

An Analysis of the Performance of the Comprehensive Tax Plan in Iran

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Abstract: As it is known, the tax received by the governments from real and legal persons is one of the main sources of income that is used by governments in the management of country and providing their current costs. The developed countries compared to developing states enjoy the more robust and sophisticated mechanisms in tax collection. Iran is not an exception too and all tax collection processes are integrated in a plan known as “comprehensive tax plan”. In this article, we investigate the advantages and disadvantages of this plan for Iranian economy considering the goals claimed by those involved in designing this plan; on the other hand, we try to provide a new and more robust prospect for the authorities of the Ministry of Economic Affairs and Finance by including actual and numerous samples in this study. Given that the ultimate foal of Iranian comprehensive tax plan is eliminating excessive and unnecessary investigations and correspondence for state and non-state organizations in identifying the income and activities of tax payers, the disadvantages of this plan are identified in this study, so that alternative solutions could be replaced. At the end, the unanimous answer to our question concerning the comprehensive tax plan implementation in Iran is that this plan is a pilot one and it has a long way ahead to be developed to its desired form. In response, this question should be posed that whether the current economic conditions prevailing Iranian markets sustains different experiments and tests of the authorities of this plan?.

Keywords: tax, comprehensive tax plan, ministry of economic affairs and finance, Iranian national tax administration

1. Introduction

The comprehensive tax plan was launched in Iran since 80's aimed to improve the tax system and indeed the plan's main designer is a Canadian company. This plan is consisted of 32 projects and it is based on 5 fundamentals. The first fundamental emphasizes on an integrated tax system, the second fundamental focuses on infrastructure, the third fundamental focuses on human resource, the fourth fundamental emphasizes on beneficiaries and the fifth fundamental emphasizes on the plan management and for instance it is claimed that the first fundamental, i.e. an integrated tax system anticipates 10 projects that provide requirements and arrangements for implementing and supporting the integrated tax software.

However, there have been significant ambiguities at this stage. One of these ambiguities is the claims posed concerning this the comprehensive tax plan in Iran such as increasing tax revenues, cost reduction and also increasing tax payers' satisfaction all of which have not been achieved yet given the current situation of Iranian markets at a minimum, because as it was mentioned this plan not only has not led to tax payers' satisfaction but also has caused loss for those possessing small funds, so that many had been forced to put an end to their revenue-generating activities. On the other hand, inopportune increase of tax for those who have been active in Iranian markets for a long time should be implemented step-by-step and by previous notice so that the tax payers would achieve a clear vision of any measure taken in this regard. by studying the report of the authorities of the Ministry of Economic Affairs and Finance it may become known that since the amendment made to this law in July, 2015 and its implementation since early 2016 given the liabilities undertaken by the Ministry of Economic Affairs and Finance and supposing that these liabilities have been met annually concerning the goals set in each year's budget, the question is that whether the consequences of collecting these receivables have been investigated by a competent authority? As the National Tax Administration's authorities have been achieving the sum undertaken in the budget and their ultimate goal has just been meeting their own liability and no regard has been made to the consequences of this act. Currently, such tax problems are the concern of Iranian fund owners and economic activists and these problems are indeed as obstacles that make investors reluctant to invest in private sector, so they retain their funds in different forms and they don't dare to take part in any economic process.

2. Methodology

As to the methodology of studying Iranian comprehensive tax plan, some samples were collected from among legal persons in the form of 12 legal guilds and persons as actual and general samples. Firstly, we dealt with tax payers and studied their tax records of previous years and finally we reviewed their tax records relating to 2014 onwards. In most of cases, the tax to be paid by them had been increased by 400 to 800 percent that respective documents and reports of tax authorities were investigated and we found that no statutory reference had been made in the reports; and just because their tax area is in the sample, the tax payer's file was investigated again and this had faced the tax payer with significant increase in the tax to be paid by him. On the other hand, it is worth mentioning that according to article 51 of the constitution that states no tax shall be enacted unless based on the law

and article 237 of excise taxes act where the legislator explicitly states that tax assessment sheet shall be documented and supported with documents but in most of files included in the sample, these laws had been disregarded.

As mentioned above, the samples considered in this article are actual ones and all requirements that shall be met (but not met) in investigating the tax payers' accounts were studied in this research and by investigating the tax reports of tax payers we'll conclude that investigating the tax payers' records and accounts is an important and primary item in implementing the comprehensive tax plan in Iran which is a big challenge as well.

3. Findings

By investigating the collected data and recording them, we obtained some findings that are presented in tables 1 & 2.

Table 1: Actual samples collected from all over the country concerning tax payers' satisfaction or dissatisfaction about their tax rates.

Guild type	Satisfaction percent before 2016	Satisfaction percent after 2016
Gold & jewelry	76%	20%
Automobile sellers 80%	15%	
Real estate agencies	77%	16%
Drug stores	66%	10%
Oil change shops	95%	21%
Supermarkets	96%	12%
Clothing	88%	19%
Ice cream & fruit juice	90%	8%
Traditional restaurants	97%	9%
Restaurants	83%	3%
Tile & ceramics	83%	14%
Rubber	98%	19%
Legal persons	89%	8%

Table 2: The cities where their respective samples studied

City	Description
Tehran	200 files for real & legal persons
Shiraz	150 files for real & legal persons
Mashhad	150 files for real & legal persons
Isfahan & Kashan	256 files for real & legal persons

3.1. Analysis

Based on the results of one of the achievements foreseen for the comprehensive tax plan, it is evident that this plan has not been successful in achieving its goals even in pilot implementation, because even in pilot implementation it should have been planned such that it showed at least an acceptable degree of progress and development on one hand and no shock and damage should have been imposed on economic activists. Moreover, another claim made concerning this plan is that its implementation would prevent tax evasion and those evading tax paying would be identified. One of the areas in this respect is bank transactions about which a detailed articles is under authorship; however it should be noted that reviewing and investigating the bank transactions may result in the identification of a limited number of tax payers who lack economic ID in the national economic system given the amendment, but by investigating their accounts it became known that the account owners have no revenue-generating activity, so the acceleration of reviewing economic activists' files as claimed by this plan is questioned. Besides, those real and legal persons who pay their taxes each year have been reinvestigated, so serious shock to the market has been resulted. Somewhere in this plan a reference is made to article 169 of excise taxes based on which the tax payers shall record their sale & buy statement within 45 days after expiration of the deadline declared in the tax system and receive receipt; this causes more problems for economic activists, because a major part of revenue-generating activists don't follow this requirement and seek to pay respective fines; such a situation prevents

Iranian Tax Affairs Organization's authorities to access most of required information and transactions. On the other hand, in explaining the comprehensive tax plan by respective authorities, it is believed that state-owned systems are in direct relationship with each other, so any activity of tax payers is traceable. In response it should be said that this is possible if at least all activists in private and public sectors including real and legal persons apply uniform integrated financial software, while it is observed that some of guild practitioners use various software with different user Ids and some still use traditional systems. Given such disparity, how is it possible to detect their activities and achieve systemic computation in an automatic manner? This is an issue for the comprehensive tax plan, because its implementation required strict planning and preparation and arrangement at macro levels of executive area. Given the current situation and measures taken to tackle involved issues and according to the findings obtained from the statistical population, it seems that the attitude of involved authorities on this plan should be changed, because in case of the plan continuation we would witness an economic disaster for our country.

4. Conclusion

As described above, the first step in implementing the comprehensive tax plan is modification of the procedure by which this plan is under implementation. For this purpose, it is necessary to provide cultural context and controlled applicability for economic activists and in the next step it is required that real and legal persons access to integrated software for their economic affairs and linking this software to respective organizations. Interestingly, the first fundamental of the five fundamentals of this plan requires tax integration that includes 10 projects, so in implementing each project the resultant risks imposed on markets should be predicted and preventive measures should be taken before risks occur. This is because the authorities of Iranian executive plans believe that crisis prevention is more reasonable than finding solution after it occurs. Perhaps, many of experts believe that waiting for the results is a logical measure; in response it should be stated that given the current situation of markets this is not a logical and applicable solution. On the other hand, if we want to look at this article theoretically, it may be useful to mention conventionalism theory of Watts & Zimolen that states a theory is not accurate and perfect in whole and also a theory is not inaccurate in whole, but any theory deserves defense and investigation. My aim in this article is proving the fact that the comprehensive tax plan as it is implemented not only is unfruitful for the government and activists in private sector but also results in serious negative consequences for Iranian economy. In other words, in my opinion based on my theory is that if the current procedure is followed in implementing the comprehensive tax plan, significant fund and time loss would be result in. here, I make reference to a hint made by Milton Friedman: theory is not the main goal, but it is a mean to achieve the goal; so my goal is only making reform in the executive structure of this plan in order to achieve economic prosperity and growth on national level. Finally, this plan not only yields no foreseen achievements but also faces our country with extensive bankruptcy for us.

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