

# Examining the Effect of Tax Culture on Tax Avoidance (Case Study: Gold Sellers and Physicians in South Khorasan Province)



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## **Abstract**

Tax is one of the best and most powerful tools of governments' financial policy with various functions regulating the economy of the society. Examining the impact of tax culture on tax evasion is the goal of this paper. The statistical sample of this study includes 384 gold sellers and physicians in South Khorasan province. In conducting this research, survey research method and library method are used. Information is collected through a questionnaire and referring to documents and then analyzed. The validity of the questionnaire is determined by examining the important variables related to tax culture and tax avoidance and by applying the opinions of knowledgeable people. The reliability of the questionnaire is calculated to be 0.80 on average using Cronbach's alpha statistic. Using structural equations and Smart PLS software, this study is tested. The findings reveals that people's tax avoidance is significantly and positively impacted by the lack of a tax culture in society, a monitoring and prosecution system for tax collection, and adequate control over officials. Additionally, there is a negative and significant impact on people avoiding paying taxes due to delays in tax collection and the existence of numerous and varied tax exemptions. Finally, the impact of taxpayers on people who avoid paying taxes is unfavorable and insignificant.

**Keywords:** Tax, Tax Avoidance, Tax Culture, Structural Equations.

## **1. Introduction**

In an ideal situation, tax is one of the most reliable ways of financing among governments (Gobena & Dijke, 2016). By comparing this to other sources, it can be seen that negative economic effects can be lessened by raising the proportion of taxes used to pay for government spending (Akbarpour, 2016).

Taxes are currently the most prevalent and significant source of public funding, one of the most efficient and effective financial policy tools, and a means by which the government can direct many economic and social activities and flows while also providing many social and welfare services to the populace (Rabiee & Esmailnia Ketabi, 2013).

One of the most significant sources of funding for most governments' budgets, particularly in developed nations, is tax revenue, also taken into account as an economic indicator when nations are ranked. Each country's economic system is strong because it is transparent and in good health thanks to its reliance on tax resources and revenues, which are represented by the volume and amount

of tax revenues in the budget resources section. The development of a tax culture is one of the most crucial issues facing the tax system. The nation's tax system must make plans to establish a culture and institutionalize appropriate tax values and beliefs because culture takes time to develop and change. There must be a belief in society that every generation is obliged to pay for the administration of the country during its lifetime.

Resources and wealth belonging to future generations must be used for productive investment. To create this culture, the conditions should be provided for people to enter the field of economic activities with confidence. The tax culture is not created merely by propaganda, but to achieve this goal, tax payment should become a national belief in the society and among various segments of the people (Masihi & Mohammad Nejad Alizamini, 2015).

The study of tax culture in some countries has a relatively long history but it is a new issue in Iran. In Iranian tax system, the culture of paying tax voluntarily based on self-declaration is low, since the tax system is not efficient and

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effective and there is also no mutual trust between tax officials and taxpayers (Vehovar et al., 2018).

Knowledge and awareness of the tax culture that governs society has a great importance for policy makers, decision makers and managers in planning. The existence of a good tax culture contributes significantly to the economic development of that country. Also, managers can manage better and develop the tax culture by knowing and studying the factors that include the promotion of the tax culture that governs the society.

The country can significantly reduce spending, increase government revenue, and establish effective controls leading to increased social justice and public welfare by making efforts to cultivate a progressive and robust tax culture. The government's reliance on oil revenues is lessened and a significant portion of its current and development expenditures are funded with the establishment of a cogent tax system. In this regard, it appears that a stronger tax culture is required (Vehovar et al., 2018).

Thus, it should be kept in mind that when dealing with important phenomena, such as tax, alignment of people's attitudes requires planning and foresight. It is human beings who move human societies, and if there are competent and intelligent human beings in a society, and they have a single motivation, inclusive development of that society will be very fast and in line with common motivations. Thus, given the importance of tax culture, this study aims to examine the effect of tax culture on tax avoidance. In this article, first the problem statement, theoretical framework, research background, research hypotheses, research method, research variables and finally data analysis and conclusions and recommendations are presented.

## 2. Theoretical Framework: Tax culture

It includes the tax system consisting of the law, operating procedures, taxpayers and tax system on the behalf of the government including the chain of registration by taxpayers til the collection of taxes by the tax organization. Within the tax system framework, the tools available in the tax system such as tax payment methods, updating tax laws and modernizing job descriptions and organizational charts, the tax system should be considered as material elements of tax culture.

Also, the norms governing the mentality of social groups towards paying taxes and their uses, as well as the feeling of non-discrimination among tax payers on tax issues, the government's approach to the impact of taxes on the country's budget, are all spiritual elements of tax culture. Tax culture plays a major role in the tax system. Although this term is closely related to other tax terms like tax evasion, tax agreements, and tax ethics, culture refers to a person's way of life, which includes their beliefs, values, and social behaviors. Consequently, all instances that result from the interaction between taxpayers and the tax system constitute a tax culture, which can be observed through the symbols, signs, and tax laws that make up the tax system (Masihi & Mohammad Nejad Alizamini, 2015).

The reason for the increasing attention to tax culture in recent years can be attributed to the existence of shortcomings in the tax system of countries. Three categories of deficiencies can be made: executive problems, tax law problems, and cultural problems (Radaev, 2001).

The specific culture of a country can be considered as all formal and informal institutions related to the tax system and its functioning, including the dependencies and relationships created by the continuous interactions, consisting of groups and agents such as tax officials, taxpayers, policymakers, tax experts and academics (Nerré, 2001). In simple words, the process of tax culture can be simply described in two ways: First, the existence of a strong government that defines the roles and responsibilities of each group. Second, taxpayers who are influenced by tax laws and tax policymakers.

## Tax avoidance

Tax avoidance, according to Rego (2003), is the practice of legally lowering tax payments on a company's revenue. One of the dimensions of tax avoidance is accounting fraud, which some taxpayers resort to reduce taxes paid to the government in their economic activities.

Tax avoidance is a form of formal abuse of tax laws and is related to finding ways to evade paying taxes in tax laws or trying to find legal ways to reduce the amount of taxes paid (Zehi Nand Mohammad Khanli, 2020).

In contrast to tax avoidance, there is tax evasion. The distinction between these two concepts relates to the legality and illegality of taxpayers' behavior. In general, tax evasion is an illegal and informal violation that involves deliberate distortion of information and fraud. The law has provided penalties for tax evasion, whereas if business activities are done with a tax evasion motivation, the courts and dispute resolution boards cannot consider those business activities invalid, since there are no restrictive laws in the field of tax avoidance and the transactions are real and even if it is in line with tax avoidance, it cannot be declared invalid (Rezaei & Jafari Niaraki, 2015).

## Tax culture and tax avoidance

Tax culture can be thought of as a collection of people's perceptions, insights, and responses to the tax system. This attitude unquestionably plays a crucial role in the effectiveness of a law's application by officials when dealing with taxpayers. Any nation's general culture, as well as its historical, geographical, political, and social traits, has a significant impact on its tax culture.

The tax cultures of each nation are also significantly influenced by political and social factors. The social aspect of tax culture is effective in fostering social mechanisms for tax collection. Tax payment is higher in developed countries than in developing countries. In other words, in developing countries there are more motivated to evade taxes than to pay them. These differences are related to

social norms in tax payment. If people believe that paying taxes is a law and a social principle, they will pay their taxes properly. Thus, the existence of social norms for tax payment in the country depends on creating a positive public opinion about the payment and taxation. Also, if tax evasion prevails in a country, it can be concluded that the social norm of tax payment has been abolished (Wartick et al., 2008).

Nerré, (2001), referred to three important and influential elements on tax culture, each of which consider both dimensions of tax culture, namely both taxpayers and tax policy makers and legislators, which are:

A. The status of laws and tax system of the country: If a tax system is more advanced, systematic, and efficient, it will be more effective in promoting the tax culture. Since most developing countries' tax systems, in contrast to developed ones, have greater issues that can be a barrier to the development of tax cultures there, developed countries tend to have a higher tax culture. The tax systems of developing countries are barriers for development of the tax culture of these countries, and the clarification of laws, their simplicity and comprehensibility, the expansion of tax bases, and the fight against corruption can be very effective in improving the tax culture by increasing the willingness to pay taxes (Nerré, 2001).

B. The role of the tax affairs organization: The degree of political and financial fragmentation, as well as the level of administrative corruption in each nation, all affects the effectiveness of the tax affairs organization. Political concentration makes it easier to collect taxes than financial decentralization does because regional governments are more motivated to support and collect taxes in the former case, while financial decentralization makes it harder for regional governments to assist businesses in tax avoidance situations (Jorge & Alm, 2003).

C. The level of cooperation of the people with the tax organization and voluntary payment: (Nerré, 2001), believes that the level of tax evasion and tax avoidance varies from one country to another country. Creating a sense of trust between taxpayers and the administration of tax affairs, however, can increase participation and willingness to pay taxes (Mollanzari et al., 2015).

Increased trust between taxpayers and the tax affairs organization is the goal of the self-declaration plan. Also, the significant role of increasing tax revenues and collecting them timely cannot be ignored in improving the country's economic situation and economic development. Thus, it can be stated that this problem can be solved only by promoting the general culture of the society and consequently the tax culture. In cultures with high levels of uncertainty avoidance, there is a strong tendency to avoid uncertainty, which can lead to increased anxiety. In contrast, cultures with a low level of avoidance of uncertainty are more likely to tolerate uncertainty and ambiguity and thus experience less anxiety (Graelinejad & Chapardar, 2012).

(Hofstede, 2001) concluded that public trust in government is inversely related to avoiding uncertainty. However, it should not be forgotten that interactions that demonstrate

government accountability and social justice in society and observing that the government spends tax revenues well on socially desirable purposes have a positive effect on the sense of social commitment.

People from low-level cultures tend to place more trust in their country's government institutions to help them avoid uncertainty, whereas people from high-level cultures tend to have less faith in the government systems that have an impact on their daily lives. People in cultures where there is a high level of uncertainty avoidance frequently believe that the legal system is working against them, so they do not protest the breaking of unfair laws and regulations and resort to tax evasion as a means of reducing the uncertainty brought on by their lack of faith in the government. Although non-compliance may increase anxiety due to fear of getting caught and great penalties, the perception that many people in the country do the same and the government is also abusing resources reduces their anxiety. In contrast, in cultures with low level of uncertainty avoidance where government institutions are more trusted by individuals, individuals are less likely to select tax avoidance as an appropriate option. Therefore, societies with high (low) level of uncertainty avoidance select more (less) tax avoidance behavior (risky action) (Taifeh et al., 2019).

Without the assistance of civic institutions and the general public, it is now impossible to collect legal taxes due to the growth of civic institutions and the private sector's ownership of the vast majority of the nation's wealth. Due to the fact that the tax system has assumed legal form, numerous organizations, trade union representatives, and civil society organizations collaborate and participate in its amendment, collection methods, and calculation of tax coefficients. This principle has a significant impact on income redistribution because it enhances the quality of tax revenue collection, encourages tax culture, and subsequently increases tax revenue (Karami, 2016).

Voluntary factors affecting the ability of individuals to pay taxes include the tax culture of the community, the type of public insight into the tax system, the sense of responsibility and honesty of individuals in paying taxes, and citizens' perceptions of the government - which may depend on the quality of public services and Expenditure of tax revenues is affected - in general, the spread of tax culture in the society so that individuals consider it their duty to pay taxes and have a correct understanding of the government's duties in taking a percentage of society's national production and spending it on public needs. Factors affecting tax payment (Mohammad Alikhani, 2015).

When the tax culture spreads among the people, there is little difference in income. In fact, if the tax culture spreads, tax collection, which is one of the main manifestations of sovereignty and a tool for social justice, will be realized properly and the government can rely on tax revenues. Reforming the nation's tax culture is one of

the most crucial steps to preventing tax evasion; If the tax system faces higher rate of voluntary compliance, tax indicators will be more likely improve. By increasing compliance rate, the ratio of real tax revenues to predicted revenues increases, and as the tax gap narrows, the tax organization will move toward justice. Tax compliance is important in terms of tax culture when it is done voluntarily and by taxpayers. The ideal form of compliance is manifested in the tax self-declaration. However, the scope of tax compliance extends to the initial acceptance of diagnostic taxes by the organization.

Due to the fact in the review of researchers' discussions, issues related to the importance of taxes in financing the country's expenditures, the source of public revenue and as an economic indicator in developed countries and the need to create a tax culture have been addressed in this study. (Gold sellers and doctors) The micro approach has been studied, which is a new concept in the field of taxation, and the results can be used by the country's economic agents and planners. In this study, only external factors were considered so that the capacity of some jobs is based on the principle of the ability to pay taxes. In Iran, a similar case has not been investigated to identify the capacity of jobs such as goldsmiths and physicians. The present research has been to complete this gap.

### 3. Review of Literature: Foreign research

Vehovar et al., (2018), concluded that uncertainty avoidance reflects the degree of danger that members of a community feel about an unknown situation with uncertainty. This culture refers to cultural programs that cover people in the face of ambiguity and uncertainty in unstructured situations so that members of the community feel comfortable in unfavorable conditions. Unstructured situations are unfamiliar, surprising, and different from the usual, and uncertainty avoidance seeks to reduce it and pose strict rules and measures for safety and security. Khurana et al. examined tax avoidance and investment efficiency. The results showed that the ability of management to increase tax avoidance leads to increased investment efficiency. In a study entitled "Tax capacity and inequality: More than 5500 Brazilian municipalities' data were examined in "Evidence from Brazilian Municipalities" (Hollenbach, Florian & Silva, 2018). The findings demonstrated that areas with greater inequality generate less money from wealth taxes.

Additionally, the findings represented that municipalities with high inequality levels were less likely to use the federal grant program to improve their ability to collect taxes. A study on the intrinsic and extrinsic drivers of taxation in Germany was done by Dwenger et al. (2016). A questionnaire was given to 2532 participants—citizens and taxpayers—for this purpose. Their findings demonstrate that the intrinsic motivation to accept taxes is largely unaffected by the manipulation of deterrents (extrinsic motivation). Additionally, they claimed that financial incentives do not significantly boost the motivation to pay taxes. A study titled "Violation Prevention: A Field

Experiment to Improve Tax Acceptance Behavior" was carried out by Loeffler et al. (2016). They examined 19028 respondents and looked into the factors that affected tax acceptance violations; the results demonstrated that the awareness strategy is successful in lowering tax violations and raising tax receipts. They also discovered that a number of other elements, including social norms, moral motivation, tax morale, and deterrence, are successful in preventing tax evasion. According to Gobena & Dijke (2016), as justice increases, taxpayers' trust does so in the tax affairs organization, leading to an increase in tax self-declaration. In this regard, the organization's legitimate power has a detrimental effect, while its coercive power encourages increased self-declaration.

The impact of governance on tax evasion was examined by (Armstrong et al., 2015). According to the statistical table of tax avoidance, they discovered that corporate governance had a greater impact at both ends of the spectrum. The findings also indicated a favorable correlation between the percentage of non-executive members and the board's financial knowledge and expertise at the pinnacle of the tax avoidance function.

### Domestic research

Bizaval (2020) investigated the components affecting the promotion of culture and tax compliance of taxpayers of the Tax Affairs Organization. The results showed that providing necessary information to people and stakeholders' awareness of how to redistribute tax revenues and how to use them, simplification and clarification of tax texts and educating people with tax laws and regulations, increasing justice and organizational function, the good behavior of tax officials are effective in promoting tax culture and compliance, but mechanizing tax processes and streamlining tax collection steps does not improve tax culture and compliance.

The effect of tax evasion on investment efficiency was looked into (Rahimi & Foroughi, 2020). Based on the findings of this study, the company's investment efficiency will decrease as tax avoidance increases.

Taifeh et al., (2019) investigated the impact of cultural and business factors on corporate tax avoidance. The results showed that cultural and business factors affect the level of tax avoidance.

According to a study titled "Strategies to increase trust and public participation in tax payment" (Sarfarazi et al., 2017), tax revenues are particularly important in today's government financing, because taxes give a government legitimacy. A single-product economy like Iran's, where oil is the primary source of unstable and unpredictable revenue, necessitates raising tax revenues and focusing more attention on this issue.

Masihi & Mohammad Nejad Alizamini, (2015) concluded that one of the barriers to the realization of tax revenue on tax culture. Based on the results of the present study, feeling a positive attitude towards the job and the appropriateness of the job environment of tax brokers,

executive guarantee and respect for clients and protection of the status of agents are among the factors influencing tax culture.

#### 4. Material and methods

The current study is cross-sectional in terms of time, practical in terms of outcomes, logically deductive, descriptive in terms of purpose (case study), and quantitative in terms of the manner in which the research was carried out. The theoretical underpinnings of the research topic were studied, the theoretical framework and research background were gathered using domestic and international books and journals, and the standard questionnaire structure for measuring indicators related to the main research variables was established using the Delphi method. The PLS method of ordinary least squares is employed for the study with the aid of Smart PLS software. A variance-based path modeling approach is used to test the conceptual model of the study. With the help of this method, it is possible to investigate the connections between metrics (observed variables) and latent variables at the same time. When the sample size is small or the variable distribution is not normal, this method is employed.

#### Mathematical models and equations

##### Resarch variables

**Tax avoidance:** To measure this variable in this study, following the research conducted by (McGee et al., 2016), a questionnaire consisting of 18 statements was used. This questionnaire is scored on a five-point Likert scale (completely disagree = 1, disagree = 2, I have no idea = 3, agree = 4 and completely agree = 5).

**Tax culture:** To measure this variable in this study, following the study conducted by (Eghbalipour, 2015), a questionnaire consisting of 20 items is used. This questionnaire is scored on a five-point Likert scale (completely disagree = 1, disagree = 2, I have no idea = 3, agree = 4 and completely agree = 5).

**Monitoring and prosecution system, sufficient mastery of tax officials, delays in tax collection, the existence of wide and varied exemptions, influence of taxpayers to measure these variables in this study, a self-made questionnaire consisting of 6 items was used. This questionnaire is scored on a five-point Likert scale (completely disagree = 1, disagree = 2, I have no idea = 3, agree = 4 and completely agree = 5).**

#### 5. Results

The appropriate value for Cronbach's alpha and composite reliability, according to Table 1, is 0.7, and in line with the results of the previous table, these criteria have an appropriate value for latent variables. This confirms the research's appropriate reliability.

#### Convergent validity

Convergent validity, which assesses the degree of correlation between each construct and its questions (indices), is the second criterion for evaluating the fit of measurement models (Table 2). The research's appropriate

convergent validity is confirmed because the appropriate value for AVE is 0.5 and this criterion has an appropriate value for latent variables based on the findings of the above table (Table 3).

The KMO value for the data adequacy index and the significance level for the variables for the Bartlett test are displayed in Table 3. Both the value (KMO) and the Bartlett test value (value) should be less than 0.05. According to the KMO and Bartlett index results, it can be seen that the value of the KMO index for all variables is greater than 0.6, indicating that there are enough samples to perform a factor analysis. Additionally, factor analysis is appropriate to determine the factor model structure, as indicated by the Bartlett test's significance level of less than 0.05.

#### Descriptive Statistics

The most frequently used descriptive statistics are mean, minimum, maximum, and standard deviation, as shown in Table 4.

The mean is the average of data. Given what was stated above and according to (Table 4), it can be seen that among the variables, tax avoidance with a value of 2.92 has the highest mean and taxpayers with a value of 2.79 has the lowest mean. Also, the existence of wide and varied exemptions has a wider standard deviation and a wider scope. Since the significance level of all variables is more than 0.05, the data have a normal distribution Table 5.

**Structural model fit: Significance coefficients (t-values)**

According to Figure 1 and Figure 2, since the coefficients of t for all research hypotheses have been obtained more than 1.96, their significance is confirmed at the 95% confidence level.

#### R2 criterion

The R2 coefficients associated with the endogenous (dependent) latent variables of the model serve as the second criterion for evaluating the fit of a structural model in a research study. R2, a criterion that measures how an exogenous variable affects an endogenous variable, has three values considered as weak, moderate, and strong, respectively: 0.19, 0.33, and 0.67. According to Table 6, the value of R2 was calculated for the research's endogenous structures, and in light of three values of the criterion, it is possible to confirm that the structural model's fit is appropriate (Table 7). According to the value obtained for GOF (0.796), a very good fit of the general model is confirmed (Table 8).

#### Discussion

The first hypothesis' findings suggest that individuals' tax avoidance is significantly impacted by the lack of a growing tax culture in society. One of the most important factors to prevent tax evasion is to reform the country's tax culture and this will not be possible unless the people of the country are sure that their taxes will be spent on the development and administration of the country.

**Table1.** Cronbach's alpha results of research variables

<b>Latent variables</b>	<b>Cronbach's alpha coefficient (Alpha&gt; 0.7)</b>	<b>Composite reliability coefficient (CR&gt; 0.7)</b>
Lack of expansion of tax culture	0.882	0.900
Lack of monitoring and prosecution system	0.730	0.816
Insufficient control of tax officials	0.882	0.790
Delay in tax collection	0.764	0.835
Existence of wide and varied exemptions	0.757	0.828
Influence of taxpayers	0.703	0.794
Tax avoidance	0.892	0.908

**Table2.** Convergent validity results of research variables

<b>Latent variables</b>	<b>Average variance extracted (AVE&gt; 0.5)</b>
Lack of expansion of tax culture	0.526
Lack of monitoring and prosecution system	0.827
Insufficient control of tax officials	0.790
Delay in tax collection	0.559
Existence of wide and varied exemptions	0.647
Influence of taxpayers	0.699
Tax avoidance	0.557

**Table3.** KMO and Bartlett test

<b>Variables</b>	<b>Sample size</b>	<b>Value of KMO</b>	<b>Bartlett test</b>	<b>sig</b>
Lack of expansion of tax culture	290	0.862	2352.903	0.000
Lack of monitoring and prosecution system	290	0.708	323.196	0.000
Insufficient control of tax officials	290	0.734	247.783	0.000
Delay in tax collection	290	0.649	446.642	0.000
Existence of wide and varied exemptions	290	0.749	388.737	0.000
Influence of taxpayers	290	0.781	256.741	0.000
Tax avoidance	290	0.857	1976.840	0.000

In countries where there is financial transparency, tax evasion is also a socially undesirable task. As long as the people of a country do not trust their officials, they cannot be expected to perform their civic duties properly. Media also play a major role in this regard and can promote the culture of paying taxes.

Public awareness and information about the positive effects of paying taxes is low and the society does not have a correct perception of the government as a system that should collect some of the society's production as a tax and re-use it as a kind of services in the society. One of the basic measures in the area of reforming the tax system is to expand the tax culture in the society.

Public education should be provided in this regard and people trust in the existence of tax justice should be obtained. One of the ways to achieve these goals is public media advertising to increase the level of tax culture and raise the level of knowledge and awareness of the people. The result of this hypothesis is line with the result obtained in the studies conducted by (Bizaval, 2020); (Taifeh et al., 2019); and (Masihi & Mohammad Nejad Alizamini, 2015). The results of the second hypothesis suggest that the lack of monitoring and prosecution system in tax collection has a significant effect on tax avoidance of individuals.

Enforcing complex tax laws and regulations is difficult for both taxpayers and involves interpretations based on the opinions and tastes of taxpayers. Thus, lack of a system of monitoring and prosecution system by the tax organization overshadows the fair and correct implementation of tax laws. In other words, due to lack of monitoring system, the incentive to avoid paying taxes increases. Due to the decreased likelihood of being investigated by tax authorities, taxpayers in these circumstances have more opportunities to avoid paying tax. The overall conclusion reached by this hypothesis is consistent with the findings of the studies done by Armstrong et al., 2015; and Bisaval, 2020.

According to the findings of the third hypothesis, individual tax avoidance is significantly impacted by insufficient control over tax officials. For the tax affairs organization to increase the efficiency of tax collection, it is necessary to hire individuals with sufficient control over tax affairs. In other words, hiring tax officials with expertise in tax matters can significantly contribute to increasing the effectiveness and efficiency of the tax system, thereby lowering the likelihood that taxpayers will try to evade paying taxes. This hypothesis's overall conclusion is in line with the findings of studies done by Armstrong et al., 2015; and Bisaval, 2020.

**Table4. Descriptive statistics of qualitative variables**

Variables	Mean	SD	Min	Max
Lack of expansion of tax culture	2.87	0.378	2.25	4.00
Lack of monitoring and prosecution system	2.88	0.437	2.17	4.00
Insufficient control of tax officials	2.81	0.428	2.00	4.00
Delay in tax collection	2.95	0.439	2.17	4.00
Existence of wide and varied exemptions	2.85	0.454	2.00	4.00
Influence of taxpayers	2.79	0.445	2.00	4.00
Tax avoidance	2.92	0.389	2.00	4.00

**Table5. Normality of research variables**

Variables	Statistic Z	sig
Lack of expansion of tax culture	3.498	0.059
Lack of monitoring and prosecution system	3.698	0.051
Insufficient control of tax officials	3.001	0.066
Delay in tax collection	4.372	0.064
Existence of wide and varied exemptions	3.552	0.058
Influence of taxpayers	3.036	0.062
Tax avoidance	3.599	0.056

**Table6. Results of R2 criterion for endogenous variable and degree of communality**

Latent variables	R <sup>2</sup>	Communality
Lack of expansion of tax culture		0.526
Lack of monitoring and prosecution system		0.827
Insufficient control of tax officials		0.790
Delay in tax collection		0.559
Existence of wide and varied exemptions		0.647
Influence of taxpayers		0.699
Tax avoidance	0.965	0.557

The results of the fourth hypothesis indicate that delays in tax collection have a significant effect on tax avoidance of individuals. Legal delays can be considered as one of the supportive policies of the government. The longer the legal delay, the easier it will be for taxpayers to pay their taxes due to the reduced time pressure on them, which in turn, reduces tax avoidance.

Also, by increasing the legal delay, positive beliefs can be created in the minds of taxpayers about the fair implementation of tax laws. The overall conclusion reached by this hypothesis is consistent with that of the studies done by Gobena & Dijke (2016) and Bisaval (2010).

The results of the fifth hypothesis suggest that the existence of wide and varied exemptions has a significant effect on tax avoidance of individuals. Revenue-based exemptions are common in all tax systems and are designed to improve revenue distribution and maintain social justice. In other words, the existence of wide and varied tax exemptions encourages and develops the business. Thus, taxpayers are less motivated to avoid paying taxes. The general result of this hypothesis is consistent with the result of the research conducted by (Gobena & Dijke, 2016).

The result of the sixth hypothesis suggests that the

influence of taxpayers has no significant effect on their tax avoidance. By using the influence of taxpayers, it is possible to change the taxpayers' view of paying taxes as a mandatory duty to an acceptable and voluntary duty (Rosen, 2005). Thus, it is argued that tax avoidance decreases as taxpayer influence increases. However, the results of the present study did not provide evidence of this issue. It may be due to the fact that the influence of taxpayers has not been able to gain their trust, which may also be due to the low transparency of tax affairs and the low quality of tax management. The general result of this hypothesis is consistent with the result of the study conducted by (Gobena & Dijke, 2016).

## 6. Conclusions

The study's findings indicating tax avoidance rises as tax capacity rises, suggest that tax capacity has not been accurately estimated. Results for the fourth hypothesis showed an inverse and significant correlation between South Khorasan province's tax effort and tax evasion. Although the tax system operates more effectively and efficiently, there will be more effort involved in filing taxes. It is necessary to understand and estimate the country's actual capacity to pay taxes. Taxpayers can estimate the proportion of each of these factors in the total amount of tax collected and the tax capacity by identifying the factors affecting tax collection.

**Table7.** Results of the general model fit

GOF	$\bar{R}^2$	$\overline{Communality}$
0.769	0.965	0.657

**Table8.** Results of Hypotheses

Variables defined in the path	Beta standard coefficient	Statistic t	Result
Lack of expansion of tax culture and tax avoidance	0.501	5.843	Hypothesis 1 is confirmed
Lack of monitoring and prosecution system and tax avoidance	0.405	5.088	Hypothesis 2 is confirmed
Insufficient control of tax officials and tax avoidance	0.522	6.438	Hypothesis 3 is confirmed
Delays in tax collection and tax avoidance	-0.404	-4.124	Hypothesis 4 is confirmed
wide and varied exemptions and tax avoidance	-0.605	-5.213	Hypothesis 5 is confirmed
wide and varied exemptions and tax avoidance	-0.602	-0.214	Hypothesis 6 is rejected

Taxes in the economic systems of developed countries are not only a means of financing government budget expenditures but also play a significant role in the implementation of defined economic policies and strategies. In the Iranian economy, due to structural problems rooted in a set of economic, cultural and political factors, the importance and effectiveness of taxes in the economic system especially in annual budgets, have not received much attention. It has weakened the serious and expert thinking to make reforms in the tax system or has always (and in practice) faced major challenges if planned and studied. Of course, in order to pay attention to some provisions of the country's development plans, policies aimed at creating reforms in the tax system have been considered to some extent. Developing an estimate of a country's or province's potential tax capacity can reveal crucial data about a region's economic potential, enable the use of tax resources to address financial issues and implement economic policies, and track stakeholder tax efforts. There is a sizable discrepancy between the country's potential tax capacity and the actual tax revenue collected by some doctors and goldsmiths, according to studies on the potential tax capacity of the nation.

### Research limitations

Obviously, in this research, as other researches, there are limitations affecting the results and in some cases reducing the results of the research. So, it is very important to control the unwanted factors. The main limitations of the present study include the inherent limitation of the questionnaire which is not accurate enough for the interview and the lack of generalization of research results in the statistical community to other statistical communities that have been tried to be eliminated as much as possible.

### Recommendations

Suggestions for future research will be announced as follows:

- A similar thematic study in different statistical

communities

- Investigating the effect of individual characteristics of taxpayers such as education level, self-confidence, moral values and inner desires and inclinations on tax avoidance
- Investigating the effect of information and inherent talents of tax officials on tax avoidance
- Investigating the effect of differences in the type of education and moral commitment of tax officials on tax avoidance

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