SURVEYING EXPRESSION, DIAGNOSTIC AND DEFINITIVE TAX QUALITY IN COMPANIES LISTED ON THE TEHRAN STOCK EXCHANGE

Somayyeh Mohammadi Mashkool
Department of Accounting, Science and Research Branch, Islamic Azad University, Ardabil, Iran
Dr. Mohammad Imani Barandagh
Assistant Professor at Department of Accounting in Urumiyeh University, West Azerbaijan, Urumiyeh, Iran
Dr. Azim Aslani
Department of Accounting, Germi Branch, Islamic Azad University, Germi, Iran

Abstract

The main purpose of this study is surveying expression, diagnostic and definitive tax quality in companies listed on the Tehran Stock Exchange. The population of this study is all companies that accepted in Tehran Exchange that was 459. According to limited statistics evaluated Companies, the statistical sample is 72 of Tehran Exchange companies in 8 industries, which have been selected through the simple random sampling method. To gathering of data, we used Tehran Exchange Data basis. In order to analyze the data resulted from collected questionnaires deductive and descriptive statistical methods are used, and to display some statistical data we used column diagram and in deductive level to test the hypothesis of the research we used Paired Samples t-test. Findings show there is there is significant deference between expression tax and definitive tax in companies that accepted in Tehran Stock Exchange. Also, there is not significant deference between expression tax and definitive tax in companies that accepted in Tehran Stock Exchange.

Keywords: expression tax, diagnostic tax, definitive tax, tax quality

1- Introduction

According to Black's Law Dictionary, a tax is a "pecuniary burden laid upon individuals or property owners to support the government [...] a payment exacted by legislative authority." It "is not a voluntary payment or donation, but an enforced contribution, exacted pursuant to legislative authority" and is "any contribution imposed by government [...] whether under the name of toll, tribute, tallage, gabel, impost, duty, custom, excise, subsidy, aid, supply, or other name[1]."

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[1] Black's Law Dictionary, p. 1307 (5th ed. 1979).

Governments use different kinds of taxes and vary the tax rates. This is done to distribute the tax burden among individuals or classes of the population involved in taxable activities, such as business, or to redistribute resources between individuals or classes in the population. Historically, the nobility were supported by taxes on the poor; modern social security systems are intended to support the poor, the disabled, or the retired by taxes on those who are still working. In addition, taxes are applied to fund foreign aid and military ventures, to influence the macroeconomic performance of the economy (the government's strategy for doing this is called its fiscal policy; see also tax exemption), or to modify patterns of consumption or employment within an economy, by making some classes of transaction more or less attractive (Chaturvedi, 2009).

A nation's tax system is often a reflection of its communal values and/or the values of those in power. To create a system of taxation, a nation must make choices regarding the distribution of the tax burden—who will pay taxes and how much they will pay—and how the taxes collected will be spent. In democratic nations where the public elects those in charge of establishing the tax system, these choices reflect the type of community that the public wishes to create. In countries where the public does not have a significant amount of influence over the system of taxation, that system may be more of a reflection on the values of those in power (Van et al, 2009).

For any tax administration to meet the canons of taxation, it must be supported by a quality taxpayer service. Taxpayer service usually means service and information, which the Tax Administration provides to taxpayers so that they can fulfill their tax obligations. It should also give the taxpayer a fair guideline of what consequences taxpayers' activities will have in terms of taxes. The service should not only address the expressed needs of the taxpayer, it should also include assistance in areas in which the taxpayer might not even have realized that compliance could be facilitated through taxpayer service and information (Grampert, 2001).

It involves facilitation of taxpayer compliance by; providing taxpayers and their authorized agents with clear precise and timely information, ensuring the courtesy and considerate treatment are extended unconditionally to all taxpayers, responding expeditiously to every taxpayer's enquiry, complaint or request, explaining the grounds for and derivation of every tax assessment, providing proper technical advice to the taxpayer on requests about tax implications, assisting new taxpayers to register, educating the taxpayers and the general community about tax obligations and rights.

The concept of 'quality of taxation' deals with the design of tax policy and tax systems to achieve desired policy objectives (redistribution, allocation, stabilization, etc.) in the most efficient way - that is by minimizing undesired distortions, promoting growth, and minimizing the cost of tax collection. As economic growth is usually considered as a precondition for the general improvement of living conditions, the focus of the discussion on the quality of taxation in this paper is on the effects on GDP and on long-term and sustainable growth. For any given level of taxation various economic outcomes can be obtained depending on the way a tax system is designed in terms of tax structure, the individual tax design and the interaction between the different tax instruments (Prammer, 2011).

Miller (2000) in his effort to call for voluntary compliance in the Indiana Department of Revenue advocated for improvement of taxpayer services to cater for special groups such as the elderly and future taxpayer such as school students. This was to be incorporated in the school curriculum to enlighten students on where their tax dollars go and how to file their state income tax returns.

Jenkins and Khadha (2000) concludes that tax administration needs to launch and sustain a comprehensive taxpayer services program covering all the major taxes in order to raise tax awareness and enhance voluntary tax compliance.

In Iran, the fiscal year begins on March 21 and ends on March 20 of the next year. The Ministry of Finance and Economic Affairs is the government agency authorized to levy and collect taxes. In 2008, about 55% of the government's budget came from oil and natural gas revenues, the rest from taxes and fees. An estimated 50 percent of Iran's GDP was exempt from taxes in FY 2004 (Curtis and Hooglund, 2008). There are virtually millions of people who do not pay taxes in Iran and hence operate outside the formal economy.

As part of the Iranian Economic Reform Plan, the government has proposed income tax increases on traders in gold, steel, fabrics and other sectors, prompting several work stoppages by merchants (Fassihi, 2010). In 2011, the government announced that during the second phase of the economic reform plan, it aims to increase tax revenues, simplify tax calculation method, introduce double taxation, mechanize tax system, regulate tax exemptions and prevent tax evasion. In this paper we try to answer this question "Which of the sectors (payers or auditors) are higher tax quality on the listed companies in Tehran stock exchange on?"

2- Method

The main purpose of this study is Surveying Expression, Diagnostic and Definitive Tax quality in Companies listed on the Tehran Stock Exchange. The population of this study is all companies that accepted in Tehran Exchange that was 459. Table 1 shows the company's characteristics due to limited statistics evaluated Companies:

Table 1: the Company's characteristics

All companies that accepted in Tehran Exchange during 1997 – 2012	459
The number of companies that are not financial statements ending March	407
The number of companies that Tax expression, definitive and diagnosis did not reveal.	189
Investment firms and financial intermediaries	94
Companies that have been excluded during study	18
Companies that have several years lost.	58

According to limited statistics evaluated Companies, the statistical sample is 72 of Tehran Exchange companies in 8 industries, which have been selected through the simple random sampling method. To gathering of data, we used Tehran Exchange Data basis.

In order to analyze the data resulted from collected questionnaires deductive and descriptive statistical methods are used, and to display some statistical data we used column diagram and in deductive level to test the hypothesis of the research we used Paired Samples t-test. In order to determine the relationship between the variables of the study, the SPSS tool has been used.

3- Results

Hypothesis1: *there is significant deference between expression tax and definitive tax in companies that accepted in Tehran Stock Exchange.*

We have used Paired Samples t-test for analysis of this Hypothesis. For this purpose, we have been two kinds of hypotheses like this:

In this study, we have to:

- Null: there is not significant deference between expression tax and definitive tax in companies that accepted in Tehran Stock Exchange.

- Alternate: there is significant deference between expression tax and definitive tax in companies that accepted in Tehran Stock Exchange.

Table 1 shows that *r* is 0.986 and Sig. is 0.000 that is less than 0.05 significance value, so we can say that there is a correlation between expression tax and definitive tax. But the variance of two simple is not equal.

Table 1: correlation of two simple of one population

Paired Samples Correlations			
Expression Tax and Definitive Tax	N	Correlation	Sig.
	147	.986	.000

Table 2: Difference of expression tax and definitive tax

Paired Samples Test									
Pair 1	x1 – x2		Paired Differences					t	df	Sig.
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference					
					Lower	Upper				
		-31829	38388	559956	-4310	-2055	-5.684	146	.000

According to table 2 results, *t* is – 5.684 and bigger than 1.99 of t-value. Also, P-value is 0.000 and little than 0.05 significance value. So, we can accept Alternate Hypothesis.

Hypothesis2: *there is significant deference between diagnostic tax and definitive tax in companies that accepted in Tehran Stock Exchange.*

We have used Paired Samples t-test for analysis of this hypothesis. For this purpose, we have been two kinds of hypotheses like this:

In this study, we have to:

- Null: there is not significant deference between diagnostic tax and definitive tax in companies that accepted in Tehran Stock Exchange.

- Alternate: there is significant deference between diagnostic tax and definitive tax in companies that accepted in Tehran Stock Exchange.

Table 3 shows that *r* is 0.986 and Sig. is 0.000 that is less than 0.05 significance value, so we can say that there is a correlation between diagnostic tax and definitive tax. But the variance of two simple is not equal.

Table 3: Correlation of two simple of one population

Paired Samples Correlations			
Expression Tax and Definitive Tax	N	Correlation	Sig.
	147	.977	.000

Table 4: Difference of diagnostic tax and definitive tax

Paired Samples Test									
Pair 2		Paired Differences					t	df	Sig.
x1 – x3	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference					(2-ailed)
				Lower	Upper				
	1220	4605	67171	-1317	2572	1.817	146	.076

According to table 4 results, *t* is 1.817 and less than 1.99 of t-value. Also, P-value is 0.076 and bigger than 0.05 significance value. So, we can accept null Hypothesis.

4- Conclusion

Taxation of legal entities will be determined within a process of expressed taxes by Moody's taxes, tax diagnosis by auditors and determine the exact amount of tax. Moody's expresses his income tax and State Tax Organization in accordance with article (219) of direct taxation low pays task of taxable income identify and distinguish. So it can approve, reject or modify expression income. In this paper we developed two hypotheses according to our research objective.

Findings of hypothesis one show there is there is significant deference between expression tax and definitive tax in companies that accepted in Tehran Stock Exchange.

Findings of hypothesis two show there is not significant deference between diagnostic tax and definitive tax in companies that accepted in Tehran Stock Exchange.

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