

An analysis on the promotion of tax compliance using the meta-combination method

Fattah Sharifzadeh¹ , Vajhollah Ghorbanzadeh¹ , Ramezan Ali Marvi² , Bashir Naddaf¹ 

1- Faculty of Management and Accounting, Allameh Tabataba'i University, Tehran, Iran

2- Faculty of Economics, Allameh Tabataba'i University, Tehran, Iran

Receive:

01 April 2023

Revise:

29 May 2023

Accept:

12 August 2023

Keywords:

tax,
tax compliance,
tax accountability,
cultural norm,
social values

Abstract

The purpose of this research is to analyze the promotion of tax compliance using the meta-combination method. This research is applicable in terms of purpose, qualitative in terms of the way of collecting data, and with a meta-composite approach in terms of the method of conducting the research, using the approach of Barroso and Sandlowski (2007) that the steps of this research are based on the seven-step method to review the research literature. The statistical population of the research includes the results of research conducted in countries that have analyzed the promotion of tax compliance. For data analysis, meta-combination method was used. In this study, to identify the components of tax compliance, first the screening criteria and analysis on the conducted researches finally led to the selection of 23 documents that met all the requirements set by the review protocol. By examining these documents, 26 codes were identified as organizing themes and were introduced in the form of 5 comprehensive theme codes with the titles "cultural norm, social values, central norm, rule of law, executive guarantees".

Please cite this article as (APA): Sharifzadeh, F., Ghorbanzadeh, V., Marvi, R. A., & Naddaf, B. (2024). An analysis on the promotion of tax compliance using the meta synthesis method. *Journal of value creating in Business Management*, 3(4), 271-295.



<https://doi.org/10.22034/jvcbm.2024.416072.1187>



Publisher: Iranian Business Management Association

Creative Commons: CC BY 4.0



Corresponding Author: Fattah Sharifzadeh

Email: sharifzadeh_f@atu.ac.ir

Extended Abstract

Introduction

One of the most important and fundamental ways to increase tax revenues and achieve the aforementioned goals in this sector is to try to increase tax compliance. Studies show that the higher the percentage of tax compliance in a tax system, the more the amount of revenue collected by the tax sector, and macroeconomic indicators such as the ratio of taxes to GDP, the ratio of actual tax revenues to the predicted tax revenues in the budget, and the ratio of voluntarily paid tax revenues to all collected tax revenues increases. Considering the importance of the issue, the aim of the current research is to provide a governance framework to promote tax compliance (Salaudeen & Abdulwahab, 2022).

There are two different approaches to discuss the issue of tax compliance. One of them is the economic approach based on the theory of public choice (Allingham & Sandmo, 1972), whereby taxes are either systematically paid or taxpayers avoid paying taxes. In addition, there is another approach called "social-psychological approach" whereby tax compliance is determined through psychological factors such as considerations of tax justice and a sense of moral identity (Khalid, 2022). One of the main theoretical areas in the category of taxpayers' compliance is the "deterrence theory" (Becker, 1968). In this theory, it is assumed that taxpayers seek to maximize their expected utility from a gamble called "non-compliance", which is based on the balance of benefits obtained from the success of tax evasion, against the expected risk of detection and tax crimes (Sandmo, 2005). The final result of the said theory is that compliance is highly dependent on tax audits and penalties. In other words, taxpayers will pay their taxes due to the fear of crimes (Alabede, 2011).

Based on this, the current research is looking for an answer to this question: What is the analysis of improving tax compliance using the meta-combination method?

Theoretical Framework

Tax compliance

The meaning of corporate tax compliance is that taxpayers comply with the country's tax laws and regulations. This compliance includes registering in the tax system, submitting declarations, maintaining and presenting documents, calculating reports, and paying the tax debt correctly and in full at the appointed time, so tax compliance means complying with the tax law on the part of the taxpayer, which ultimately leads to an increase in government income tax and improving the society (Mohammadi et al, 2023).

Accountability

In a simple definition, it can be said that accountability is making specific people responsible for ensuring the performance of assigned tasks, in a certain time and according to the methods and criteria agreed upon or stipulated in the law. Also, accountability is defined as giving a reason and asking for the work done. In this definition, the existence of the right to question is assumed for a specific individual, group or organization; therefore, basically the question is based on the right, and this right forces the other to respond (Tax Affairs Organization of the country, 2018)).

Yu (2022) examined the tax structure and corporate tax compliance: Evidence from China; which empirically examines the effect of tax structure on corporate tax compliance using Chinese industrial enterprise database and provincial data. The results show that relying more on indirect taxes leads to a decrease in corporate tax compliance, while increasing the proportion of direct taxes on total tax revenues significantly increases corporate tax compliance. To overcome endogeneity, robustness is tested using instrumental variables and other robustness checks, such as changing variables and changing time ranges. Analysis of the

mechanism shows that improving the quality of governance and increasing tax efforts will be useful to reduce the complexity of the tax system. This paper examines the impact of the tax system on corporate tax behavior from the perspective of tax structure, which also provides precise empirical evidence for tax reform in China.

Sarmad et al, (2022) in a research titled "Corporate Taxation and Firm-Specific Capital Structure Determinants: Evidence from UK and US Multinational Corporations" examines whether the effective tax rate and firm-specific factors (such as firm size, growth opportunities, tangibility, risk, profitability, non-debt tax shields and liquidity) affect the capital structure of multinational companies in the energy sector. In this research, fixed effect and random effect regression models were used to test balanced panel data sets of multinational companies based in the United Kingdom and the United States of America during the period of 2011-2019, during which the positive and significant effect, evident tax shields, risk, profitability and non-debt over the criteria of long-term debt and total capital structure. However, in the case of short-term debt, it was shown to be significantly negatively related to tangibility, non-debt tax shields and liquidity; and positively related to firm risk. Therefore, the effective tax rate and company size have a significant negative relationship with leverage, the choice of multinational companies and liquidity has a significant inverse relationship with long-term debt, the results significantly contribute to the evaluation of multinational companies in the energy sector, and shows how managers can achieve an optimal level of capital structure.

Research methodology

This research is applicable in terms of purpose, qualitative in terms of the way of collecting data, and with a meta-composite approach in terms of the method of conducting the research, using the approach of Barroso and Sandlowski (2007) that the steps of this research are based on the seven-step method to review the research literature. The statistical population of the research includes the results of research conducted in countries that have analyzed the promotion of tax compliance.

Research findings

For data analysis, meta-combination method was used. In this study, to identify the components of tax compliance, first the screening criteria and analysis on the conducted researches finally led to the selection of 23 documents that met all the requirements set by the review protocol. By examining these documents, 26 codes were identified as organizing themes and were introduced in the form of 5 comprehensive theme codes with the titles "cultural norm, social values, central norm, rule of law, executive guarantees".

Conclusion

The current research has been carried out with the purpose of analysis on the promotion of tax compliance using meta-combination method. The results of this research are in agreement with the results of Yu (2022), Sarmad et al, (2022), Teymuri et al, (2022), Mohajeri et al, (2022), Bizaval (2020), Hasanvand et al, (2020), Tang (2020), Guzel (2018), and Lin et al, (2018).

Yu (2022) showed that relying more on indirect taxes leads to lower corporate tax compliance, while increasing the proportion of direct taxes on total tax revenues significantly increases corporate tax compliance. To overcome endogeneity, robustness is tested using instrumental variables and other robustness checks, such as changing variables and changing time ranges. Analysis of the mechanism shows that improving the quality of governance and increasing tax efforts is useful for reducing the complexity of the tax system.

According to the obtained results, the following suggestions are provided:

The tax system should be developed in the direction of transparent economic information and the organization of tax laws and regulations; and one of the roots of corruption is not disseminating information in the economy and the lack of transparency of economic activities, and finally, conscious hiding of the income of taxpayers. In order to improve tax compliance, there is a need to create an integrated platform for the exchange of economic information from the basic provisions of upstream documents, and the information obtained from various devices and organizations helps to make the economic information clearer and more accurate. In order to encourage taxpayers to comply with taxes, many preconditions must be taken into consideration in the society so as to be able to achieve tax compliance by improving the tax culture.