leading tool for improving job vacancies and stabilizing the equilibrium of the international accounts and balances in the field of public financial issues conducting a reasonable distribution of correct incomes among the social classes as well as different economical categories; thus, tax plays a key role in the economy of every country provoking the productions and developmental planning for distributing fairly facilities and preventing any market's failures in the field of devoting optimal resources (Erabi, 2007). Although tax has been considered as the regular basis of every country's necessities, it sometimes leads to controversial and debates between taxpayers and tax agents; in other words, it appears between people and government. Some taxpayers escape for paying tax due to personal cheating and some others complain about the weakness points of the law and they pretend the injustice behavior of tax officials in this regard. Sometimes the government is unable to implement its own rules and as a result, the ultimate goal of implementing tax planning's can not be governed easily leading to many different problems that most states may frequently challenge with it (Davani, 2005). Today the most developed and progressive governments try to solve their problems along with the hi-fi technologies related to tax affairs. Undoubtedly, if the organization of tax affairs wants to survive along with simultaneously development in a community causing to appropriate income resources for the government, the related organization should determine its pros and cons of performance. The experiences of many countries have shown that the fundamental amendments of tax can improve tax incomes; the lowest observations but with the highest significance (in the field of job vacancies) have shown that decreasing tax differences and considering tax balance as well as mitigating overloaded unfairly tax, the economical efficiency can be increased potentially (Silvani, 2002). When the system of tax is not designed based on a correct performance, or the organizational weakness let people not pay their taxes at once, the lack of satisfaction as an ineffective picture in the framework of the government would be tangible in the view of people. The balance of tax not only must be based on people's ability to pay their taxes, but also it should measure whether people pay or no
(Amberd et al., 1996). According to the law of direct taxes, the legal entities and obligations must maintain their documents for expressing their taxable income to tax organization.

Based on paragraph 3 of article 97 of direct tax law, if the documents of legal entities and taxpayers were determined illegal in terms of the organization of tax affairs, these documents would be sent to the paragraph 3 of article 97 consisting of tax auditors to give their decisions about the taxpayers acceptance or rejection in this regard. The study of issued comments from the related officials shows that the offices of tax affairs of provinces face with the inefficiency of the related tax sessions due to the lack of skillful and experienced personals to raise the effectiveness of tax sessions. And for the reason, the organizational targets would not be preserved for maintaining the rights of taxpayers and the government in the law of direct taxes; thus, the optimization of this status and the application of effective tools in determination – governance process is the most necessary target in the country's tax system (the vice president operational office of tax affairs recognition department, 2008). Paying attention to the significance of the related establishment and its selected officials and providing the background of fairly specialists in this case make the organization of tax affairs to be able to choose high-potential people in the field of operational organization; these factors are as follows:

1- Having at least a bachelor's degree in accounting and management of industry or commercial fields.

2- At least 15 years of service, 10 years in tax affairs.

3- Having at least 3 years experience in post graduate tax agent and 2 years as the manager of tax group in the field of legal entities approaches (The organization of tax affairs, No, 2006. 2.32, 18.286.5186). Thus, the regional reorganizational plan of paragraph 3 of article 97 has been implemented by the organization of tax affairs during 2007 in all offices of tax affairs, district one, in the country; hence, the main question of the research is that whether the implementation of regional reorganizational plan, paragraph 3 of article 97 of direct taxes law increase the efficiency of tax or not! In today's world, those organizations are successful that they can adapt their circumstances with environmental conditions. In other words, they must look at a bright future bringing a comprehensive planning's into their direct processes and this makes individuals or organizations to determine their skills and abilities along with a brighter prosperity (Erabi, 2007).

The organization of tax affairs is a kind of the arm of governmental governance; this organization like others, must try to find and recognize its negative and positive remarks to prevent any organizational failure; Tax is a part of individual's income or legal wealth and a kind of community income in a given political community and all social classes should participate in the field of paying tax to improve their society as well (Asadzade & Bali, 2007). With regard to the comparisons of tax revenues with other sources, it can be said that what shares of taxes in the supply of governments get high, the effects of unfavorable become declined; in advanced countries against developing countries that taxes are negligible, almost all government expenditures are provided by tax revenues (Jafari, 1999). With regard to the emphasis of article 114 of fifth development and justice planning, in order to remove the complete dependence of expenses credits to the oil and gas through increasing the shares of public incomes in the providence of governmental expenses, this must be implemented in a way where it can be reached to at least 10% of domestic impure production in the end of fifth developmental planning (Fifth developmental planning). The implementation of regional reorganizational planning is to increase the efficiency of country's tax system but there has not been carried out any scientific research in this regard so far and the domain of scientific recognitions is really limited in the country? Thus, it is necessary to a aware of the successful implementation of this research. Some of these limited researches completed by the title of followings:

The estimation of tax efficiency on businesses and legal entities in the provinces of the country, by Arabmazar and Dehgani in 2006; this study tries to determine influencing factors on the rate of business tax and legal entities that finally it estimates the tax capacity of these two sources in different states of the country. Hence, with the study of determinant variables of provincial tax, the data of different states of the country (28 states) by using SFA were used (2000-2006) to anticipate the actual efficiency and performance of the states as well studies about the provincial performance in terms of tax on business and legal entities show that in terms of tax on business the moderate efficiency in the related courses was 72.3 percent for developed provinces except Tehran, in the other hand, this degree is 66.5% for low-developed provinces. Also, the rates of tax on legal entities are as follows: developed states 47.8% except Tehran and low-developed provinces. Also, the rates of tax on legal entities are as follows: developed states 47.8% except Tehran and low-developed provinces 72.4%. In this article, the lack of efficiency in each state is considered as a gap
between legal capacity and state potential and the potential capacity is measured. Also, the results of tax struggle indicate that the average tax effort is as decline for tax on business but it is augmentive for legal entities, another research titled, "the evaluation of the efficiency of tax systems in the Iranian economy due to the price elasticity and tax breaks, "by Shakeri and Mousavi has been done in 1993.

In this study, researchers consider two factors:

1- the existence of long pauses
2- inflexible tax systems

In this regard, they have carried out the studies about the efficiency of tax system during 1981-2001 in Iranian economy. The method considered for achieving desirable targets is the test of accumulation, Angel et al. ( ). The results indicated that in the long run, the average delay in collecting taxes is about 22 months which represents a negative point in tax revenues in a desirable period, however, Medium interruption for collecting taxes has been estimated 18-months. Given that Iran's tax system is not flexible against the price changes and in the other hand, inflation is too high, so the existence of long delays will reduce tax revenues which also cause to worse consequences. Thus, according to the results of tax system, the efficiency is not well-established in collecting taxes and it does not sensitive to any price change in this regard. Shahsevan (2003) studied the effective factors on tax system efficiency from view point of Karaj tax experts. Six factors were examined in this research including: Information technology, tax laws and regulations, private sector services, procedures and training and tax fine. The results showed the effectiveness of information technology, tax encouragement, employees training and tax affairs, and the ineffectiveness of encouragement of private sector tax laws and tax fine. Javaheri (2009) studied the effectiveness changes of tax system structure in country from Hamedan tax organization's employers point of view concluded that the effect of information technology is the encouragement of training tax employers and taxpayers but the inefficiency of tax rules relates to the encouragements of private services and tax fines.

2. Methods
The present research has been considered the organization of tax affairs of district one as the spatial domain and it studies the effectiveness of tax after implementing the reorganizational plan. Information and data required in the research have been collected by giving documents and questionnaires; therefore, this research method is a descriptive survey.

2.1. Statistical community
The study population consisted of two groups: The first group includes accountants, auditors working in the organizations of the country's tax affairs, district one and experts working in tax affairs sector. The second group is taxpayers who related to the organization before and after the implementation of the plan. The sampling method would be randomly completed and the volume of the sampling was determined by the statistical community.

2.2. Sampling method
Since the regional reorganization plan of paragraph 3 of article 97 of direct taxes rule on the efficiency of tax, district one includes nine provinces; the tax auditors were used the cluster sampling method matched with assumptions corresponded to the first, second, fifth are eighth but in case of taxpayers and tax documents, two- steps cluster sampling corresponded to the third and fourth subsidiary assumptions was applied. In this relation, two provinces of Zandjan and Qazvin were selected consisting of 33 accountants, 66 tax auditors, 53 cases of taxpayers and 197 tax files, and 35 experts.

2.3. Methods and tools for data collection
In this research for data collection of documents (for the fourth hypothesis) and for the rest hypotheses a questionnaire has been used efficiently. The content validity of the questionnaire has been carried out through a survey of faculty advisors and many experts in this regard. Cronbach's alpha coefficient calculated for the variable questions of tax efficiency is equal to 0.8988; also, this coefficient for the cohesion variable is about 0.9017 and finally, the value of Cronbach's alpha coefficient for the variable of tax culture is 0.7159. Because the higher values of 0.7 indicating the reliability of the questionnaire is very dynamic.

2.4. Methods of data analysis
In order to analyze the collected data, the descriptive and inferential statistics have been used. In descriptive statistics, the status of data and their distribution using statistics such as the mean and standard deviation is evaluated. Also, the frequency distribution tables and frequency responses were used to describe the situation. The student t-test statistics from a single sample to test the research hypotheses and Kruskal- Wallis test was used for ranking questions and variables. The critical value (significance level) of \( \alpha \) equals 0.05.

3. Results
3.1. The first sub- hypothesis
To check this hypothesis a questionnaire with five questions has been compiled from 26 auditors that the average values obtained for each question calculated according to the number 3 as the middle range, it is assumed that if the average is higher than 3 approved and if it equals or less than 3, the hypothesis is not accepted. The number 3 corresponding to high and medium means its
tendency towards higher and higher? Thus, we test
the following statistical hypothesis.
The average less or equal to 3 indicate the lack of tax
efficiency and the average higher than 3 is considered
as the best efficiency of tax.
A student t- distribution is n-1 degree of freedom.

Table 1. T-test for the first hypothesis

<table>
<thead>
<tr>
<th>M</th>
<th>Std dev</th>
<th>T</th>
<th>Degree of P</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>First hypothesis</td>
<td>3.72</td>
<td>0.81</td>
<td>4.54</td>
<td>About Zero</td>
</tr>
</tbody>
</table>

The average of the first hypothesis, 3.72
means very high and due to the degree of t statistics,
4.54 and also its significance would be zero. It means
zero is rejected. In other words, the implementation
of the present plan cause to apply skullful and
experienced human resources (auditors).

Table 2. Composing questions

<table>
<thead>
<tr>
<th>Square-k statistics</th>
<th>Degree of P</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>First hypothesis</td>
<td>3.58</td>
<td>0.466</td>
</tr>
</tbody>
</table>

According to the degree of significance
possibility higher than 0.05, we can conclude that the
questions of priority are not different in the view of
auditors.

3.2. The second sub- hypothesis
To examine this hypothesis, a questionnaire with
seven questions was compiled from 66 auditors and
the mean values have been measured for each question.

Table 3. T-test for the second hypothesis

<table>
<thead>
<tr>
<th>M</th>
<th>Std dev</th>
<th>T</th>
<th>Degree of P</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Second hypothesis</td>
<td>3.54</td>
<td>0.73</td>
<td>1730</td>
<td>About Zero</td>
</tr>
</tbody>
</table>

The mean of first hypothesis, 3.45 means very high
and according to the possibility of significance, zero,
it can be concluded that the zero hypothesis is
rejected. In other words, applying regional accountants increases the unity of process in giving
the votes.

Table 4. Composing questions

<table>
<thead>
<tr>
<th>Square-k statistics</th>
<th>Degree of P</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Second hypothesis</td>
<td>38.48</td>
<td>About Zero</td>
</tr>
</tbody>
</table>

Due to the lower degree of significance,
0.05, it can be concluded that priority questions are different. The below following table shows the
priority questions according to governed rankings.

Table 5. the priority questions according to governed rankings

<table>
<thead>
<tr>
<th>The mean ranks</th>
<th>The effect of holding training courses on auditors in the integration of issuing votes</th>
</tr>
</thead>
<tbody>
<tr>
<td>306.77</td>
<td>264.94</td>
</tr>
<tr>
<td>306.77</td>
<td>The effect of selecting auditors in increasing their arrangements</td>
</tr>
<tr>
<td>306.77</td>
<td>230.79</td>
</tr>
<tr>
<td>306.77</td>
<td>The effect of expertise auditors in increasing their Orangemen's</td>
</tr>
<tr>
<td>306.77</td>
<td>2290.8</td>
</tr>
<tr>
<td>306.77</td>
<td>The effect of expertise auditors in increasing their Orangemen's</td>
</tr>
<tr>
<td>306.77</td>
<td>215.89</td>
</tr>
<tr>
<td>306.77</td>
<td>The effect of reorganizational plan implementation on decreasing rejected votes of legal offices</td>
</tr>
<tr>
<td>306.77</td>
<td>215.41</td>
</tr>
<tr>
<td>306.77</td>
<td>The effect of skillful auditors on considered legal materials</td>
</tr>
<tr>
<td>306.77</td>
<td>176.62</td>
</tr>
<tr>
<td>306.77</td>
<td>The effect of information technology of auditors performance on increasing integration of issuing votes</td>
</tr>
</tbody>
</table>

The above table indicates the priority of questionnaire questions based on the mean rankings'. The highest priority is belonged to "the effect of training courts for auditors in the field of cohesive voter", and the lowest priority is devoted to the effect of auditors performance in increasing cohesive votes."

3.3. The third sub- hypothesis
As mentioned above, to examine the hypothesis, a questionnaire with nine questions was gathered from 53 taxpayers that the mean values were also measured for each question.

Table 6. T-test for the third hypothesis

<table>
<thead>
<tr>
<th>M</th>
<th>Std dev</th>
<th>T</th>
<th>Degree of P</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Third hypothesis</td>
<td>3.98</td>
<td>0.45</td>
<td>15.86</td>
<td>About Zero</td>
</tr>
</tbody>
</table>

The mean of third hypothesis, 3.98 means very high
and according to the possibility of significance, zero,
it can be concluded that the hypothesis zero is
rejected. In other words, this plan leads to an increase
of tax culture along with taxpayer assumption.

Table 7. Composing questions

<table>
<thead>
<tr>
<th>Square-k statistics</th>
<th>Degree of P</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Third hypothesis</td>
<td>37.7</td>
<td>About Zero</td>
</tr>
</tbody>
</table>
According to the possibility of significance lower than 0.05, it can be conceded that priority questions are different. The below table indicates the priority questions based on the rankings.

<table>
<thead>
<tr>
<th>The mean ranks</th>
<th>304.85</th>
<th>283.48</th>
<th>247.1</th>
<th>241.26</th>
<th>238.26</th>
<th>230.03</th>
<th>228.7</th>
<th>202.1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saving time and expense of taxpayer</td>
<td>Politeness of auditors to taxpayer</td>
<td>Giving services and accurate data to taxpayer</td>
<td>The rate of responding of auditors</td>
<td>The knowledge and skills of auditors</td>
<td>Cleaness of the environment</td>
<td>Keeping board sessions in deadline</td>
<td>Increasing the awareness of taxpayers to writing offices</td>
<td></td>
</tr>
</tbody>
</table>

Table 8. The priority questions according to governed rankings

The above table indicates the priority of taxpayers. The higher rank relates to taxpayers satisfaction, saving time and taxpayer expenses but the lowest is devoted to the increase of taxpayers confidence rather than tax system.

3.4. The fourth sub-hypothesis

Table 9. T-test for the fourth hypothesis

<table>
<thead>
<tr>
<th>Fourth hypothesis</th>
<th>M</th>
<th>Std dev</th>
<th>T</th>
<th>Degree of P</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3.98</td>
<td>0.45</td>
<td>1.84</td>
<td>About Zero</td>
<td>Rejection of Zero</td>
</tr>
</tbody>
</table>

The results of the table indicates that this statistic degree is 1.84, as a result the zero assumption is rejected and it can be said that there is a significant difference between increasing confidence of taxpayers to tax system and tax compliance during 2006-2007; in other words, the implementation of the related plan causes to an increase of tax compliance.

3.5. The fifth sub hypothesis

The data gathered from 35 experienced nobles was used for the test of this hypothesis. The smaller mean or equal 3 indicates that using experienced auditors did not increase the efficiency of tax and the larger mean show the highest efficiency in terms of auditors’ performance. The average score of fifth hypothesis, 3.56 means the highest degree and according to t-statistics, 3.039 and also the possibility of significance, that is, 0.01, concludes that the zero assumption is rejected.

Table 10. T-test for the fifth hypothesis

<table>
<thead>
<tr>
<th>Fifth hypothesis</th>
<th>M</th>
<th>Std dev</th>
<th>T</th>
<th>Degree of P</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3.54</td>
<td>1.039</td>
<td>3.092</td>
<td>0.01</td>
<td>Rejection of Zero</td>
</tr>
</tbody>
</table>

3.6. The sixth sub-hypothesis

The average score of sixth hypothesis, 3.45 means the highest degree and according to t-statistic degree, 2.604 and also the possibility of significance, 0.01, the zero assumption is rejected. That is, the increase of cohesion in giving votes makes high efficiency of tax performance.

Table 11. T-test for the sixth hypothesis

<table>
<thead>
<tr>
<th>Sixth hypothesis</th>
<th>M</th>
<th>Std dev</th>
<th>T</th>
<th>Degree of P</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3.45</td>
<td>1.038</td>
<td>2.604</td>
<td>0.01</td>
<td>Rejection of Zero</td>
</tr>
</tbody>
</table>

3.7. The seventh sub-hypothesis

The average score of seventh hypothesis, 3.57 shows the highest degree and according to t-statistic degree, 2.828 and also the possibility of significance 0.01 concludes the zero assumption is rejected. The increase of tax culture along with taxpayer causes to high efficiency of tax performance. The frequency of t-student distribution is n-1 degree of freedom.

Table 12. T-test for the seventh hypothesis

<table>
<thead>
<tr>
<th>Seventh hypothesis</th>
<th>M</th>
<th>Std deviation</th>
<th>T</th>
<th>Degree of P</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3.57</td>
<td>1.195</td>
<td>2.228</td>
<td>0.01</td>
<td>Rejection of Zero</td>
</tr>
</tbody>
</table>

3.8. The eighth sub-hypothesis

The smaller or equal average to 3 indicates that the increase of tax compliance did not increase the efficiency of tax performance in the view of noble auditors. The higher average also shows that the above-mentioned view has increased the performance of tax efficiency. The average score of eighth hypothesis, 3.77 is very high and according to t-statistic degree, 4.552, and also the possibility of significance, 0.01 concludes that the zero assumption is rejected.
4. Discussion and Conclusions

By reviewing the literature of the research, it became clear that organizations need to recognize and determine the efficiency of their employers to make recovery for their human resources situation. This increases the volume and services of these organizations as positively in the pace of their processes. The analysis of the collected data showed that the average of the first hypothesis, 3.72 is placed in as high degree and according to t-statistic, 4.54 and also the possibility of significance, that is, the zero, concluding the zero assumption is rejected. In other words, the implementation of the related plan leads to the use of experienced tax auditors. According to the lack of research application in the field of using optimized human resources in the related plan, the present results of the study cannot be compared to the latest results. But the findings of the recent research is a suitable experimental background theoretically. The lack of using skillful auditors increases intriguing tax auditory reports; in order to make a cohesive and integrated process in the arrangement of tax auditory reports, the application of experienced accountants decreases any controversial comments. In this research, the average of the first hypothesis, 3.45 as the highest degree is confirmed. In other words, the implementation of the plan leads to increase the efficiency of issuing the related votes. The highest priority is devoted to the effect of training courses for auditors to be integrated in giving their votes and the lowest degree is related to the effect of making information pool of auditors performance on increasing the integration of issuing votes.

Finally, according to the lack of any researches fulfilled in the field of the effect of reorganizational plan of paragraph 3 of article 97, the findings of the research is theoretically suitable foundation for the variable effect of tax performance (tax compliance).

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Table 13. T- test for the eighth hypothesis

<table>
<thead>
<tr>
<th>Eighth hypothesis</th>
<th>M</th>
<th>Std dev</th>
<th>T</th>
<th>Degree of P</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3.77</td>
<td>1.002</td>
<td>4.552</td>
<td>0.01</td>
<td>Rejection of Zero</td>
</tr>
</tbody>
</table>
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