

A Survey of Value Added Tax and Training Accounting to Taxpayers in Zanjan-Iran

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ABSTRACT

One of the most important and reliable revenues for each government is tax. Comparing tax and other revenues indicates more contribution taxes in financing government significantly reduce the adverse effects of economics. Value added Tax have been considered as one of main taxes and ways to reform the tax system in the Iranian economy. Due to the importance tax importance in Iran, the question is that training taxpayer's impact on the successful implementation of VAT or not. The results indicate there is a significant relationship between training taxpayers and successful implementation of VAT in Zanjan-Iran. Hence, the research results can be useful for the decision makers of taxes in Iran.

KEY WORDS: Value Added Tax, Input, Output, Gross National Product, Zanjan and Iran

INTRODUCTION

In recent years, value added tax is one of the most important tools to reform the tax system in every countries. One of reasons of desiring governments to take this tax is advantages and characteristics of this kind of tax. This tax provides social justice more than other taxes that makes most countries like to get it. It can also afford lot of revenue for government[1]. However, implementation of this tax is involved with some problems but it is an efficiency tax and does not change consumer's behavior. There is the economic efficiency, the rate of value added tax be constant for every goods and services. It will not have the economic efficiency, while it is applied with multiple rates in order to avoid the descending effect of it[2-5]. Actually, value added is the difference between the total value of sales and raw materials and intermediate goods and services values. So, it can be written as follows:

Value Added = the total value of sales - the value of purchase of raw materials and intermediate goods

Or

Value Added = Profit + Rent + Interest + Wages

The above relationship shows that if VAT is applying for the all types of incomes of production factors, it will protect economic efficiency and behave without any discrimination against any of the factors of production whereas if it applies only for one or two items of value added such as profit or wage, it will reduce the economic efficiency. Since this tax is sum of wages, rent, interest and profits in the economy, it can be the largest source of revenue of each government. Due to base on vast of this tax, it is possible to provide remarkable revenue tax for government via relatively low rate of the tax [6-8]. For example, comparing the profit and value added taxes prove that even a lower rate of value added can lead to more revenue for government rather than the profit tax[9, 10]. Suppose is available the following information for an imaginary economy:

Wage = 2000, Rent = 800, Interest = 500 and profit = 1000

Hence,

Value Added = Profit + Rent + Interest + Wages

Value Added = 1000 + 800 + 500 + 2000 = 4300

If the rate of value added tax is just considered 10 percent, the total revenue of government for this tax rate equals 430 that it is bigger than a tax rate 40 on profit, which it makes 400\$ revenue for the government.

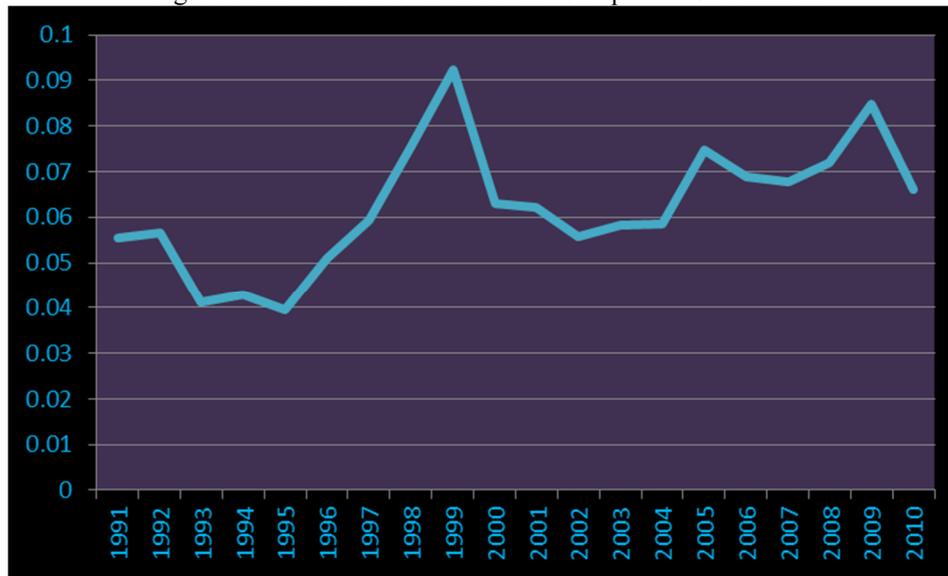
The efficiency of the tax system measures with ratio of total tax revenues respect to GDP. Whatever it is bigger is better for economy system means that it can be cover the government expenditures. This ratio is too small for the Iranian economy and it was always less than 10 percent in past years. The following table shows this ratio was between 5.5 to 8.5 percentages during 2001 to 2010.

Table 1: The ratio of total tax revenues respect to GDP in Iran

Year	Tax Revenues (billion Rials)	Gross national product (billion Rials)	The Ratio of tax respect to GNP
2001	41786.1	673191	0.062071685
2002	50586.5	907344	0.055752284
2003	65099	1116460	0.058308403
2004	84421.1	1442056	0.058542179
2005	134574.4	1803404.7	0.074622407
2006	151620.9	2198350.2	0.068970312
2007	191815.3	2825516	0.067886821
2008	239741.4	3333235	0.071924542
2009	300035.5	3543574	0.084670307
2010	284527.9	4300531	0.066161109

The ratio of total tax revenues respect to GNP illustrates for the Iranian economy for recent years in the following figure:

Figure 1: The ratio of total tax revenues respect to GNP in Iran



As we can see in the Figure 1, the ratio of total tax revenues respect to GNP has some fluctuations but it has not trend to increase and was always less than 10 percent. It is necessary to express that tax contribution to GNP in Iran is less than most of countries in the world. In Iran, oil revenue is one of the most important revenue for government and excessive dependence to it leads to instability of government revenues especially due to severely fluctuations in oil prices in the global market. Value added tax is a tax which applies on value added in each step of production and distribution. In other words, it can be taken in each step that goods and services offer to another producer or consumer. It allows to supplier that deducts the amount of his tax which already he had paid to provide the raw materials and intermediate goods into production process. In other words, value added tax is a tax of multistage sales which exempts purchasing intermediate goods and services. In fact, it is a kind of tax on the sale that final consumer takes its burden. It determines based on a percentage of value added in each step of product[10]. There are many studies about value added tax which some of them are as follows:

Pzhvyan (2001) in his study about value added tax explains the effects of value added tax in Iran depend on its design especially replacement for other taxes and it is unpredictable. In other words, the effects of implementation of this tax depend on its laws and regulations.

Rafat-Milani (2010) reviewed the effects of value added tax on income distribution in 80 countries using panel data. His results show that the Gini coefficient will go up, when the contribution of value added tax increases in the low-income countries. Thus income inequality will increase in these countries. On the contrary, the Gini coefficient will decrease, while the contribution of value added tax increases in the high-income countries and therefore becomes less income inequality in these countries.

Another study in this topic is related to Keen & Lockwood (2010). They described outcomes of value added tax. It illustrated that the value added tax, decreases the marginal cost of public funds if it also causes an optimizing government to go up the ratio of tax.

There are some ways to calculate of the value added tax which are as follow; in these formulas the t means the rate of value added tax [11-16]:

- 1- The method of direct cumulative: value added tax = t (profits + rent + interest + wages)
- 2- The method of indirect cumulative: value added tax = t (rent + interest + wages) + t (profits)
- 3- The method of direct subtraction: value added tax = t (inputs - outputs)
- 4- The method of indirect subtraction: value added tax = t (outputs) - t (inputs)

It is necessary to attention the following issues to apply the value added tax [17-20]:

- Accounting requirements in the value added tax: Each transaction should be recorded separately accounting documents. It is necessary to separate sorts of sales based on including tax or them do not belong tax. Also, the reversible taxes should separately be recorded. If it is possible, inventory of last year should be separated based on those ones were purchased with value added tax and those one were purchased out of the value added tax system.
- Implementation of value added tax: This tax applies before ending each month. It is evaluated asself-diagnostic by taxpayers. They must pay tax in the short deadline.

According to the mentioned points, Training accounting to the taxpayers is vital[21]. The main objective of this paper is the importance of training to tax payers. So, the main question of it is as follows:

Is the training accounting to the taxpayers of Zanjan a main factor to successful implementation?

Hence, the main hypothesis of the survey is:

There is a significant positive correlation between the training accounting to the taxpayer and the successful implementation in Zanjan.

MATERIALS AND METHODS

This paper uses questionnaires to provide objectives of survey. The questionnaires have 20 questions. They were distributed among 550 persons in 2014 that were collected 398 repliers. The investigation used the SPSS software to test the model. The statistical population includes all of people who live in in Zanjan province that are more than one million. Hence, according the following formula, Cochran formula, and the sample size should be 384 and used random sampling. The Cochran formula is as follows:

$$n = \frac{\frac{Z^2 pq}{d^2}}{1 + \frac{1}{N} \left(\frac{Z^2 pq}{d^2} - 1 \right)}$$

“where

The n shows sample size

The N demonstrates the size of the study population,

The Z or t determines the percentage of standard error of confidence coefficient of acceptable,

The p shows the ratio of success in the population that is considered usually 0.5,

The q displays the ratio of lack of success in the population that is considered usually 0.5,

The d proves the degree of desired confidence. ”

Hence, according to the above formula, the sample size is at least 384.

After gathering questionnaires, the information went into SPSS software and analyzed using the nonparametric methods. This study used binomial test to test the hypothesis. It divided into two groups which one of them is less than 10 and another one is equal more than 10. If the sig of binomial test be less than 0.05, the null hypothesis will be rejected. It means there is a significant positive correlation between the training accounting to the taxpayer and the successful implementation in Zanjan, otherwise, the sig of binomial test is more than 0.05, the null hypothesis will be accepted[3, 22].

RESULTS AND DISCUSSION

The variables of auxiliary in the study is comprised a description of information such as gender and education of repliers that gave using questionnaires.

Table 2: The descriptive statistics of research

Training	N	Minimum	Maximum	Mean	Std. Deviation
Valid N (listwise)	398	1	2	1.43	.496

The gender of participants shows in the following table. Due to that, the repliers are 189 female and 209 male.

Table 3: The participants' Gender

Gender	Frequency	Percentage
Female	189	47%
Male	209	53%
Total	398	100%

Consequently, the frequency of responders' gender is as follows:

Figure 2: The graph of the participants' Gender



The histogram shows the less of the responders are female the more of them are male but the proportions of two groups are nearly equal.

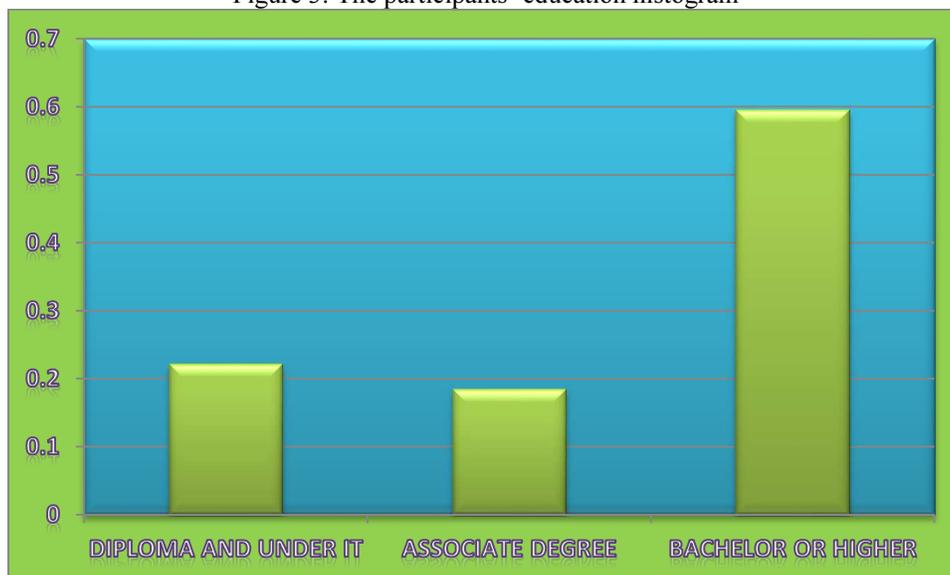
The educations of participants are as follows:

Table 4: The participants' education

Education	Frequency	Percentage
Diploma and Under It	88	0.221105528
Associate Degree	73	0.183417085
Bachelor Degree or Higher	237	0.595477387
Total	398	100

Due to the above table, the histogram of it can be drawn as follows:

Figure 3: The participants' education histogram



The histogram shows the most of the members are with the bachelor's degree or higher than of it and the least of members are diploma and under it.

The hypothesis was tested with binomial test and dividing the members into two groups which one of them is less than 10 and another equal 10 or more than of it 10. Consequently, the hypothesis was accepted.

Table 5: The outcomes of Binomial test

		Category	N	Observed Prop.	Test Prop.	Exact Sig. (2-tailed)
Training	Group 1	1	225	.57	.50	.010
	Group 2	2	173	.43		
	Total		398	1.00		

Due to Binomial Test, the sig of it is less than 0.05. Hence, the null hypothesis is rejected. It means that there is a significant positive correlation between the training accounting to the taxpayer and the successful implementation of VAT in Zanzan-Iran. Therefore, the training accounting to the taxpayer is a main factor to success the government to apply this kind of tax. So, the results of this survey are very useful for the public sector economics.

Conclusions

Since training accounting to the taxpayers is a key factor to success government to take tax, the main objective of this paper was to investigate the impact of training to tax payers. The main hypothesis of this analysis is that there is a significant positive correlation between the training accounting to the taxpayer and the successful implementation in Zanzan which was accepted using the questionnaires and proper statistics method. The results show there is a significant relationship between training taxpayers and successful implementation of VAT in Zanzan-Iran. Therefore, the research results can be useful for decision makers of Taxes in Iran. This study enriched literature of this topic and also valuable for the decision maker of tax.

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