



Examining the Factors Affecting the Efficiency of the Tax System According to the Tax Staff

Abbas Keyvanfar

Higher Education and Research Institute of Management and Planning, Education and Research Office of Tehran Governorate, Tehran, Iran.

Abstract: *No one has any doubt about the role of tax in the economic life of every country. Designing and deploying a proper tax system according to the status of each country determines its degree of efficiency and effectiveness. The study identified the factors affecting the efficiency enhancement of the Iran tax system in Karaj and the environs. The methodology was to state the effective factors by the experts' the tax staff of the Iranian National Tax Administration (INTA). Thus, the study was descriptive and exploratory. The researcher-made questionnaire was developed based on studying the theoretical basics and concluding the experts' views. After examining the reliability and validity, the questionnaire was distributed among the sample and analyzed in SPSS.*

Key words: *Tax, Tax System Efficiency, Tax Staff, Tax System*

INTRODUCTION

Taxation has been a topic of discussion for decades in the global arena as countries strive to maximise tax revenue collection in order to raise the revenue needed for economic development without eroding the tax base (Ade, et al., 2018). The governments have to procure the financial resources to go on and continue their social, economic, and political lives so that on one hand survive and on the other hand, satisfy their nations by providing welfare. Although it is often said that the only things certain in life are death and taxes, taxes at least are far from inevitable and individuals take a variety of actions to reduce their tax liabilities (Alm, 2018). Governments in developing countries face great challenges in collecting tax revenues, which result in a gap between what they could collect and what they actually collect (Monica et al., 2017).

Undoubtedly, if tax organizations want to survive, thrive, and reach a specific position at the same time, they must be able to develop themselves and not lag behind the progress in order to be a source of income for the government and meet the welfare needs of the people. In doing so, it is imperative that the tax organizations can identify the factors affecting their efficiency. The internal structure, autonomy, accountability and transparency, are among the factors which have a role in determining the efficiency of the tax administration (Abdul Aziz & Salem, 2018). The study was an attempt to reach such a goal.

Problem statement

Every organization comes with a vision in the business. It has certain goals and objectives which it wants to achieve. For achieving these goals, organizations set different strategies and policies. Every organization comes with a vision in the business. It has certain goals and objectives which it wants to achieve. For achieving these goals, organizations set different strategies and policies (Khokhar et al., 2018). Every organization entering the political, social and economic realm needs to increase its efficiency to be able to survive. Those organizations have been successful that have been able to interact with their environmental (political, social, and economic) environments while increasing their productivity.

Productivity is a concept coming from the summation of efficiency as well as efficacy. The problem boggling the minds is that an organization such as INTA, which has a major responsibility in collecting taxes and injecting it into the community system, should have which indices to introduce as an efficient organization and, simply put, What are the factors affecting the efficiency of the tax system? By studying, these indices can be found in some form of in-organization and in-system indices and tested in relation to the organization's performance.

The tax system is a combination of the tax office, tax laws and regulations, and taxpayers or the tax culture of the taxpayer. Indeed, with the cooperation of these three indices, the tax system works and the effects of these three indices can affect the efficiency of the tax system.

Hence, by breaking down the three main indices (organization, law, and taxpayers), it is possible to identify the factors that affect the efficiency of the tax system and, by identifying the factors affecting the efficiency of the tax system, make the system more effective.

Significance and necessity of the study

In the present age, the organizations lacking productivity and efficiency are condemned to perish and go out of business. The tax system of the country needs to be able to increase its efficiency to survive in this area. Otherwise, it has no choice but to leave the scene, and if it is except this - the system cannot detect the factors affecting its efficiency to work on them coherently - they must be excluded from the business or the government bears heavy costs to make this inefficient system go on and maintains it with many costs. The better solution is to identify the indices showing the effectiveness of this system and to evaluate them in this regard. In other words, given the necessity of continuing the life of the tax system, which has an important role in the current budget of the country, it is considered as one of the major sources of government revenue in the provision of this budget. Logic states to review this system and reach important indices of efficiency by analyzing it, also, by studying these indices, increase the efficiency of the tax system.

The main question of the study is that:

1. What are the factors affecting the efficiency of the tax-system according to the tax system staff in Karaj?
2. What is the order and priority of each of these factors?

The research area is as follows in terms of temporal, spatial and subject:

1. Subject area: The study examines the efficiency of the tax system.
2. The spatial domain: The study examines the factors affecting the efficiency of the tax system in Karaj.
3. The temporal domain: The study examined the efficiency of the tax system in 2006.

Literature and background

Tax classification is one of the characteristics of any tax system and is used at least in the following two cases:

1. A proper tax classification to allocate the identification and collection process for designated offices.
2. Increasing tax revenues by setting new taxes

One of the best ways to identify new tax resources and their proper classification is to study the experiences of different countries. Although tax classification in the tax system of different countries varies, it is almost unanimous in categorical generalities. Organization for the Economic Co-operation and Development (OECD) has presented a comprehensive tax classification (Rangriz., 2004, p. 25).

Taxes can be classified in various ways. In a precise classification by OECD, taxes are grouped into service tax and goods tax.

Indices of effectiveness and efficiency of the taxation system of OECD member countries

OECD consists of thirty countries in four continents, most of which are considered developed. Seven major industrialized nations in the world (known as Group of Seven) are member of the organization, and only a few developing countries (such as Turkey and Mexico) have been accepted as members. OECD conducts

regular and extensive surveys on the economic and social issues of member countries and publishes its results, including tax reviews.

First index: Cost to income ratio

Second index: Volume of taxation organization

Third index: Tax to gross domestic product

Fourth index: Deferred taxes ratio

Most of the studies on the efficiency of the tax system can be divided into two groups. First, those considering tax from the economics view, dealing with issues such as inflation, tax elasticity, price elasticity, price level, GDP, tax capacity, and so on. Moreover, in the form of these concepts, they have examined the indices effective in the efficiency of the tax system, such as tax breaks, tax collection costs, tax evasion, and so on. On the other hand, some researchers have examined tax and efficiency in the tax system from the management science perspective with most of the studies focused on this area.

Given the study of theses somewhat related to the subject of the present study, we understood that they consider the following as barriers to the efficiency of the tax system:

1. Efficiency in the current tax system has not been optimal.
2. The tax does not match with social justice.
3. In studying efficiency of the tax system, one should have a systemic view.
4. Issues should be considered from all aspects.
5. Adjustment of rates
6. Self-explanatory tax method
7. Weakness in tax culture
8. Promoting tax culture
9. Increasing taxes collection
10. Establishing tax justice
11. The absence of an optimal tax structure
12. Reduction in tax breaks
13. Tax evasion
14. Reduction in government tax revenues
15. The Government lack of access to the taxpayers' information
16. The existence of tax breaks
17. Delay in tax collection
18. Taxpayers
19. Failure to comply with tax laws and regulations (lack of law in some sources)
20. Hard and incomprehensible laws
21. Tax board
22. Tax processing
23. Informing about using taxes
24. Specialist administrative and institutional force
25. The lack of a mechanized system

The cases stated were important points affecting the efficiency of the tax system mentioned in the previous studies. Given the above, one can classify the above items into three general formats: 1- Taxation Organization 2- Taxation Laws, and 3- Taxpayers. As is seen, the tax system in Iran consists of the above three parts.

What was evident in most previous studies was that all previous researchers had used the statistical hypothesis test and tried to test the hypothesis to see whether (for example) there was a relationship between hard and incomprehensible tax laws and tax evasion or not? By doing so, they had concluded whether there was a relationship between x and y or not.

Methodology

The population was all tax departments in Karaj district including Karaj, Shahriar, Nazarabad, Eshtehard, Hashtgerd, Shahr-e Qods, Robat Karim and Taleghan with 420 tax staff.

The sample size is the total number of elements in the sample (Saroukhani, 1994: 157). In this study, we used Krejcie & Morgan table to determine the sample size. According to the information obtained regarding the number of tax experts in the Karaj district, $N=420$, and the confidence level 0.95, the allowed error is 0.5. The sample size according to Krejcie & Morgan table is $n = 201$ (Eshaghian, 2003; P. 110).

The sampling method in the study was stratified sampling. Stratified sampling is primarily used to ensure that different groups of population adequately represent that population (Irannejad, 2003; p. 140). As our sample is $N = 420$ and our sample size is $N = 210$ people. According to the table below, the share of each class (Karaj areas) of the sample size is as follows:

Table 1: The share of each sample of sample size by region of Karaj

Row	City	Number of tax staff	Ratio $\frac{Fi}{N} \times n$	Number of sample per class
1	Karaj	273	$201 \times 65\%$	131
2	Shahriar	61	$201 \times 14.5\%$	29
3	Nazarabad	11	$201 \times 2.6\%$	5
4	Eshtehard	5	$201 \times 1\%$	2
5	Hashtgerd	28	$201 \times 6.7\%$	13
6	Shahr-e Qods	14	$201 \times 3.3\%$	7
7	Robat Karim	25	$201 \times 6\%$	12
8	Taleghan	3	$201 \times 0.9\%$	2
		$N = 420$	100%	$n = 201$

After specifying the sample size for each class, we selected the desired number from each class using simple random sampling. In random sampling, everyone in the population has equal chances to be selected in the sample (Irannejad, 2003; P. 135).

The data collection tool was a questionnaire. The base of all questionnaires is questions. In this questionnaire, based on the research questions, the sample members (tax staff) are asked 5-option Likert questions (very high, high, somehow, low, and very low), and by ticking one of their options, answer the questions. In this questionnaire, six questions were asked about general and issues like gender, age, and education, work experience in tax affairs, official position, and place of service. Subsequently, in line with the research question, the tax staff were asked 56 questions to identify the factors affecting the efficiency of the tax system.

Moreover, the statistical calculation method in the study was descriptive.

Results

The subject we tried to review in this dissertation was:

“Examining the factors affecting the efficiency of the tax system according to the tax staff in Karaj district”

Regarding this, we tried to identify the variables that affect the efficiency of the tax system using the opinions of the elite tax experts. This was done and 56 variables, which were considered influential in the efficiency of the tax system according to tax elites, were selected. Firstly, using Cronbach's alpha, we tested the reliability of the questionnaire, which showed a high level of reliability and validity of the questionnaire with an alpha value of $\alpha=0.9351$. In the next step, we first identified the total tax staff of Karaj district and obtained the sample size from Krejcie & Morgan table based on our population for each region to have a fair share of sampling, which was $N = 420$ and the sample size was $n = 201$. In the next

step, we turned to the stratified sampling to ensure that different groups of the sample adequately represent that population.

Accordingly, based on the number of samples, we started to distribute the questionnaires in different regions of Karaj and after collecting them, prepared a code and transferred all the data to the codebook. Ultimately, using SPSS after entering the encoded data into SPSS, we implemented factor analysis and analyzed the data based on the output tables of the software.

The outputs of factor analysis using SPSS have two descriptive statistics described below.

A. Descriptive statistics:

1. According to the information obtained, 96.5% of the respondents were males and 3.5% females.
2. The highest age group of the respondents with a frequency of 84 equal to 41.8% was the age group of 35-39 years, and the age group of 34-30 years equal to 19.4% was the second.
3. The highest frequency of 108 people (53.7%) was in the bachelor's level followed by high school diploma (17.9%).
4. Concerning work experience in tax affairs, the highest frequency was in 14-10 year-old group. This group received the highest percentage with 25.9%. The group 19-15 year-old was the second 22.9%.
5. Concerning the organizational post, the highest number of respondents was among the senior tax experts with 62.7%, followed by the head of the tax group with 29.9%.
6. The highest frequency of respondents to Karaj is 65%, followed by Shahriyar with 14.5%.

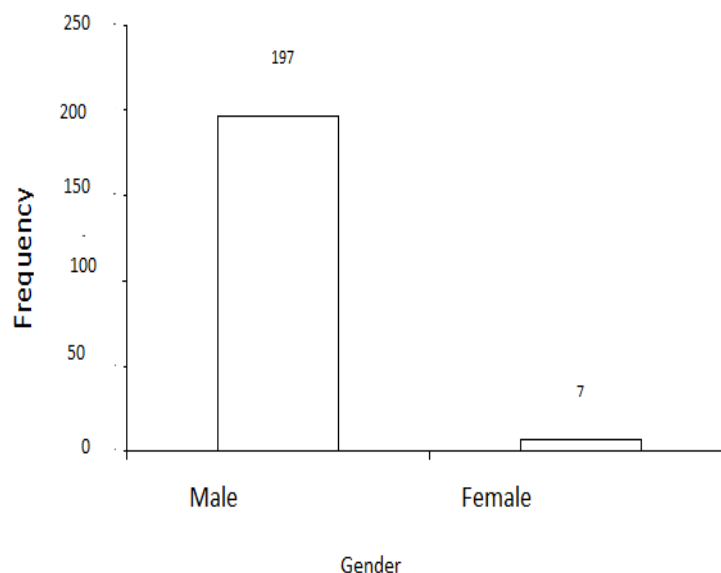
Descriptive statistics

1. Frequency distribution table for the respondents' gender

Table 2: Frequency distribution table for respondents

Gender	Frequency	Percentage
Male	197	96.5
Female	7	3.5
Total	201	100

2. Bar graph of the respondents' gender



Graph 1: Gender column diagrams of respondents

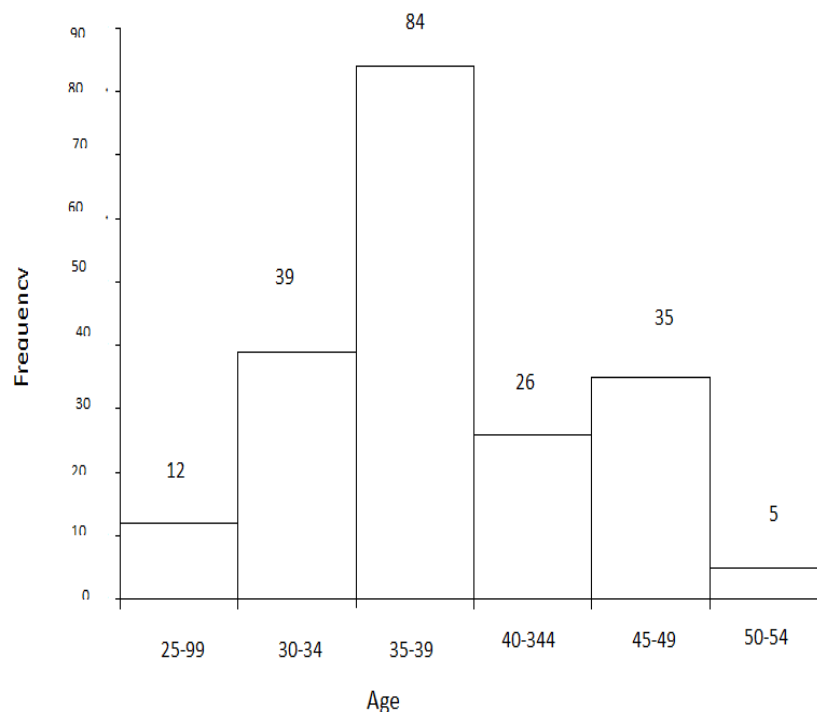
3. The frequency distribution table of respondents' age

Table 3: Distribution of respondents age

Age	Frequency	Percentage
25 to 29	12	6
30 - 34	39	19.4
35 - 39	84	41.8
40 - 44	26	12.9
45 - 49	35	17.4
50 - 54	5	2.5
Total	201	100

As is seen from the table, the highest age group or the frequency of 84 people equal to 41.8% related to the age group of 35-39, and the age group of 30-34 was second with 19.4%.

4. Bar graph related the respondents' age



Graph 2: The column of age of respondents

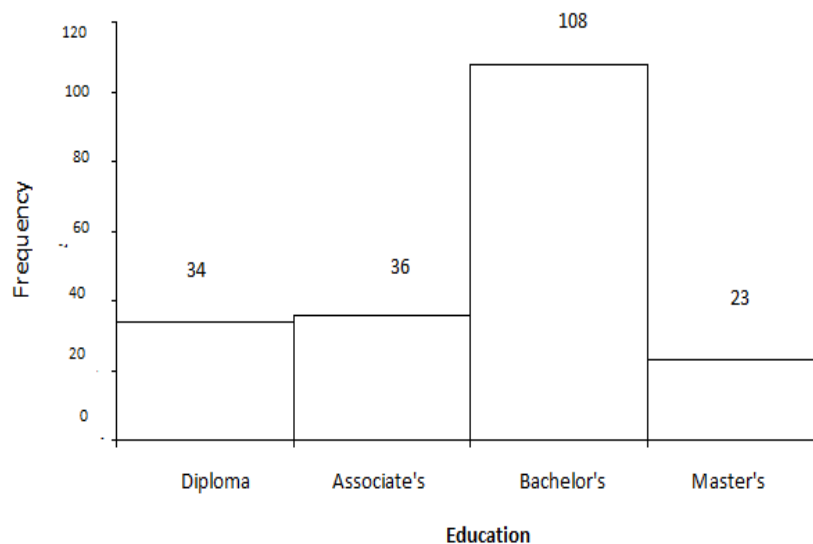
5. Frequency distribution of the table related to the education of respondents

Table 4: Frequency distribution of respondents' education

Education	Frequency	Percentage
Diploma	34	16.9
Associate's	36	17.9
Bachelor's	108	53.7
Master's	23	11.4
Total	201	100

According to the above table, the highest frequency or value 53.7% and 108 people were in the bachelor's level, after which was the associate's at the second level of 17.9%.

6. Bar graph of the respondents' education



Graph 3: Student education column graph

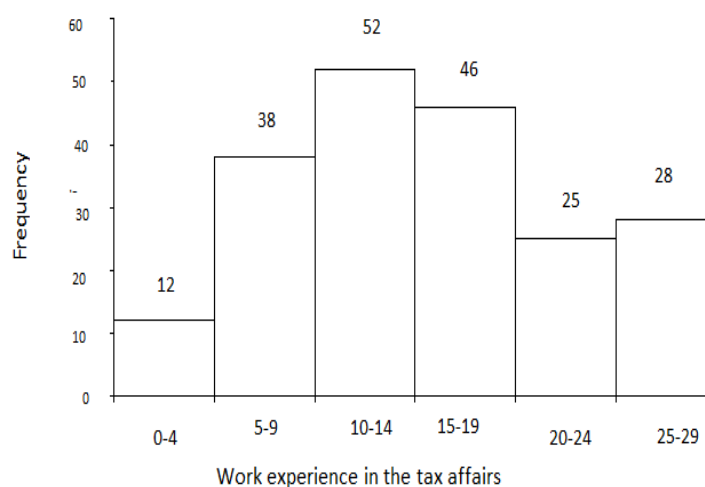
7. Frequency distribution table related to the work experience in tax affairs of respondents

Table 5: Distribution of work experience in tax matters of respondents

Work experience in tax affairs	Frequency	Percentage
0-4	12	6
5-9	38	18.9
10-14	52	25.9
19-15	46	22.9
20-24	25	12.4
25-29	28	13.9
Total	201	100

According to the above table, the highest frequency is in the group of 10-14 years, with the highest percentage of 25.9%. The group of 15-19 years old was the second with 22.9%.

8. Bar graph of the work experience in the tax affairs of the respondents



Graph 4: Column column of work record of respondents

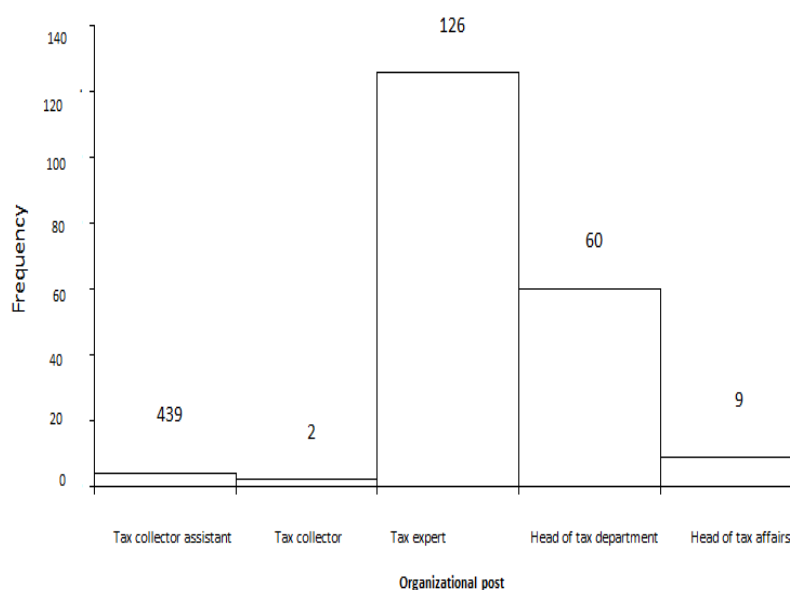
9. Frequency distribution table for respondents' organizational posts

Table 6: Frequency distribution of respondents' organizational posts

Organizational posts	Frequency	Percentage
Tax collector assistant	4	2
Tax collector	2	1
Tax expert	126	62.7
Head of tax department	60	29.9
Head of tax affairs	9	4.5
Total	201	100

According to the above table, the highest frequency is for tax experts of 62.7%, followed by the head of the tax affairs as 29.9%.

10. Bar graph for respondents' organizational posts



Graph 5: Respondents' organizational post column graph

11. Frequency distribution table related to the place of service of respondents

Table 7: Frequency distribution of respondents' service area

Place of service	Frequency	Percentage
Karaj	131	65
Shahriar	29	14.5
Nazarabad	5	2.6
Eshtehard	2	1
Hashtgerd	13	6.7
Shahr-e Qods	7	3.3
Robat Karim	12	6
Taleghan	2	0.9
Total	201	100

According to the above table, it is seen that the highest frequency is related to Karaj with 65%, followed by Shahriar with 14.5%.

12. Bar graph for respondent service place

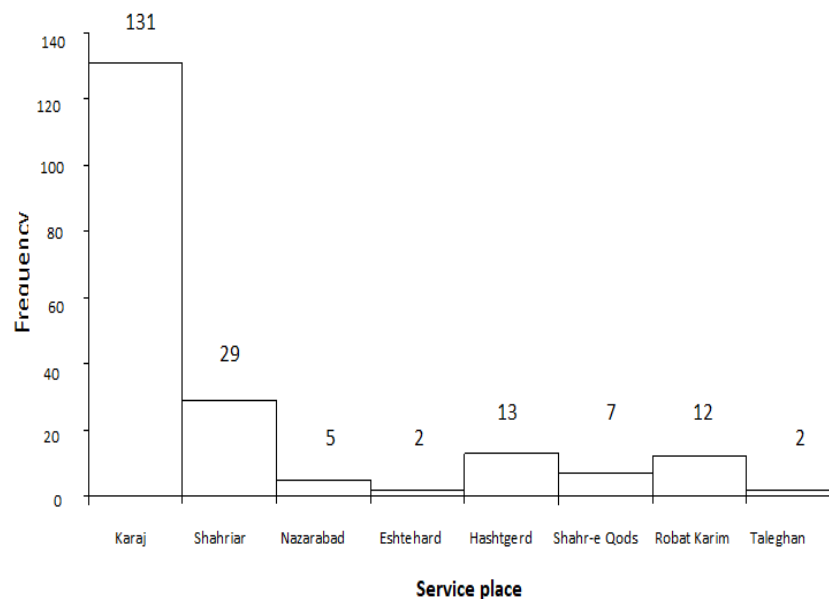


Figure 6: The column headquarters of the respondent service

Indeed, these eight factors affecting the efficiency of the tax system are as follows.

Table 8: Final table of the factor analysis of the eight factors

Factors	Factors explanation	Eigenvalue	Variance percentage	Cumulative variance
First factor: Tax culture	1- Providing tax information in education textbooks 2- Submission of points on tax papers in academic books 3- Films and movie series for taxpayers 4- Announcement of real income by taxpayers 5- Timely payment by taxpayers 6- Preparing booklets and educational pamphlets on tax for taxpayers 7- Rationalizing the amount of tax breaks 8- Submission of tax returns in due time 9- Simple text of the tax code 10- Knowing about the goods purchased by the taxpayers	21.165	32.141	32.141
Second factor: Education	1- Using computers at the level of tax departments 2- Participating in audit period for the tax staff 3- Presenting services to taxpayers by computers 4- Tax planning by management 5- Participating in accounting periods for tax staff 6- Performing tax calculations by computer 7- Participating in tax law periods for tax staff 8- Tax staff skills in tax estimation 9- Having specific managerial goals 10- Participating in computer courses for tax staff 11- Creating incentives for taxpayers by management 12- Tax administration by management	5.564	8.450	40.591

Third factor: taxpayers' rights	1- Creating counseling units for the taxpayers 2- Fixing the legal problems of the taxpayers 3- Being fair with the taxpayers 4- Respectful behavior with taxpayers 5- Having a lawyer for taxpayers 6- Quick responses to taxpayers 7- Holding tutorial classes for taxpayers 8- Providing poster and brochure for taxpayers 9. Establishment of the tax justice by tax staff	4.434	6.733	47.323
Fourth factor: Motivating and satisfying	1- Increasing the taxpayer's welfare facilities 2- Rationalized tax coefficients 3- Paying overtime in the amount approved by the tax staff 4- Increasing the salaries of the tax staff 5- Increasing the bonus of half a percent to the tax cadre 6- Rationalized tax rates 7- Increasing tax breaks for producers 8- Having enough time to handle tax records 9- Increasing tax incentives	3.646	5.536	52.859
Fifth factor: Information and advertising	1- Description of the services provided by the government to the taxpayers 2- Providing statistics on the amount of government expenditure to the taxpayers 3- Presenting a report from the government to taxpayers 4. Having the newspapers by the taxpayers	3.015	4.579	57.439
Sixth factor: Tax compliance	1- Presenting documents by taxpayers 2- Know about the amount of services provided to customers by the taxpayers 3. Awareness of the types of trades performed by the taxpayers	2.858	4.340	61.779
Seventh factor: Tax policies	1- Reduction of tax rates 2- Reduction of tax coefficients 3- Increasing tax breaks 4- Providing tax incentives only to producers 5- Performing sampling of declarations of submission by the taxpayers	2.444	3.711	65.490
Eighth factor: Tax administration	1- Access to the bank accounts of the taxpayers 2- Acting by law by the taxpayers	2.158	3.277	68.769

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