



## To Identify and explain the effective factors on tax compliance (A Case Study of State Tax Administration of West Tehran)

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### ABSTRACT

Among the most basic requirements of any healthy tax system in the community is to promote and develop the tax culture. In term of this issue, one of the most fundamental problems is tax compliance which includes tax collection. This problem will be just resolved based on public culture and tax culture. The aim of this research is to identify and explain the factors affecting tax compliance (A Case Study of State Tax Administration of West Tehran). The present research is applied research according to its purpose and on in term of nature and method it is considered a descriptive research. The population consisted of all tax payers to the General Administration of West Tehran. Total of 250 cases were selected as sample using simple random sampling method. In the present study, the income level of the taxpayer, tax rates, tax fines, Article 272 Q of tax auditing, tax attitudes, dominant social norms, perceived justice, tax knowledge and awareness, the complexity of tax laws, the tax service quality and social responsibility, were considered as the independent variables and their relationship with the tax culture was examined. The extent of relationship between tax culture and tax compliance was studied. In addition, the analysis was done using structural equation model and LISREL software (Lisrel). The results indicate that all variables have positive and significant relationship with the tax culture and in the view of taxpayers; tax culture has a positive and significant relationship with tax compliance.

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### 1. Introduction

Tax is an essential element in the life of any nation. As in most countries the formation of public finances and public funds is based on tax income, covering the needs of the public, to a large extent depends on taxes. In this regard, numerous experts have successfully identified the purpose and role of taxes, analyzed the relationship between taxation and development, explained the impacts of taxes on decisions at the microeconomic and macroeconomic levels, identified the optimal solutions for tax, explained the principles and practices of financial management and analyzed tax qualitative indicators to show how taxes affect on the quality of governance. All these approaches focus on the roles of taxes on economic growth. Since the growth rate, to a large extent, is influenced by the decisions of fiscal policy and budget decisions, possibility of taxation improvement (increase) should be considered by every state, while the tax system, the quality and quantity of public services can be managed. (Ritsatos, 2014).

But as with this corporation, some tax payers refuse to pay tax which is called tax payment avoiding, saying that in such a case, the taxpayer illegally refuses to pay tax. In contrast, there is the case of tax avoiding that is the illegal adjustments done to avoid taxes. It is usually done by means such as account processing, bribery and false information. In a fair tax system it must be shown that there

is no discrimination and the one who enjoys more economies' facilities will bear more expenses. (Salary, 1390).

The main objective of this paper is to identify and explain the factors affecting the tax compliance (A Case Study of state tax administration of West Tehran). To achieve this goal the variables of social norms, tax rate, audit capabilities, knowledge of tax payer, tax payer's attitudes toward tax, tax fines, perceived justice of the system, the complexity of tax laws and the quality of tax services are considered as independent variables and their relationship with the tax culture and then the relationship between tax culture and tax compliance will be investigated.

### 2. Tax compliance indicators

The main role of the tax authorities (the Parties) is to ensure that tax payers and others are aware of their obligations under the law. The tax payers and others play an important role in carrying out their commitments, because in many cases they are the only ones in a position to recognize their obligations under the law. The main obligations and responsibilities are subjected to the taxpayers, which are different across various functions and areas. Regardless of the scope of tax, four broad categories of commitments are expected for all payers. Tax compliance will depend primarily on the success of tax payer in his estimations of his commitments. These Four broad categories are as follows: