Investigating the Relationship between Tax Revenues and Tax Culture in Kerman City

Abdolmajid Jalaei, Leila Asgharpour

Department of Management, Kerman Branch, Islamic Azad University, Kerman, Iran
Asgharpourleila@yahoo.com

Abstract: Empirical studies have shown that, culture plays a decisive role in tax revenues and increasing of tax capacities. In this study, we have been proposed some questions that will be investigated in this section. The main question is that, is there any relationship between tax revenues and tax culture in Kerman? Results showed that, there is a positive and significant relationship between tax revenues of jobs and tax culture in Kerman. Moreover, there is a direct relationship between tax revenues of value added and tax culture. Our another conclusion is that, there is a direct relationship between value-added tax revenues and tax culture, so that, with the increase of tax culture both consumers and producers pay their value added taxes without any and consequently, the resulted tax revenues will increase. Another important result of the study is that, the distribution of tax culture varies between male and female respondents because of their various positions. Since men are much more involved in self-employment jobs, they face with tax more than women. Therefore, it is recommended to improve tax culture via timely, adequate and continuous information updates. People should know why they are paying taxes and where these taxes will be expended. In this case, the government should provide enough information as well as costs statements. Tax administration, via mass media, should explain the benefits of tax payment for all society with simple language.

Keywords: tax culture, tax revenues, Kerman, jobs

1. Introduction

To recognize tax culture it is required to recognize culture and its components. The terms culture, in its sociological sense, first introduced by English anthropologist, Edward Burnett Tylor (1871) in his book titled primary culture. To define culture, he said that, it is a complicated set of culture knowing, beliefs, arts, morals, laws, habits, and any kind of ability that a human, as a member of society, acquires (Vosoughi, 2001). Tax culture of a country is, completely, for all official and non- official organizations of that country which are linked to the tax system and its implementation. It combines with nation's culture and includes dependencies and groups resulted from their interaction (Nerré, 2004). The performance of Iranian tax system, in terms of culture, refers, more than any other factor, to its power in the nation's economic system. Tax is among the links of the economic chain that lacks considerable impact. Nevertheless, the most reason important cause of this situation is the inherence of oil with Iranian economy that both weakened tax via its alteration nature (with tax revenues and creation of the rent. In addition, government-based economy in Iran makes taxes ineffective and taxes have no effect but accounting consideration. This situation, in long term, penetrates to social layers and they, as economic agents, tend to evade taxes or take advantage of tax breaks in order to obtain a bigger portion of oil revenues. Continuing this situation, damages tax culture more than anything else and accelerates cultural retardation. Another reason for this retardation is the lack of developed welfare strategy. In addition, elites and intellectuals of Iranian society have been the among the barriers of tax culture development since, due to the structure of Iranian society, they had no dependency to private sector or there were no room for their independent activities; many of them are teaching in fully government-controlled universities.. These conditions provide no opportunity to defend tax culture. It is hard to find any trace of paying tax and its importance for development in nation's literature or social and philosophical viewpoints (Sagheb Fard, 2007). There are many studies addressing tax in Iran and all over the world. The following section summarizes some of them. Nazem et al. (2009) investigated the relationship between control position, organizational atmosphere, and productivity of personnel in the head office of Tehran tax affairs. The results of their multivariate regression analysis showed that, there is a relationship between control position, organizational atmosphere from one hand and productivity from the other hand. Shafiyi and et al. investigated the methods of dealing with money laundering with emphasize on taxation approaches and concluded that, taxes are among the most important strategies to deal with money laundering. In addition to the legislation of the money laundering fighting laws in parliament at 2007

such as running the value added tax, obligation of issuing bills, comprehensive plan of tax, and assessment of possibility of retaining the total income tax as well as implementation of the tax laws can contribute to achieve this goal.

Monjazeb et al. (2009) evaluated the tax capacity of Mazandaran province. Value added in industrial, mining, and services sectors, non-agricultural GDP, literacy rate, and war are among the most important factors affecting tax. Accordingly, within 1982 to 2001, the highest tax effort is 67% and the lowest is 40% and at least, 33% of the tax capacity was not obtained. Arab Mazar et al. (2009) examined the efficiency of income tax of businesses and legal entities in several provinces. The results indicated that, the average efficiency was 3.72% for developed provinces without Tehran and was 5.66% for lesser developed provinces. In their work, they considered the inefficiency as the gap between legal and potential capacity in each province and calculated actual capacity. In addition, results showed that, the average tax effort in the period was decreasing for job taxes and increasing for the taxes of legal entities. Ashena et al. (2009) in a study titled intellectual capital: a valuable and effective capital of the tax administration, investigated the assortment of organization's assets, definition of intellectual capital, intellectual capital and its measurement and reasons, limitations of traditional accounting systems, models of evaluation of intellectual capital, and finally, the advantages and disadvantages of internal and external reporting of intellectual capital. Results showed that, the success of an organization depends on their ability to manage intangible assets. Therefore, in order to manage these assets, we must, first, identify and measure them. Tax administration, with regards to its governmental nature and its task of providing significant portion of government's revenues should identify, evaluate, and manage its intangible assets (intellectual capital) in order to provide the possibility of optimized management of benefitting these resources.

Ostadi and colleagues (2009) examined the patterns and approaches of tax breaks in line with governmental support from creating and promoting cooperatives in Isfahan province since one of the methods to influence cooperatives is tax incentives. Taxation is one of the most important tools in the allocation of economic resources, redistribution of income and providing its costs. Collecting taxes from a particular activity or granting tax exemption to some activities or some specific areas is, generally, to ensure the optimal allocation of resources.

Rostami Vali (2008) in a paper titled authorities of the tax system in Iranian tax law, stated that: about tax rights in all countries including Iran, some special

rights and authorities have been granted to tax systems in order to able them to do their duties and responsibilities in a very well manner that it also called "power to tax". However, he says that, today, prior to the use of these power and privileges, it is emphasized to attract participation and cooperation of taxpayers that Iranian tax laws include them too. Investigation and explanation of this issue clearly shows that, taxation is one of the symbols of sovereignty and is associated with its survival and majesty. Naderan et al. (2008) investigated taxation and its relation to historical evidences of fiscal sociology and stated that, reviewing taxation in Iran from constitutional revolution to the Islamic revolution explains the inability of government to collect. In the mentioned period, despite frequent changes in the course of management and tax laws, governments have not been able to collect direct taxes and it is also true for years that the role of oil revenues in the state budget was fading.

2. Material and Methods

Taherpour et al. (2006) identified the factors of tax culture among the jobs in Tehran and their priorities. In their paper, they investigated the properties of tax culture for several countries. Their approach was exploratory, applied, field study, and descriptive. Factors with highest variance were, first, justice and the function of tax system in which, the variables of justice, lack of trust to tax authorities, the transparency of tax system, the fashion of expending taxes, responsibility, bribery, and payments methods were considered; second, honesty and responsibility of taxpayers in which, the variables such as withholding information, lying, pride of tax evasion, a sense of debt to community or a pleasant fact, and wring money were considered; and third, the willingness to pay taxes in which, variables such as tax evasion, bargaining, and resistance to paying tax were included. Ghaziyani et al. (2006) investigated the optimal behavior of taxpayers, government and tax administration's employees with the assumption of the presence of malfeasance, collusion, and bribery in a three-person game. Therefore, while applying Nash's bargaining solution to determine the appropriate scope for collusion, three different government policies in cooperation with honest, non-honest and conditional, in terms of honesty, were investigated separately and the best solution in each case was distinguished. Given the subject of this study, the statistical population is the people who involved with tax payment (taxpayers) at head office of Kerman tax affairs that, due to its large size, we just included the top taxpayers (both natural and legal persons) and value added taxpayers. Then, the total statistical population size is 100000: top natural persons 31,592,

legal persons, 26,632, and finally, value added taxpayers, 41,776. We used random sampling method for sampling and Cochran formula to estimate sample size which obtained to be 383 persons.

The tools used in this study were tax culture identification questionnaires. In order to examine the reliability of questionnaire, we used the re-test method so that, 10 questionnaires were presented to 10 persons of the population to answer and it was repeated after 10 days. Using Cronbach alpha method, reliability found to be 0.87.

3. Results

To extract and analysis the questionnaires' data, SPSS software was used. In order to test the hypotheses, we used ranking method and in order to generalize the results to larger statistical population, descriptive analysis methods such as mean, median, and mode, as well as inferential statistical methods such as Spearman correlation, Kendall tau and scatter plot were used. The answers to the 58-item questionnaires of tax culture is variable which values were 58 for lowest, 348 for highest, 197.8811 for mean, 199 for median, and 204 for mode. In the following section, we will investigate the questions using correlation coefficient.

Table (1): correlation coefficients between major and minor variables

Tax revenues	Tax culture			
	Spearman		Kendall	
	Kendall correlation	Significance	correlation coefficient	Significance
Tax revenues	0.311	0.00	0.21	0.00
Legal entities	0.354	0.00	0.247	0.00
Value added	0.208	0.02	0.133	0.03
Government	0.353	0.00	0.253	0.00

In order to investigate the main question of research i.e. is there any relationship between tax revenues of jobs and tax culture in Kerman, we have;

H0: there is no relationship between tax revenues of jobs and tax culture in Kerman.

H1: there is a relationship between tax revenues of jobs and tax culture in Kerman.

According to the analyzes, it was found that, coefficients of Spearman correlation and tau b Kendall between variables of tax revenues of jobs and tax culture are equal to 0.311 and 0.219, respectively, with p value equal to zero which are lower significance level α=5%. Therefore, at this level, the null hypothesis indicating the lack of relationship between two variables is rejected and as a result, with attention to the correlation coefficients there is a positive and significant relationship between them so

that, with increase of culture tax, the tax revenues will be increased.

In order to investigate the first question of research i.e. is there any relationship between tax revenues of legal entities and tax culture in Kerman, we have;

H0: there is no relationship between tax revenues of legal entities and tax culture in Kerman.

H1: there is a relationship between tax revenues of legal entities and tax culture in Kerman.

According to the analyzes, it was found that, coefficients of Spearman correlation and tau b Kendall between variables of tax revenues of legal entities and tax culture are equal to 0.354 and 0.247, respectively, with p value equal to zero which are lower significance level α=5%. Therefore, at this level, the null hypothesis indicating the lack of relationship between two variables is rejected and as a result, with attention to the correlation coefficients there is a positive and significant relationship between them so that, with increase of culture tax, the tax revenues of legal entities will be increased.

In order to investigate the second question of research i.e. is there any relationship between value added tax revenues and tax culture in Kerman, we have;

H0: there is no relationship between value added tax revenues and tax culture in Kerman.

H1: there is a relationship between value added tax revenues and tax culture in Kerman.

According to the analyzes, it was found that, coefficients of Spearman correlation and tau b Kendall between variables of value added tax revenues (indirect) and tax culture are equal to 0.208 and 0.133, respectively, with p values equal to 0.026 and 0.038, respectively, which are lower significance level α=5%. Therefore, at this level, the null hypothesis indicating the lack of relationship between two variables is rejected and as a result, with attention to the correlation coefficients there is a positive and significant relationship between them so that, with increase of culture tax, the value added tax revenues (indirect) will be increased.

In order to investigate the third question of research i.e. is there any relationship between tax revenues of government and tax culture in Kerman, we have;

H0: there is no relationship between tax revenues of government and tax culture in Kerman.

H1: there is a relationship between tax revenues of government and tax culture in Kerman.

According to the analyzes, it was found that, coefficients of Spearman correlation and tau b Kendall between variables of tax revenues of government and tax culture are equal to 0.208 and 0.133, respectively, with p values equal to 0.026 and

0.038, respectively, which are lower significance level α=5%. Therefore, at this level, the null hypothesis indicating the lack of relationship between two variables is rejected and as a result, with attention to the correlation coefficients, there is a positive and significant relationship between them so that, with increase of culture tax, the tax revenues of government will be increased.

In order to investigate the fourth question of research i.e. does tax culture distribution of respondents is equal between men and woman, we have;

H0: tax culture distribution of male and female respondents is equal.

H1: tax culture distribution of male and female respondents is not equal.

Table (2): calculation of average rank, test statistic and its significance

	Gender	Frequency	Average rank	Total ranks
Information seeking behavior of managers	Man	164	92.53	15175
	Woman	18	82.11	1478
	Total	182		
U = 1307	Z= 0.797	P=0.426		

Data analysis showed that, statistic of Mann-Whitney test is equal to 1307 and its significance level is 0.426.

The null hypothesis indicating that the tax culture between men and women is equal will not be rejected. Comparison of the average tax culture rank between men, 92.53, and women, 82.11, shows that, men have higher rank in tax culture.

In order to investigate the fifth question of research i.e. does tax culture distribution of respondents is related to education level, we have;

H0: tax culture distribution for respondents is related to their education levels.

H1: tax culture distribution for respondents is not related to their education levels.

Table (3): calculation of average rank, test statistic and its significance

	Education level	Frequency	Average rank
Tax culture of respondents	Under high school diploma	23	114.41
	High school diploma	68	93.39
	Bachelor	79	115.93
	Master's degree	27	152.43
	Ph.D.	28	113.18
	Total	225	
X^2 = 16.225	df = 4	P = 0.003	

According to the analyzes, it was found that, coefficients of Poisson chi square correlation and significance level between variables of tax culture distribution and education level are equal to 16.25, with p value equal to 0.003, which are lower significance level α=5%. Therefore, at this level, the null hypothesis indicating the lack of relationship between two variables is rejected. Comparison of the average ranks shows that, tax culture of respondents with master's degree (152.43) are higher than others.

In order to investigate the sixth question of research i.e. do tax culture distribution of respondents with different histories of tax payment are equal, we have;

H0: tax culture distribution for respondents with different histories of tax payment is equal.

H1: tax culture distribution for respondents with different histories of tax payment is not equal.

Table (4): calculation of average rank, test statistic and its significance

	Tax payment history	Frequency	Average rank
Tax culture of respondents	Less than 3 years	59	111.65
	3 to 5 years	34	85.66
	5 to 10 years	43	104.97
	More than 10 years	73	108.65
	Total	209	
X^2 = 4.459	df = 3	P = 0.216	

According to the analyzes, it was found that, coefficients of Poisson chi square correlation and significance level between variables of tax culture distribution for respondents with different history of tax payment are equal to 4.45, with p value equal to 0.216, which are lower significance level α=5%. Therefore, at this level, the null hypothesis indicating the lack of relationship between two variables is rejected. Comparison of the average ranks shows that, tax culture of respondents with three years history of tax payment are higher than others.

In order to investigate the seventh question of research i.e. do tax culture distribution of respondents with different jobs are equal, we have;

H0: tax culture distribution for respondents with different jobs is equal.

H1: tax culture distribution for respondents with different jobs is not equal.

According to the analyzes, it was found that, coefficients of Poisson chi square correlation and significance level between variables of tax culture distribution for respondents with different jobs are equal to 12.39, with p value equal to 0.002, which are lower significance level α=5%. Therefore, at this level, the null hypothesis indicating the lack of relationship between two variables is rejected.

Comparison of the average ranks shows that, tax culture of respondents with manufacturing jobs (122.14) are higher than other groups.

4. Discussions

The problems of the tax system in Iranian economy refers to the very old times and generally, since tax revenues do not have the main responsibility to cover the government's costs and oil is the main resource of revenues, the government do not pay required attention to tax. Therefore, the existence of these features in tax system of country restricts tax revenues. Satisfying taxpayers is a principle that provides their trust to government and tax administration. These trust and confidence is the most effective way for declaration, recognition, collecting taxes, and handling complaints: since that, the honesty at statement strengthens taxes, facilitates recognition, reduces the collection costs, and can reduce the costs of tax administration, they are important for tax culture. In this study, some questions were proposed and analyzed that will be discussed in the following.

Whether there is relationship between tax revenues of jobs and tax culture in Kerman? Results showed that, there is a positive and significant relationship between tax revenues of jobs and tax culture in Kerman so that, with the increase of tax culture, tax revenues of jobs will be increased. Here, tax culture has an important role. It was mentioned that, tax culture is composed from viewpoints,, insights, perceptions, ideals, social values, and current awareness of taxes people have. Therefore, when tax culture increases, no one evades them, people have more information about taxes and subsequently, tax revenues of jobs will be increased.

Is there any relationship between tax revenues of legal entities and tax culture in Kerman? Results showed that, tax revenues of legal entities have a direct relationship with tax culture so that, if they have a good tax culture and consider that, taxes are in line with their benefits and incomes, they will pay taxes without delay and tax revenues of legal entities will be increased.

Is there relationship between value added tax (indirect) and tax culture in Kerman? Results showed that, there is a direct relationship between them so that, with the increase of tax culture and viewpoints toward it, both suppliers and consumers will pay their value added taxes without delay and as a result, value added tax revenues will be increased.

Is there relationship between tax revenues of government and tax culture in Kerman? Results showed that, there is a direct relationship between them.

Whether the distribution of tax culture is equal for male and female respondents? Results showed that, the distribution of tax culture is different for male and female respondents. Both men and woman have different tax cultures based on their positions and since men are more involved with self-employment, they face more with tax.

Whether the distribution tax culture is equal for respondents with different levels of education? Result showed that, the distribution of tax culture differs for respondents with different levels of education. The more is the education level, the more is their tax culture.

Whether the distribution of tax culture is equal for respondents with different history of tax payment? The result showed that, the distribution of tax culture is the same for respondents with different history of tax payment. History of tax has no impact in the people's view to taxes.

Whether the distribution of tax culture is equal for respondents with different types of jobs? Results showed that, distribution of tax culture is not equal for respondents with different types of jobs. The motive for tax evasion among the people is rooted in social, political, economic, and even religious condition of the country. Therefore, despite the fact that many people, more or less, know that, taxes are among the important sources of government's revenue to accomplish its plans, but due to various reasons they avoid paying taxes as it is possible. Therefore, different jobs have different taxes and as a result, their perspectives of tax are different.

According to the results, the following suggestions are offered:

1. To improve tax culture there must be timely, adequate and continuous information updates. People should know why they are paying taxes and where these taxes will be expended. In this case, the government should provide enough information as well as costs statements. Tax administration, via mass media, should explain the benefits of tax payment for all society with simple language.

2. The agents of tax administration must be trained persons with the ability to regulate the statements and full recognition from taxation models and patterns and new thoughts.

3. The lack of transparency in tax system is one of the reasons that created not-trusty environment. Numerous numbers of tax laws and multiple tax rates are other problems of tax system in Kerman province. Therefore, the laws must be appropriate and transparent to create trust in this ground.

4. Widespread advertises via mass medium, presentations, and ceremonies can make people familiar with the role of timely tax payments.

5. Good behavior of taxation officers in all stages (even at hard times) and respect to individual characteristics of taxpayers can contribute to the issue.

Corresponding Author:
Leila Asgharpour

References
1. Birger, Nerré,2002. "Croatian Tax Culture - Asset or Constraint in the Transformation Process", Paper Presented at the IJF Conference, Unofficial Activities in Transition Countries: Ten Years of Experience, October 18-19, Zagreb, Croatia.
2. Hafez Nia, Mohammad Reza, 2005, introduction to research methodology in human sciences, xi edition, Tehran: Samt Publications.
3. Monjazeb, Mohammadreza and Soleymani Parsa, 2005, evaluating tax capacity of Mazandaran province, Economy Bulletin, No.5.
4. Nazem, Fattah and Sheikh Abbas Mohsen, 2009, relationship between control position, organizational atmosphere, and productivity of personnel in the head office of Tehran tax affairs, Quarterly of management, sixth year, no. 13.
5. Pandey, T. N. 2003. Develop a Tax Culture for Better Compliance, October 27.
6. Sagheb fard, Mohammad, 2007, cultural retardation in tax, Etemad Newspaper, No. 2267.
7. Shafiee, Saideh and Sabouri deylami, Mohammad Hasan, 2009, methods to struggle with money laundering phenomenon with emphasis on taxation approaches, Specific Quarterly of Tax, number 5.
8. Vosoughi, Mansour and Nikkholgh, Akbar, 2001, Principles of sociology, Behineh Publications.

10/18/2017