



## Conceptual Model of Failure of Tax Auditors' Reports Based on Grounded Theory

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### ABSTRACT

The process of tax collection and the government access to extensive financial resources are established by reviewing the taxpayers' information and submitting the tax auditor's report. Therefore, any defects or mistakes in the tax audits' reports or stopping the tax receiving system and their failure make it impossible to access the mentioned goals, imposes costs on the government and people and non-accomplishment of social justice. Many factors influence the submission of inefficient tax reports. The purpose of this qualitative research is to present a conceptual pattern of failure of tax reports using a grounded theory approach. The statistical population of this research includes experts and specialists of taxation that 16 participants in this research were selected according to the research objective by using the purposeful sampling approach. Data was collected by interview, the general interview guide approach and semi-structured collecting method by two revising methods of participants and non-participated scholars review to validate the data in the research. The central issue is the failure of tax reports for which 15 causes were identified as causal conditions. Then, strategies are formulated and the final conceptual model is extracted based on it in terms of the context and intervening conditions.

### Keywords:

Taxation, Failure of tax auditors' reports, Grounded theory.

## 1. Introduction

Taxation is one of the most important tools of the financial policy of an economic system and an efficient and fair tax system is essential for a strong economic system. In developed countries, tax revenues are at the top of government revenues and the ratio of tax revenues and GDP to total government revenues is often higher than other revenues. The main income of the government of Iran is the income from the sale of oil and gas. However, the share of oil revenues in financing the country's current expenditures should have been reduced to zero by the end of the Fourth Development Plan law (Pour Zamani & Shamsi Jamkhaneh, 2009). On the other hand, oil revenues have declined quickly in recent years because of political, regional and sanctions issues, and it has recently been concluded that reliance of oil-rich societies such as Iran on this volatile source of income will have many adverse and detrimental economic effects (Ranjbar et al., 2016). Therefore, the government has tried to compensate the budget shortage by selecting the tax-oriented policy. If the government can collect taxes properly from a productive, endogenous, and growing economy by an efficient and equitable tax system, it will actually drive the engine of sustainable economic development based on equity. Thus, the tax system has the main function to balance different economic sectors. The basis of a fair tax system is accurate and efficient tax reporting. Various factors are effective on tax officials' reports as a product of reviewing taxpayers' accounts and financial statements. For example, different views, rules, and regulations have made it inevitable to interpret and judge in the preparation of financial and tax reports. Tax officials have a fundamental and decisive role in the taxation process because they recognize and report the amount of tax based on their judgment and decision by the law. They may intentionally or inadvertently make unprofessional tax decisions in their reports and divert the path of tax reports and the taxation process from the scope of principles and justice which depends on the type of motivation and goals, structural issues and the prevailing environment and culture. Obviously, Iran's tax system faces many problems, and getting an acceptable tax system needs continuous improvement of the taxation process from amending tax laws and directives to how to implement it. The existed bases and experiences show that the provided reports by the

tax audits are not often efficient and do not have the desired quality. This imposes a cost on the government and society and makes the mentioned reports face challenges in the tax-taking process. Actually, the target objectives will not be achieved by the failure of these reports in the tax cycle. Various factors can be effective on the failure of tax auditors' reports but no research has been conducted about it despite its importance. The pathology of tax reports can have a significant effect on increasing public confidence, reducing corruption, increasing government resources, reducing tax claims, achieving justice and so on. Therefore, it was tied in this research to answer the questions such as "which factors can be effective on the failure of tax auditors' reports? Or what are the current strategies for these issues and their consequences by providing an integrated structure to identify these factors?"

## Theoretical foundation

One of the main bases of the taxation process is the tax officials. Tax officials have to comply tax laws and regulations with the documents and financial statements of taxpayers and to assess taxes based on the obtained or expressed data by following the relevant laws and regulations. The decision of the tax auditor still has a special status and consequently, the submitted reports by the tax auditor will vary depending on the type of decision made despite repeated amendments to the law of direct taxes and the number of directives to comply with taxpayers' performance. The initial studies show that the effective variables on the decision of tax officials and the submitted reports by them can be contracted into three groups: 1. Relevant to the person, 2- Relevant to the judicial process and 3- Relevant to the environment.

The relevant variables to the person: these variables are the characteristics of the decision-maker or the information processing while decision-making including specialized information, motivation, information structure, experience, ability, self-confidence, attitude to risk and gender (Bonner et al., 2000).

Knowledge of tax experts: it is classified as follows: technical knowledge (specialization in tax regulations) and functional knowledge (specialization in transactions made by the taxpayer (company)). More generally, technical knowledge is the knowledge of facts and relationships in a particular field, while the

applied knowledge of the information in the context is the operations of companies in a particular context. If a person is aware of tax laws, his/her efficiency in processing information will increase (Ashton, 2003).

**Motivation:** it is the inner sense of a person that makes it inevitable or compels an action (Reber, 1995). Motivation is a reasoning reflection to reach a precise decision (what will be achieved) or being motivated to reach a desired (predetermined) decision (Kunda, 1999). A tax auditor is motivated to reach the most accurate result when she/he is accountable to a senior official. On the other hand, an auditor may be accountable to the owner company, so she/he will have specific landscapes and will achieve a specific result (desired by the owner company). The motivation of a tax auditor can be gaining reputation among senior officials of the tax authority (Asch, 1956).

**Information structure:** it is as seems to combine much different information and decision-making strategies. The information structure usually grows with the experience.

**Background (experience):** background (experience) means that someone judging or deciding now has judged and decided in the same special context in the past. The structure of information and experience can have a negative or positive effect on the decision and ultimately the auditors' report (Dearman & Shields, 2002).

**Ability:** it is a constant talent after adulthood. Cognitive abilities are often divided into three categories of expressive power, reasoning power and visual power which are determined by an intelligence test (Tan & Libby, 1997). The effect of ability on the tax auditors' reports confirms that abilities have a positive effect on the knowledge acquisition process and the quality of the decision (auditor and auditor comments). If the quality of executive instructions is low (or high activity clutter), this effect will be more positive

**Self-confidence:** confidence that a person has about her/himself knowledge and information or her/his judgment and decision is another factor that is very important in discussing the auditor's decision, which is called self-confidence. There is no more common and catastrophic issue in auditors' decision-making than overconfidence, and this phenomenon becomes extreme when the type of work or specialized activity is very confusing and difficult (Plous, 1998).

**Risk attitude:** it is a person's sense of risk and risk is a factor that threatens something valuable. However, individuals can be divided into three groups: 1- Risk aversion, 2-Indifferent to risk and 3- Risk-taking (Hogarth, 1987). Therefore, this issue impresses the individual reports as an important factor.

**Gender:** there is a difference between men and women from decision-making and judgment views because men intend more to base their judgments on reason and logic, and women have more ability to process financial information than men (Meyer and Levy, 1986).

**Relevant variables to judgment process:** these variables are the relevant ones to judgment, dimensions, or the executed projects characteristics such as the complexity of specific activities and the importance and effectiveness of the collected data. In general, judgment processes are based on cognitive processes and influence decision-making. They include data retrieval, data collection, problem-solving, hypothesizing in mind and assessing the hypothesis that should be considered before proposing confusion and the importance of information (Bonner et al., 1991). Information recall means a search in memory for a particular type of information while the purpose of data collection is to seek information from the sources outside of memory. Proposing a hypothesis in mind means each individual interprets events based on his/her own information structure which shows his/her perception from the event. Making a hypothesis in mind means each person thinks about predictions based on a set of clues. Assessing a hypothesis means evaluating the predictions usually requires the most reasonable explanation (Pennington, 1991). A manager or senior auditor in an auditing firm can recall a lot more information than an intern which is very effective in making an accurate decision. Furthermore, the ability to recall is directly related to judgment about the distortion of financial statements. It means the mistake in recalling information influences the quality of a person's judgment and decision (Lindberg and Maleta, 2003). Auditors in the auditing field are usually biased in their views or motivated to try to collect the type of data that supports their views or to achieve a predetermined goal. Auditors probably prepare a list of the probable disorders to make a hypothesis in mind by considering the disorders in the financial statements of a non-audited company. In addition, considers the probability of this event as the

pillar of the similar obtained data as a representative of a specific hypothesis (Tversky, 1973).

**Confusion (complexity of work):** confusion is often equated with the difficulty of the task, and refers to the extent to which information must be considered or processed for cognition (Kahneman 1973). Complexity reduces the percentage of the user data and the auditor's accuracy decreases as the complexity of the work reach a certain level. The more difficult and complex the type of work, the less likely it is that expert tax auditors will agree on each other's views. The quality of the auditor's judgment and a decision will decrease by increasing the complexity of the adjudication process (Krawczyk, 1994).

**Importance and effectiveness of information:** since auditors use all important and effective information when judging and making decisions, it is one of the effective variables on the quality of their judgment and decision. If tax auditors face only one set of information, they may judge or make harsh comments about the likelihood of misconduct than when they have several sets of relevant information (Hackenbrack, 1992).

**Relevant variables to the environment:** they are the dominant condition of an individual. These are actually the factors that can influence an individual when he/she intends to judge, including monetary motivations, accountability, set goals, feedback, rules and regulations (Bonner et al., 1996).

**Monetary motivations:** tax experts who are exposed to monetary motivations thus find more convincing evidence that confirms the view of the company owner (Kadous & Magro, 2001).

**Accountability:** it is the explicit or implicit expectation of others that a person can justify his/her actions. It can be said about accountability that tax auditors make more efforts to make the right and accurate decision when they find themselves accountable to senior authorities or are fined for making a wrong decision. Hence, accountability to people can have a positive effect on the quality of judgment who has specific views and criteria. The accountable auditors are actually less likely to express their opinion about the financial statements of the owner company that are problematic. Thus, accountability can remove different types of caused judgment by motivation. (Lerner & Tetlock, 1999)

**Determined objectives:** they are the ones that an organization tries to impose on an individual. There is

a positive and direct relationship between the performance of auditors (financial and tax) and determined objectives (Kenis, 1979). Thus, the pre-determined objectives can address the tax auditors' reports.

**Feedback:** feedback effect on the auditors' decision is very similar to the effect of accountability on the quality of their judgment and decision. In addition, the existence of rules and regulations with sanctions can increase the quality of judgment regarding the auditor's decision, because auditors take a conservative stance in these conditions (Nelson, 2003). In fact, feedback influences the quality of a tax auditor's report by impressing his/her judgment.

In addition to the mentioned cases, the present disputes and disagreements about the tax audit are rooted in factors such as complexity, ambiguity, interpretability of the existing regulations, contradictory executive regulations of some legal articles with the spirit of the law, contradictory the views of individuals and variety of directives (Bostanian, 2005).

The weakness of transparent and vivid laws and regulations can lead to applying the personal selections in the field of tax assessment and collection and violation of the rights of the people or the government (Babajani & Moradmand, 2008). The law authorized the tax auditor with the freedom of action to prove or disprove a taxpayer's financial performance regarding the adequacy of evidence and the accuracy and degree of compliance of documents. As mentioned, this can make many differences in the obtained reports according to the personal, processing, environmental factors and weakness in the structure and tax auditors' reports can definitely be at various levels based on the desirable quality. In other words, weaknesses in the law and the structure of the tax system can sometimes provide the basis for the failure of tax officials' reports.

## Research background

Bagheri et al. (2020) compared the tax (administrative-judicial) system in Iran and the United States. Their research shows tax lawsuits are heard in administrative courts in Iran under the executive branch. In the United States, administrative proceedings, tax courts and general courts of justice include the district court and the federal competent court for tax disputes. Administrative proceedings are organized using alternative dispute resolution methods for minor issues

and the tax court and other public judicial authorities were formed to deal with important matters in a well-codified procedure. Establishing such structures in the tax proceedings made the US tax litigation system multiple choices provides various choices and selections to the taxpayers to propose their lawsuits using new methods of resolving administrative disputes within the tax administration and the tax court as a specialized reference for handling tax disputes with the public justice authorities.

Khoshhal and Khoshhal (2020) studied the challenges of citizenship and taxpayers' rights. Results of their research showed that as long as citizens were not aware of their rights within the framework of the law or did not enjoy the observance of their citizenship rights under the tax law, tax compliance would not occur. Citizenship rights of taxpayers would continue since reviewing the income situation and the so-called audit of the taxpayer until a dispute and judgment between the taxpayer and the tax administration and the cases of consumption of tax paid by taxpayers. Alternatively, constitutional law, direct taxation and value-added tax laws do not state the citizenship rights of taxpayers, and explicitly do not have specific legal provisions to protect the citizenship rights of taxpayers.

Tilahun (2019) found that taxpayers are under the impression of various factors such as punishment, fairness in the tax system, tax rates, probability of discovery, etc. He suggested that the tax receiver institutes should maintain the appropriate level of punishment by creating tax justice and improve the role of responsible citizens. Jahnke & Weisser (2019) investigated the effect of tiny corruption on tax ethics in South African countries. The results of their research showed that one of the obstacles to increasing the willingness to pay taxes is bribery by government officials. Their research showed that tax ethics could be eroded by even small corruption. Moreover, they stated that tiny corruption directly would influence the tax ethics in addition to reducing the level of public trust in tax officials and thus (indirectly) influences tax ethics.

Da Silva et al. (2019) examined the two policies of compulsory taxation and voluntary taxation in the context of a slippery slope in Brazil. Results of their research show a trust-based interaction between taxpayers and tax officials which ends with voluntary tax payments.

Sayadi Somar et al. (2018) conducted research entitled "reasons for tax evasion in Iran" with emphasis on the gap between the views of taxpayers and tax staff based on AHP model justice in receipt and distribution of tax. From the perspective of taxpayers, the most important factors are political conditions, using modern technologies and methods to inform the taxpayers. However, the effect of the economic situation and political conditions of the country are more effective than other factors from the tax authorities' view.

Torabi et al. (2018) in their research prioritized strategies to increase tax revenue using the fuzzy Dimatel technique. They used the Delphi method to identify the effective variables on tax revenues. Their findings show that the most effective solutions to increase income by the tax are using electronic taxation, value-added tax, underground economy control, tax breaks, value-added tax on petroleum products, tax avoidance, human resource development, total income tax and business income tax, tax-to-cost ratio, tax-to-GDP ratio, tax exemption, social welfare, tax tricks and tax evasion, respectively. Based on the results of expert analysis, electronic taxation and value-added tax have a direct and indirect effect on most factors such as the ratio of tax revenues to GDP, the ratio of taxes to expenditure credits and social welfare.

Tavakoli et al. (2018) conducted surveying-applied research to study the effect of the gap of external accountability of the tax administration on public good fortune and tax revenues. They divided the stakeholders into three groups of scientific community, financial managers, and government experts. The results of their research showed that the level of external accountability of the tax administration was currently much lower than the expectations of stakeholders. The maximum level of accountability was the tax administration to the government, and the minimum level is accountability to the scientific community based on the participating groups' ideas. Moreover, the results showed that increasing the level of external accountability would increase public confidence and tax revenues.

Ghaderi et al. (2018) studied the effect of financial and non-financial factors on the tax gap. They used observable variables of profitability, operating cash flow, company value and leverage ratio to measure financial characteristics. In addition, they used

observable variables of firm size, company life, type of audit firm and type of industry to measure non-financial characteristics. The tax gap has been calculated by using the difference between the determined tax and the declared tax. The results show that financial characteristics have a positive and significant effect on the tax gap, while non-financial characteristics have a negative effect on the tax gap, although its severity is not statistically significant.

Nabavi Chashemi et al. (2018) studied the effective factors on the tax lags in the Iran tax system. Results of their research showed that the relevant time to the tax review process and the issuance of the final tax return and receipt of the finalized tax did not have a random arrangement. Furthermore, factors of monitoring the books or recognition on its peak, the stage of tax certainty, differences in accounting standards and tax law and lack of a tax culture are the effective factors on tax interruptions, respectively.

Gobena and Dijke (2017) showed while investigating the effect of fear and anxiety, justice, trust and collective cognition as effective factors on tax compliance that procedural justice, level of accountability and psychological factors influence tax compliance.

Saidu (2014) in research under the title of "tax evasion and accusation of management in the informal sector of Nigeria" referred to the lack of tax justice among powerful and influential people and other taxpayers, as well as the presence of unprofessional and delinquent managers in organizations as important factors on the view of taxpayers about tax evasion.

## Methodology

The strategy of qualitative research type was executed to reach the objective of this research. The objective of this research is to identify and recognize people's experiences and their interpretations about the failure of tax auditors' reports to obtain the theory in this context. The grounded theory was used in this research according to the combination of qualitative research methods, in this qualitative research to present the failure model of tax auditors' reports. Grounded theory is considered as one of the qualitative strategies that its aim is to recognize and perceive people's experiences from events in specific conditions. The data collection method in grounded theory is different. In addition data collection and analysis are simultaneous. The qualitative method has been used in this research. This

research strategy is based on three elements of concepts, categories, and propositions. The main objective of this type of theorizing is to explain a phenomenon by identifying the key components of that phenomenon and then classifying the relationships of these components within the context and process of that phenomenon. Its goal is to move from detail to generality with emphasis and attention to the main core.

In this research, semi-structured interview tools with semi-structured questions have been used to identify the components and construct the failure model of tax auditors' reports. According to Creswell (2007) opinion, such interviews enable the researcher to obtain broad, in-depth, and unique insights into the views and perceptions of the interviewees which is crucial to the failure of tax auditors' reports. First, the text of each interview is studied, and based on the analysis, the basic concepts and key points are determined and coded openly after each interview and its implementation. After coding the interview, the researcher goes to the next interview and re-codes. This method continues until the results are collected and theoretical saturation is reached. Semi-structured interviews (an interview in which the questions are pre-designed and the purpose is to obtain in-depth information from the interviewee) were used in this research with members of the high tax council, technical assistants, and managers of the tax administration to identify the components and explain the model of failure of tax auditors' reports.

16 interviewees were selected by snowball sampling method. Snowball or chain sampling method means selecting the correlated participants to each other in a manner or guiding the researcher to other population members. The interviews were conducted in person with an average duration of 55 minutes and then the transcripts of the interviews were written and thoroughly analyzed.

## Findings

The systematic approach in grounded theory emphasizes using data analysis steps including open, axial, selective coding and the development of a logical model with a visual description of the generated theory. Strauss & Corbin (1998) suggested three coding technics of open coding, axial coding and selective coding. Only a sample of the table has been reported in open and axial coding because of the



length of the coding tables. In this regard, more than 370 primary codes were obtained and these concepts were coded in the second step for more coherence and more coherent analysis and interpretation in the form of more abstract concepts (axial coding). A part of these coding results and the combination and analysis of the initial concepts as the secondary concepts are shown in Table 3. In the next step, the generated concepts in the axial coding process were classified into 6 categories or themes. These major categories (themes) are at a higher-level regarding abstraction than the concepts of the previous stage.

One of the most important parts of qualitative research is the validity of the data and findings. Cases researcher sensitivity, methodological coherence, sample proportion, simultaneous collection, and analysis of data ensure the scientific accuracy of qualitative research to the great extent (Barzideh et al., 2018). The review method was used in this research as the model was provided to some participants as well as non-participating experts in the research after being designed. In addition, the final and conceptual model of research was plotted as a figure 1 by receiving and applying the correctional ideas.

### Validation of grounded theory

**Table 1: a sample of open-coding of research**

Question 4: what is the main goal of governments to take tax?	
The government needs revenue to regulate the economy whose part comes from taxes.	1. A tool to regulate the economy
In my opinion, tax is not the final goal but it is a tool to reach the final goal.	2. Taxes are not the final goal.
The main goal of taxation is to supply the expenses of the state and the integrated distribution of welfare, but in reality, its spending way is not clear unfortunately.	3. Integrated social welfare distribution tool
The goal of taxation is to perform social, economic, cultural, etc. duties.	4. Task performing tool
Taxation is one of the main resources of the government, which uses it in various economic and social mechanisms	5. One of the main sources of government
The government's goal to use taxes in the developed countries is to strengthen the country's infrastructure, but the sources are wasted in Iran.	6. Strengthening the state infrastructure
Taxation is a tool to reach social justice	7. A tool for achieving social justice
Tax goals are very huge and different such as political, economic, and social goal.	8. Different political, economic, and social goals
It is a tool for proper redistribution of incomes and social and economic support to the low-income groups	9. A tool to redistribute revenues
The government looks taxation as a funding source for costs in other sectors.	10. Making a stream and source for cost spending in sub-sectors
The tax has various functions as an instrument to provide government regulatory costs that the government uses this tool in situations such as monopoly and conflict of interest, etc.	11. A tool for financing government regulation
The government can take steps to regulate the market and direct investments towards its goals by making incentives or tax policies then executing monetary policies.	12. Market regulation and investment targeting
The main objective is to move the wheel of the economy and excluding households out of the poverty trap and develop social justice	13. Economic motivator
	14. Excluding the households out of the poverty trap

**Table 2: a sample of axial-coding of research**

Axial coding	Open coding
Different perception of the concept of Failure of tax reports	Failure to reach goals
	Lack of adherence to the principles to prepare the report
	Reporting stop in process
	Lack of utility and benefits
	Dependent concept
	Report bias
	Difference between initial data and final report

Axial coding	Open coding
	Lack of report validation Excluding out of justice and fairness A concept with a different sub-definition Failure to obtain the desired result various forms of vague definition
Unawareness of the concept of taxation	A tool to regulate the economy Integrated distribution tool for social welfare A tool to perform task One of the main sources of government Strengthening the state infrastructure A tool for achieving social justice Tax is not the target goal Various political, economic and social goals A tool for redistribution of income Economy motive Excluding households out of the poverty trap Market regulation and investment targeting A tool for financing government regulation Making a stream and source for cost spending in sub-sectors
Different goals for taxation	Different goals according to different personalities Reaching personal and mental criteria Various material and spiritual goals Performing task & duty Goals at both spectrum peaks of perfect and low-value Upgrading and improving the organizational status Investigating the financial performance and collection of legal taxes Performing organizational duties in accordance with the code of professional behavior Providing the honest service to taxpayers and organizations Not having definite goal Detecting fraud and preventing corruption tax evasion reduction justice accomplishment
Accepting the failure of tax reports	Defects in current tax reports Failure to achieve the goal is the result of a defect in the current tax reports Unfavorable current reports Inconsistent reporting means starting an incomplete process Accepting the existence of problems in tax reports and its process The complex process of current reports and the failure to achieve the basic goals Lack of consistency of the organization's current reports with the objectives Accepting current distance with the ideals and goals
Conflict of views and lack of trust	Existence of tax evasion Lack of correct attitude in paying taxes Delayed payment of taxes and the use of inflationary conditions Incomplete information provided by taxpayers High volume of tax claims Public distrust of the government and the tax administration Relationship between lawsuits and inaccuracies in reports Multiple taxpayers' appeals for tax adjustment Negative view of tax officials Applying tax evasion strategies Negative view of the financial statements provided by taxpayers

**Table 3: the selective coding of research**

Issues	Axial coding
Causal conditions	Different perception of the concept of Failure of tax reports
	Unawareness of the concept of taxation
	Different goals for taxation
	Accepting the failure of tax reports
	Conflict of views and lack of trust



	Lack of information and knowledge
	Tax auditors' non-commitment
	Lack of attention to the concept of tax justice
	Personal factors
	Misalignment of approaches
	Tax auditors' freedom of action
	Deficiencies in tax assessment and taxation processes
	Behavioral factors
	Structural defects
	Bias
Phenomenon	Failure of tax auditors' reports
Strategies	Implement of tax justice
	Establishing control and feedback system
	Approach evolution
	Fundamental and infrastructural changes
Context conditions	Cultural context
	Information context
	Economic context
	Governance context
Intervening conditions	Political conditions
	Environmental changes
	Social conditions
	Ideological factors
	Rules and regulations
consequences	Training and permanent improvement cycle
	Increase in government resources
	Tax claims reduction
	Corruption reduction
	Increase in level of trust in society
	Upgrading the position of the tax organization
	Laws correction

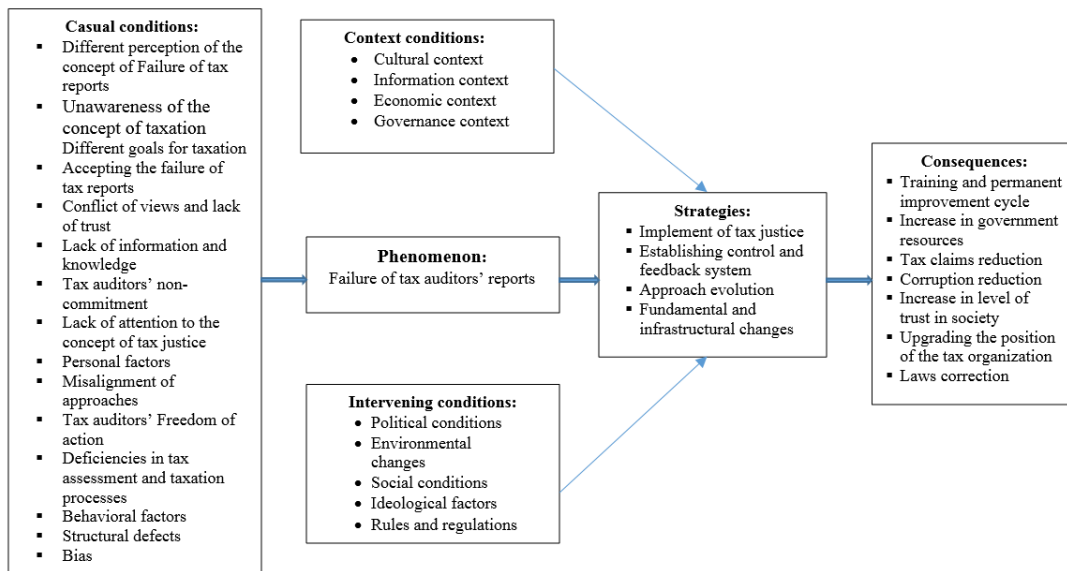


Fig 1: Conceptual model of failure of tax auditors' reports

## Discussion and conclusions

The existed experiences and bases show that the provided reports by the tax auditors are often inefficient and unfair. They do not have desired quality which imposes the cost on the society and government and makes challenges for the mentioned reports in the tax system. In addition, the inefficacy and failure of these reports in the tax systems causes unrepairable damages. In this regard, failure of tax auditors' reports was studied in this research and a model was designed using a grounded theory and semi-structured interview. This model consists of the main issue of this research, failure of tax auditors' reports, its causes (causal condition), proposed strategies, contexts and intervening conditions for these strategies, and the consequences of using strategies which are described as follows:

**Causal conditions:** the designed model consists of 15 components as follows:

**Different perception of concepts of Failure of tax reports:** one of the main reasons for different decisions originates from different perceptions of individuals. Several definitions of the opposite of accurate and efficient reports were stated by the interviewees in this research as the failure of tax reports. This means that there is no uniform perception about efficient and fair reporting and failure of reports among tax officials. This makes many tax auditors take actions unintentionally that will lead to the failure of their reports.

**Unawareness of the concept of taxation:** unawareness of the original concept of taxation is a component that intensifies the failure of tax reports. In other words, the different tax officials' perception from the government motivations to collect taxes is an effective factor in their decisions. The government tries to support the economy and redistribute wealth, and does not seek financing at any cost or by harming businesses. Many tax officials with wrong thoughts, try to determine and recognize taxes unfairly without considering this important issue and its short-term and long-term economic and social damages.

**Different goals for taxation:** tax officials do not have the same objective for their tax proceedings. Some interviewees have an attitude of moving toward approaching the mental and personal criteria, some have motivations such as promoting the organizational status, some others know it as the responsibility of providing services or a combination of other

motivations. According to the theory of planned behavior, people's attitudes form the intention to do a behavior, if there is no obstacle in the way, will finally lead to the accomplishment of that. It means tax auditors with different perspectives pursue different goals that may be nonalignment with each other and even with the goals of the organization and the government. Consequently, the provided reports to achieve variety of goals will cause the failure of tax reports in the cycle of taxation.

**Accepting the failure of tax reports:** answers of the participants in this research show that they have accepted the failure of tax reports and considered it as part of the tax review, determination and assessment process, and an unavoidable factor in the current tax system. The general acceptance of inefficiency and unfair reporting has a significant role in the performance of tax officials and even the imposition of penalties in accordance with the law. In this regard, it explicitly declares that tax officials are not considered accountable for detecting and determining unfair taxes, failing their reports, and the costs they sometimes impose on the system.

**Conflict of views and lack of trust:** the culture of tax compliance and voluntary tax payment is at a low level in Iran. One of the main reasons is the lack of trust between tax auditors and taxpayers. Concealment of revenues or overstatement of expenses, submission of incomplete information, delay in payment of taxes, etc. are the acts done by taxpayers. On contrary, tax auditors react to the taxpayers' reports by strict acceptance of documents which can lead to failure of tax auditors' reports.

**Lack of information and knowledge:** The level of specialty of auditors about tax laws and directives, commercial law, civil law, and accounting and auditing can be considered as a criterion for specialized information and the level of awareness of tax officials. The knowledge of tax officials can be divided into two groups of technical knowledge and specialty of the studied subject. Lack of sufficient information and knowledge oblige the tax auditors to conduct unscientific analyzes and submit inefficient and unreliable reports. On the other hand, taxpayers' unawareness about the basis of tax audit proceedings and their legal rights has led to the loss and violations of their rights.

**Tax auditors' non-commitment:** if the taxpayer complains about the tax diagnostic issue, the issue will

be referred to the tax dispute resolution boards for consideration. The mentioned proceeding process has caused the tax auditors not to apply the essential precision, because in cases where they have not obtained clear documentation of taxpayers' performance, they will protect themselves from the crimes related to a low tax assessment by recognizing higher taxes. Furthermore, they believe that it is probable that taxpayer will realize his/her right in higher authorities according to the above-mentioned trial process and if taxpayers complain. In fact, they delegate the responsibility of setting and determining precise taxes to higher authorities in these cases.

**Lack of attention to the concept of tax justice:**

The concept of tax justice includes the structure of horizontal justice and vertical justice. Some scholars state that horizontal justice is the equal behavior with people in the same conditions even if they earn their income in different ways. Vertical justice interpreted as the principle of payment power is that people in different economic conditions should be behaved differently according to tax. In other words, it is essential to accomplish the vertical justice that taxes should be levied unequally on people in different income and wealth groups. Unequal treatment based on the definition by one of the principles of tax justice means to mention the ability and inability of taxpayers. This issue was not mentioned by most tax auditors and it has no specific rank in their views.

**Personal factors:** personal factors include intellectual structure, experience, ability, self-confidence, type of risk-taking, gender, individual psychological issues, and financial problems. The participants believe that the experienced and competent officers and auditors act professionally for the process of dealing with complex issues and the relevant reports because the information structure usually grows with the experience. However, self-confidence and risk attitude will only help rationally when deciding on difficult issues. Furthermore, overconfidence can impress the quality of an individual's decisions and consequently the provided reports negatively. The other mental issues and financial problems are other personal characteristics that can impress tax auditor judgments negatively.

**Misalignment of approaches:** Tax officials do not associate the government's tax approach with their own one and that of the tax administration, which despite such thinking, they cannot perform their duties

properly and cannot take a step in a way of the synergy with the government goals. This issue makes the justice accomplishment not to be the priority of tax auditors. They are only tried in the annual budgeting of the organization and statistics and finally the prepared reports by the tax administration make the government deviate from its ultimate goals at the macro level.

**Tax auditors' freedom of action:** freedom of action has been given to the tax auditors based on the tax law for determining adequacy of evidence and accuracy and the degree of conformity of documents to prove or disprove the financial performance of taxpayers. In this case, personal, process, environmental factors and structural weaknesses can make a big difference in the resulting reports which will certainly be at different levels of quality. Weak transparency and ambiguity in laws and regulations can lead to the exercise of personal opinions in tax assessment and collection, and the violation of the rights of the people or the government.

**Deficiencies in tax assessment and taxation processes:** they include inaccessible reliable, transparent and sufficient data of taxpayers, inflexible examination methods, weak information systems, weakness (interpretable and contradictory) in rules, limited time budget, large volume and complexity of work. The existence of these defects influences the possibility of accurate assessment and presentation of a qualified report.

**Behavioral factors:** Power-seeking, personal interests and hatreds, top-down view toward taxpayers, abuse of position, psychological complexities are the factors that interviewees referred to them as existed personal and behavioral harms in the tax organization. These behaviors reduce the quality of processing and the resulting reports lead to taxpayer distrust, increased corruption, tax evasion and downgrading the tax administration.

**Structural defects:** one of the main reasons for the failure of tax reports is the existence of a weak and full of the defect structure of the present taxation. The wrong principles of punishment and reward, lack of feedback system and repetition of error and mistake cycle, statistical approaches, inflexible tax structure, incorrect criteria of appointment and promotion, irregular changes, lack of intelligent tax structure are the most important factors that can be considered as the problems of current structure of tax collection and tax affairs organization. Tax auditors cannot get aware

of the shortcomings of their reports and their consequences because of the lack of a feedback system, and this has led to repeated errors and the creation of an error cycle. The impact of structural defects eventually appears as a product of the structure in the tax auditors' reports.

**Bias:** the responses received from tax experts confirm that tax auditors sometimes do not act fairly, defend taxpayers by calculating and setting lower taxes. They see their report as representative of their dissatisfaction with the wrong structure and in their opinion, they protect the rights of society. On contrary, some tax officials deem themselves labor of defending the government benefits and believe that they should help the government achieve its goals by taking more taxes, which leads to biased tax reporting.

**Strategies:** the designed model includes four components of implement of tax justice, approach evolution, fundamental and infrastructural changes and establishing a control and a feedback system. It means that all the fundamental and main mistakes of the state tax system and the caused weakness by the structure should be removed to obtain a high-quality tax reporting. In the next step, the approach and processes of taxation should be changed and certain criteria should be represented to measure the quality of tax auditors' reports that can also be proposed as one of the criteria for measuring the performance and individual competence in reforming the structure. Establishing a feedback system will remove the defects and shortcomings in the taxation process permanently. The feedback system makes the tax auditors aware of the shortcomings of their reports, so they will seek to eliminate these shortcomings and improve the quality of reports. The control system and obligation for accountability moderates the abuse of administrative position of tax officials and leads to the continuous reduction of wrong and unfair decisions by them and ultimately increase the effectiveness of tax assessments and reports. Therefore, tax justice should be implemented as a prevailing thought in the next step. Tax justice means to assess tax in such a way that no one's rights are violated. Tax justice is the ideal goal of the tax system and all acts should be directed towards getting this ultimate goal by streaming and disseminating this concept extensively in the structure of the tax system.

**Contexts conditions** includes four components of cultural context, information context, economic

context and governance context. Strategies of the explained model should be applied in the mentioned contexts. Culture has a special rank in the issue of improvement of tax system. Interviewees described tax reform is impossible without trying to create a tax culture. In case of contradiction between strategies and society's culture, using the mentioned strategies will fail to improve and promote the tax reports and taxation structure. Information context is another issue of context that plays an important role in applying the strategies of the designed model. In summary, it can be claimed that using the mentioned strategies will be effective only in a transparent, precise, correct, and comprehensive information context. Currently, the government's economic goals and attitudes are ambiguous and it is not clear what mechanism the country's economic system follows (free market economy or centralized planning). It can be claimed that the strategies designed to achieve the desired tax system will not be successful if the economic system is not reformed. The final context component is the governance context. The presented strategies will be useful when they are implemented and there is the will and strength to implement them. If the government has the will to change and improve the tax system, it must redefine the role of all tax authorities and related government agencies. In this regard, all executive governance bodies should play a role in the realization of a comprehensive tax system in a coordinated and integrated way by strengthening the infrastructures and using specialized power.

**Intervening conditions** consist of five components including political conditions, environmental changes, social conditions, ideological factors and rules and regulations. Intervening conditions facilitate or limit strategies.

The constant change of approaches and environment of financial reporting, consequently the change of relevant methods and standards, actually challenges the tax organization. Political conditions have been identified as effective on strategies because the tax system is following the political conditions of the government and it actually is directed according to the political conditions. Social conditions and ideological factors are the other effective factors on strategies. The success of strategies requires the alignment of the beliefs of the society and the social conditions with them, otherwise, the society will not achieve the final goal by taking a stand against the

strategies. Finally, rules and regulations are introduced as the last component of intervening conditions. The existence of various and contradicted rules and regulations are effective factors on strategies.

**Consequences:** Acceptance of strategies means revising and amending current tax laws, directives, procedures and tax assessment and reporting approach leads to achieve a desirable and efficient tax system, by. The structure of the tax system will be changed in such a way by applying strategies and establishing a feedback system as tax officials are continuously trained and make a permanent improvement cycle using a feedback system. It is expected that by executing the designed strategies and reduction of the contradiction between the approach of taxpayers and tax auditors and the establishment of a strong control system, in addition to reducing corruption, tax claims will decrease and with increasing public trust to tax administration, the tax collection process will improve and it finally causes the increasing of government revenue from tax.

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