

Evaluation affecting criteria on VAT in Yazd production Companies

Fatemeh Ahmadi Eslamlo¹, Seyed Mahmmod Zanjirchi² (corresponding author)

^{1,2} Department of Accounting, Yazd Branch, Islamic Azad University, Yazd, Iran.

Abstract: The aim of this research is evaluation and ranking of problems in value added tax running in production companies in Yazd. The methodology was usable and it was correlated by the research. We collected data by using questionnaire and scaling method. Statistical society are experts about value added tax in Yazd and we used available judicial sampling. We collected 34 reasonable samples and analyzed data by Electra method. The ranking showed that these items were more effective and they had more importance in correct running of value added tax: (1) Presenting of unreal declaration for tax evasion and prolongation of tax collection. (2) Denial factor by some companies causes of identifying and tax evasion. (3) Clients isn't aware about their rights. (4) Existence of unreal companies. This research can be valuable for experts and the government by presenting of beneficial data in financial area (value added tax). Also, it presents some suggestions about improving and more effective in results. [Fatemeh Ahmadi Eslamlo, Seyed Mahmmod Zanjirchi. **Evaluation affecting criteria on VAT in Yazd production Companies.** *Rep Opinion* 2015;7(7):102-107]. (ISSN: 1553-9873). <http://www.sciencepub.net/report>. 15

Keywords: tax evasion, Electra method, Value added tax, Taxpayer

Introduction

Any value added tax paid by clients (importers, producers, distributors, exporters) is their willing of government in during of buying that are cash factor for taxation and it will be pay off seasonally to tax affair organization. Client claim settlement is done by tax affair department for tax in during of buying or claim deduction received from buyer (Ziaii Bigdeli and Tahmaseb Beldachi, 2005).

Value added= rent cost+ interest expense+ depreciation expense+ cost rights+ company's profits

Experience and considered research for this tax in different countries shows it was effective matter for solving current some problems such as financial incoming, client identify and data insufficient solving about it, time stopping reduction about financial paying, reduction of financial escaping, etc.

Literature

Taiebna and Teymuri (2004) in their work (the considering of value added tax running on random effects on inflation or non-equality) one other hand reviewed the literature and the experience and the other hand, they considered random effects of value added tax performance on inflation and they resulted that value added tax effect on inflation rate is sudden effect and it can't increase the costs consistency. They expressed the result of value added tax effects on incoming distribution by their model and said " by attention to two complement policies of the government about more taxation concealing and indirect features and enormous exemption performance in item consuming baskets, the most effect of cost index will negate.

Tahmasbi et al. (2004) in their research for knowing of value added tax system and its effects,

resulted that these tax system considered positive and negative characteristics and resulted that value added tax system has been performed in different countries by diverse goals and some countries want to receive informational comprehensive system in economical transaction despite of low incoming because of its performance.

Ahmad Jafari Samimi (2004) in his works for considering of tax role and economical firm's value added relationship in Mazandaran resulted that tax function in these firms isn't symmetric with their value added. Also, in large firms paying taxation rate is less dependent on their value added changes.

Arshadi et al (2011) have done the research work (considering of valuable effects of value added tax running in Iran) and have evaluated valuable effect of each item by using of valuable model of input-output and tax rates in law and merchandise exemption and the 12 article services and finally, export exemption applying the 13 article, Value added tax law and it has calculated valuable costs by using of each section of total outputs. The results show value added tax running has little valuable cost. Ike Alendait (1986) has done economic cooperation in considering of value added tax substitution in development member countries and he resulted that most area of interesting of countries is in using of value added tax for substituting of other taxation, disagreement of dependency to direct tax increasing.

Alen Tait in his study on value added tax rates and tax incoming in 44 countries (37 countries used Value added tax and 7 countries are accepted it until 11 January 1988) get important results. 15 countries had a unique rate (regardless H0 that all countries have for export). The highest unique rate was in

Denmark (22%) and the lowest was in Japan (3%). Some countries changed, Value added tax of single rate to multi rates. Multi rates systems was highest in Senegal (50%) and lowest in Belgium (1%).

Liam Ebril (2002) in research study as title " attraction of value added tax " considered value added tax in different countries and resulted diversion and development of countries by different economic condition that value added tax running system indicates that we can't ignore importance of preparing performance for tax system before performance but by preparing of true adjustment and arrangement in this system proportional with country condition, we can run it successfully.

universal bank studies, in case of inflation value added tax effects, shows in 2 stages (first stage in 35 countries and second stage in 41 countries) that Value added tax has no inflation effect and we can compensate inflation value added tax effects by government suitable policy.

Methodology

About research category based on the aims, we must attention to direction use of data and generalization in other condition. Noticed research is

applicable (the aim of research) and survey (for collecting data and research design). Also, it is correlated research by variables of relation considering.

Research Aim

The aim of this research is evaluation and ranking of problems in value added tax running in production units in Yazd. By research of these problems and solving them, tax office in Yazd can act in order to tax policies

The main aim of this research is:

1. Presenting of suggestion strategy for solving of problems in value added tax running

Hypothesis

- Truble law in correct performance of value added tax has negative and significant effect.

Data Analyzing

Step 1

Decision matrix that is obtained from data collecting and it is obvious in table 1-4. Items are questionnaire sentences (row) and scale are expert comments (column). The importance of all the scale are the same as expert comments.

Table 1. Decision Matrix

	ex 1	Ex 2	Ex 3	Ex 4	Ex 5	Ex 6	Ex 7	Ex 8	Ex 9	Ex 10	Ex 11	Ex 12	Ex 13	Ex 14	Ex 15	Ex 16	Ex 17	Ex 18	Ex 19	Ex 20
q 1	4	4	4	4	4	4	3	4	5	4	2	4	4	5	3	5	3	4	4	3
q 2	5	4	3	3	3	4	2	3	4	2	3	4	5	3	3	3	4	3	3	4
q 3	3	4	4	3	3	3	2	3	4	1	3	4	4	4	3	4	4	2	3	4
q 4	3	5	5	5	5	5	5	4	4	3	4	3	5	4	3	4	5	2	5	4
q 5	3	2	2	3	3	4	2	3	3	3	3	3	4	3	2	3	5	3	3	3

W	0.029412	0.029412	0.029412	0.029412	0.029412	0.029412	0.029412	0.029412	0.029412	0.029412	0.029412	0.029412	0.029412	0.029412	0.029412	0.029412	0.029412	0.029412	0.029412	0.029412

Step 2: producing of normalized decision matrix

Because of different scale each of scale (expert comments), it is necessary that we change data as no-dimension (no scale). It means we change it as zero and one data (0 and 1). If we get each data in below formula, matrix numbers will be between zero and one (table 2).

$$N = [n_{ij}]$$

$$n_{ij} = \frac{a_{ij}}{[\sum_{i=1}^m a_{ij}^2]^{1/2}}$$

So, we apply it as following steps:

1. Each items in top matrix will power
2. We obtain collecting items for each scale
3. We took square root of resulted data
4. We divided items for obtained square root

Table 2. Normalized Decision Matrix

	ex1	Ex2	Ex3	Ex4	Ex5	Ex6	Ex7	Ex8	Ex9	Ex10	Ex11	Ex12	Ex13	Ex14	Ex15	Ex16	Ex17	Ex18	Ex19	Ex20
q 1	0.162 893	0.204 124	0.17 592	0.164 817	0.164 817	0.182 195	0.145 01	0.191 127	0.242 251	0.214 423	0.096 449	0.212 598	0.191 346	0.241 402	0.138 675	0.213 201	0.127 804	0.246 183	0.202 808	0.146 56
q 2	0.203 616	0.204 124	0.13 194	0.123 613	0.123 613	0.182 195	0.096 674	0.143 346	0.193 801	0.107 211	0.144 673	0.212 598	0.239 182	0.144 841	0.138 675	0.127 92	0.170 406	0.184 637	0.152 106	0.195 413
q 3	0.122 169	0.204 124	0.17 592	0.123 613	0.123 613	0.136 646	0.096 674	0.143 346	0.193 801	0.053 606	0.144 673	0.212 598	0.191 346	0.193 122	0.138 675	0.170 561	0.170 406	0.123 091	0.152 106	0.195 413
q 4	0.122 169	0.255 155	0.21 99	0.206 021	0.206 021	0.227 744	0.241 684	0.191 127	0.193 801	0.160 817	0.192 897	0.159 448	0.239 182	0.193 122	0.138 675	0.170 561	0.213 007	0.123 091	0.253 51	0.195 413
q 5	0.122 169	0.102 062	0.08 796	0.123 613	0.123 613	0.182 195	0.096 674	0.143 346	0.145 35	0.160 817	0.144 673	0.159 448	0.191 346	0.144 841	0.092 45	0.127 92	0.213 007	0.184 637	0.152 106	0.146 56
q 6	0.203 616	0.153 093	0.13 194	0.206 021	0.206 021	0.227 744	0.193 347	0.238 909	0.096 9	0.107 211	0.096 449	0.159 448	0.191 346	0.144 841	0.138 675	0.213 201	0.213 007	0.184 637	0.202 808	0.195 413
.

Step 3: producing of elegant no-scale matrix

In this step, we determine the weight for each scale. These weight have zero and one numbers and each scale weight has the same through expert

comments. Actually, no-scale matrix is obtained from multiplying of standard amount in each scale in itself weight and it is obtained by bottom formula:

$$v = N \times W_{(n \times n)}$$

Table 3. Elegant Normalized Matrix

	ex1	Ex2	Ex3	Ex4	Ex5	Ex6	Ex7	Ex8	Ex9	Ex10	Ex11	Ex12	Ex13	Ex14	Ex15	Ex16	Ex17	Ex18	Ex19	Ex20
q 1	0.00 4791	0.00 6004	0.00 5174	0.00 4848	0.00 4848	0.00 5359	0.00 4265	0.00 5621	0.00 7125	0.00 6307	0.00 2837	0.00 6253	0.00 5628	0.00 71	0.00 4079	0.00 6271	0.00 3759	0.00 7241	0.00 5965	0.00 4311
q 2	0.00 5989	0.00 6004	0.00 3881	0.00 3636	0.00 3636	0.00 5359	0.00 2843	0.00 4216	0.00 57	0.00 3153	0.00 4255	0.00 6253	0.00 7035	0.00 426	0.00 4079	0.00 3762	0.00 5012	0.00 5431	0.00 4474	0.00 5747
.

Step 4:

In this step, positive ideal (higher amount indicates higher ideal) and negative ideal (lower amounts indicates lower ideal) are identified based on the aim until we obtain consistent and inconsistent matrix.

As top explanations, we can get consistent matrix by collecting of positive matrix through table 4-4.

$$I_{kl} = \sum W_j, j = A_{k,l}$$

Table 4. I_{kl} Matrix

	q1	q2	q3	q4	q5	q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q105	q26	q27	q28	q29	q30	
q 1	-	0.735 294	0.911 765	0.441 176	0.941 176	0.558 824	0.588 235	0.647 059	0.852 941	0.823 529	0.676 471	0.676 471	0.735 294	0.5	0.558 824	0.676 471	0.588 235	0.647 059	0.676 471	0.647 059	0.411 765
q 2	0.5	-	0.882 353	0.411 765	0.941 176	0.5	0.558 824	0.470 588	0.794 118	0.794 118	0.470 588	0.647 059	0.558 824	0.441 176	0.470 588	0.558 824	0.470 588	0.529 412	0.617 647	0.676 471	0.411 765
.

Step 5: inconsistent matrix can get by collecting of weight negative scale. As below formula (table 5) and inconsistent matrix is:

$$NI_{kl} = \frac{Max|V_{kj} - V_{lj}|, j \in D_{k,l}}{Max|V_{kj} - V_{lj}|, j \in \text{for all scales}}$$

Table 5. NI_{kl} Matrix

	q15	q16	q17	q18	q19	q20	q21	q22	q23	q24	q25	q26	q27	q28	q29	q30
q 1	0.639 665	0.696 757	0.522 568	0.263 317	0.497 669	1	0.873 396	0.744 689	1	0.899 612	0.497 669	0.793 77	0.785 38	0.304 328	0.304 328	1
q 2	0.726 584	1	0.781 507	0.350 15	0.581 979	1	1	0.821 613	1	1	0.737 605	1	1	0.511 522	0.567 941	1
.

Step 6:

We calculate effective consistent matrix. We determine it by H. The first, we must determine threshold limit. For determining of threshold limit (\bar{I}), we use past data and comment of make desicioner. General scale for determinig this limit is the average matrix for I (\bar{I}):

$$\bar{I} = \sum_{l=1}^m \sum_{k=1}^m I_{kl} / m(m - 1)$$

This matrix show priority of one item than other one.

By using of couple comparison between consistent matrix amounts and threshold matrix, we can produce consistent matrix. It means if consistent amount matrix is higher than threshold matrix, it will be 1 and if it is lower than threshold, it will be 0.

H matrix
Threshold amount

$$\bar{I} = \frac{603.8824}{870} = 0.694118$$

Table 6. H Matrix

	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16
q1	0	0	0	1	1	1	1	1	0	0	1	0	0	1	0	0
q2	0	0	0	1	1	0	0	0	0	0	0	0	0	0	1	0
q3	0	0	0	1	1	0	0	0	0	0	0	0	0	0	0	0
q4	1	1	1	1	1	1	1	1	0	0	1	1	1	1	1	0
q5	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0
.
.
.

Step7:

In this step, we get inconsistent matrix, too. We show it by G and it can obtain as effective inconsistent matrix (table 7).

$$\bar{NI} = \sum_{l=1}^m \sum_{k=1}^m NI_{kl} / m(m - 1)$$

By comparison of the couple of consistent amount matrix and threshold matrix, we can get effective consistent matrix. It means if consistent amount matrix is higher than threshold, we will have 0 and it will be 1 if inconsistent amount matrix is less than threshold.

Threshold amount: threshold limit will calculate as below:

$$\bar{NI} = \frac{713.398}{870} = 0.824595$$

Table7.

	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16
q1	1	1	1	1	1	0	0	1	0	0	1	1	1	1	1	0
q2	1	0	1	1	1	0	0	1	0	0	1	0	0	1	1	0
q3	0	0	0	1	1	0	0	0	0	0	0	0	0	0	0	0
q4	1	0	1	0	1	0	0	0	0	1	0	0	0	1	1	0
q5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
q6	0	0	1	1	1	0	0	0	0	0	1	0	0	1	1	0
.
.
.

Step8:

In this step, we can obtain effective total matrix by crossing of effective harmonic matrix (H) and effective no harmonic matrix. Calculation of this matrix will be:

$$F_{kl} = H_{kl} \times G_{kl}$$

This matrix demonstrate sequence different strategy than each other; it means if it is as following:

$$F_{kl} = 1, A_k \text{ is prior on } A_l \text{ (table 6).}$$

Table 8. F Matrix

	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16
q1	0	0	0	1	1	0	0	1	0	0	1	0	0	1	0	0
q2	0	0	0	1	1	0	0	0	0	0	0	0	0	0	1	0
q3	0	0	0	1	1	0	0	0	0	0	0	0	0	0	0	0
q4	1	0	1	0	1	0	0	0	0	0	0	0	0	1	1	0
q5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
q6	0	0	0	1	1	0	0	0	0	0	1	0	0	1	1	0
.
.
.

According to the top table, the ranking will be as follow: we count 1 number in each column and the column has less 1 will be more important and it will be higher ranking and the columns will have the same amount of 1 number, they are in same ranking.

$Q2 > q9=q12 > q6 > q2 > q7 = q10=q13 > q1 > q3=q11 > q14 > q8=q15 > q4 > q5$

Based on Value added tax substructure factors that are in 1-16 questions

- weakness in performance methods such as fund sales, . . .
- underground and pseud-economics
- lack of attention to employee rights and salaries
- failure to tax promotion culture
- no field and facilities and substructure for value added tax running
- no identifying of clients for value added tax
- no proper support beliefs for tax paying in society
- existence of inflation depression
- lack of development of comprehensive tax system and tax affairs mechanization
- no cooperation other situations and intuit with tax office

Results

Based on Value added tax substructure factors that are asked in 1-15 questions, the ranking is as bottom:

- Weakness in running methods such as fund sales, . . .
- Underground and pseud-economics
- Lack of attention to employee rights and salaries
- No-financial promotion culture
- No field and facilities and substructure for value added tax running
- No identifying of clients for value added tax
- Failure in correct reinforcement beliefs for tax paying in society

- existence of inflation downturn
- Lack of development of tax comprehensive system and tax affairs mechanization
- Lack of cooperation other situations and intuit with tax office.

The explanation about top cases is:

- Lack of complete performance in surtax and fine relief the most part of fines in running step: because of the most fine are relief in performance step, it causes on-time levy is faced with high gapping and clients delay their tax because they suppose that fine in tax paying will be relief. These punishment don't have preventing role unless clients believe that lawmaker (or administrative) can punish the offender. So, client should select whether it is valuable he/she pay tax or pay fine?

The Suggestions for the research

We represent bottom suggestion according to the research results:

- Giving prize for clients that have honesty in filling the declaration
- Identification of unreal companies and the companies don't send out bill. Also, punishment for offender and conceal financial exemption for the companies that don't performance regulations
- Tax office can hold educational meeting for answering about value added tax clients questions
- Because of fund sells is one of the items in structural factors in economical companies, this process should be followed faster.
- Other structural factor is underground economy and unreal jobs. It is suggested to government and tax office try to develop financial justice in society through deleting of underground economy and unreal jobs, correct using of tax sources, etc.
- Identification of clients who pay value added tax and priority on clients that don't register in value added tax system.

- It is suggested to media to make programs for television or radio about paying the tax by people that are used for renovation and reformation

- Because one of items in structural factors is inattention to development informational mechanism in tax affairs, it is suggested that informational system run as information working capital use in society and the trust induce that there isn't incoming or activity as secret.

- For improving in yield of financial experts, it is important we get attention to incoming and benefits that causes more satisfaction and enhancing of operation

- For support of regulation factors, it is important tax office enhance punishment and surcharge and avoid of fine relief.

Reference

1. Abbaszadeh, MR (1992), how to determine the value added tax and its application, Thesis School of Economics, University of Madras.
2. Desai, M. A. & J. R. Hines. (2002). Value Added Tax and International Trade: The Evidence. Financial Support from the International Tax Policy Forum is Gratefully Acknowledged.
3. Ebril, Liam & Associates. "The Allure of the Value-Added Tax ". Finance & Development, Vol. 39, No. 2, (2002).
4. Hatamzadeh, Zivar (2001), based on estimates of value added tax and the effects of inflation, the quarterly research and economic policies, in the ninth, (2).
5. Harrison, Graham. And Krelove, Russell, 2005, VAT Refunds:A review of country experience.
6. Hessami Azizi, B. (2002), replacing the VAT to the tax impact on government tax revenues of the companies in Golestan province, MSc thesis, Mazandaran Mazandaran University.
7. Jafari Samimi, A. (2005), accounting systems and the implementation of VAT for companies and businesses in the province.
8. Jenkins, Glenn P., and Rub Khadka, (1997), "Value-Added Tax Policy and Implementation in Singapore, "International VAT Monitor, vol.9, pp.35-47.
9. Keen, M. & T. Bangsard. (2009). Tax Revenue and Trade Liberalization. IMF, Washangton DC 20431.
10. Keen, M. & S. Murtaza. (2006). Domestic Taxes and International Trade: Some Evidence. IMF Working Paper, WP/04/76.
11. Khalilzadeh Shirazi, J; and A. Shah(1991), Tax Reform in Developing Countries, Finance And Development.
12. Laim Ebril & Micheal Keen & Yean-paul Bodin & Victoria summers, (2001), "The moder n VAT, international monetary fond (IMF) Washington, DC.
13. Rezaeiaian, M.t., (2004), aims to analyze the causes of the lack of knowledge of tax law direct tax Ian mode and its effect on the income of the province mode Ian studied state, parliament and Research Quarterly, No. 45.
14. Rnjbaraki, AS., Naderan, or, (2007), article consequences of the implementation of VAT and preparation for successful execution in Iran, the parliament and the Research Quarterly, No. 56.
15. State Taxation Affairs Organization, organizing publication, No. 12 and 61.
16. Tait, Alan A. Value-Added Tax: Administrative and Policy Issues. Reprinted, Washington, D.C., The International Monetary Fund Publication., 1995.
17. Tayeb Nia Ali, Ali Reza Rfiei Mohsen Yazdanpanah. (2005). The potential effects of the implementation of VAT in inequality. Economic Research, 86: 633- 503.

7/23/2015