

## Evaluation of selection, supervision and inspection systems in revenueurs' performance in Iran

Mehrzaad Ferdowsi \*

*Department of Public Law, Arak Branch, Islamic Azad University, Arak, Iran*

---

**Abstract:** Tax system in every country is one of the most important sub-branches of economic system. With respect to complexities in tax determination and collection, there were the probability of disputes between tax payers and tax organization on one hand and probability of government's and revenueurs' violating from legal principles and their authorities on the other hand. This article aimed to investigate and evaluate the selection, supervision and inspection systems in revenueurs' performance. The theoretical fundamentals of this article depend mostly on law concepts considering the Iranian regulation. Considering the main research approach which is based on analytical approaches, data collection was done attributively. The results of this article showed that current evaluation solutions in Iran are mostly traditional and they are emphasizing on punishment more than prevention; therefore, there is a strong need to forward-looking supervision and prevention systems for preventing from violations.

**Key words:** Selection; Supervision; Inspection; Revenueurs; Iran

---

### 1. Introduction

Tax and fiscal policies lead to economic growth and development through correction and fixation of economic activities in different sectors. So correctly application of tax policies is a tool for increasing economic activity, dynamicity and moving toward a socio-economic growth. On the other hand, incorrectly implementation of tax policies leads to different economic sectors and lack of government's financial resources. Now considering the fact that importance and value of tax is varying in tax systems on their own continuously; modification and reformation of taxes and the tax regulations would be undeniable and essential factor. Generally, countries use the tax income and income resulted from selling underground resources to provide required resources. Unfortunately, Iran always focuses on underground resources sails. This attitude fostered a culture in country one of aspects of which tax evasion. One of tax evasion ways is colluding with revenueurs. This type of tax evasion by collusion with revenueurs leads to lack of resource provision by government. The base problems is explained such that the tax payers' taxable levels of income is different and basically the lower income taxes are lower, so tax payers' motivation would be higher to say that their income is lower. Since revenueurs' behavior is not observable by government this is more likely to have violating revenueurs who don't attempt by taking bribery to discover the correct amounts and if they discovered the tax payers' level of income, they would give incorrect level to the government by taking bribery.

The perspective document of Iran in 1404 horizon and general policies of article 44 of constitution depicted some goals for the economy of Iran achieving which requires some fundamental reforms in country's economic structure. One of the purposes of the mentioned article is to increase the justice level in tax system. Basically, tax as the primary and the most important public income resources, plays a significant role in public spending securement and it is of significant importance and position for government. Evaluation and explanation of this issue indicates that tax is one of the government's rules and associates with government's power and survival. In accordance with constitution of Islamic Republic of Iran this important task in on judiciary shoulders. In constitution of Islamic Republic of Iran there is considered supervisory role for head of judiciary and subordinated entities. In this regard, after the tax and its unquestioning is determined, if it is detected that revenueurs and tax organization representatives in tax disputes resolution council recognized the tax payer's income lower or higher than its real level by investigation of payer's documents and evidence and without sufficient researches, deliberately, they are sentenced to 3 month to 5 years dismissal from governmental services in addition to compensating the amount determined by tax council. Considering the issue importance, in this article selection, supervision and inspection systems of revenueurs' performance is evaluated and Iranian legislations would be studied.

### 2. Background

Tolit (1383) in a research in response to legal dimensions of supervision and inspection in I.R.I

---

\* Corresponding Au thor.

system stated that inquiry and accountability should be normative and regulated like any other actions. In Iranian law system there are many bylaws codified and interpreted which explained and enumerated the authorities' and government agents' performance as primary condition for accountability. However these bylaws and regulations are dispersed, it is necessary to approve a holistic accountability and supervisory system.

Alikhani (1383) in an article investigated the supervision in I.R. Iran. In today political complex systems supervision is necessary and undeniable. But how to supervise and its system are different between countries. Based on I.R. Iran law Assembly of Experts which is elected by public supervises the leader's performance. Also leader supervises the triple branches from their coordination point of view and supervision of judiciary branch, Guardian council, Expediency council and other entities is performed under the leader's control. Islamic parliament investigates the complaints of 3 branches performance in 88 and 90 commissions of confidence vote to ministers and investigates the county issues by legislation and applies supervision on other branches while supervising the financial issues in other branches and entities through bureau of audits. Judiciary branch also applies a particular kind of supervision through inspection bureau and court of administrative justice. In addition, each of 3 branches has their own internal supervision.

Rezaie (1385) in a research investigated the tax corruption, causes and areas. In this research it is stated that legislator in tax system there are different strong administrative and branches to eliminate the motivations of every corruption at least at the execution level. Tax disciplinary attorney and the higher board of tax disciplinary are 2 types of supervising organizations and it can be claimed that there is attorney in none of administrative-executive (judiciary branch) organization in Iran which is able to supervise the tax determination system constantly in accordance with direct tax regulations. Duties and authorities of the higher board of attorney are stated in article 262 of direct tax code and tax disciplinary attorney's authorities and duties is mentioned in article 264 of direct tax code. These 2 sets are working directly under the control of chief of tax organization.

Bloomquist (2003) in a study investigated the effective factors on tax evasion in U.S.A economy during 19784-1999. He made use of income inequality as an alternative for measuring tax evasion and considering the factors such as income inequality, unemployment rate and tax rate concluded that unemployment and tax rate are negatively affecting the tax evasion and income inequality is positively affecting tax evasion.

Richardson (2006) in a research investigated the effective factors on tax evasion in 45 countries. He stated relating to the importance of issue that recognition of effective factors on tax evasion leads to correctly concluding in this regard and it allows the regulation executors to reduce destructive

effects of these phenomena as much as possible by designing and applying suitable policies. Using panel data, he concluded that non-economic factors and complexity of regulations among effective factors on tax evasion had significantly influence tax evasion. Among economic effective factors, he pointed to education, income level, and justice and tax morality. He concluded that the level of tax evasion would be reduced in countries by improving education and income level and reduction of tax regulations complexities.

Bjornskov (2010) considering 29 European countries investigated the effective factors on corruption. By evaluating different factors he concluded that economic development, social capital and regulatory environment affect negatively the corruption. In addition, in his model the inflation and economic openness didn't affect the corruption in spite of expectations.

### 3. Tax-related rules in Iran

Nowadays, economy scientists agree that tax is the healthiest financial source for infrastructural investments and an important driving force for economic growth and development. Although tax rules and regulation play a strong driving role in macro-policies of countries. The importance of financial policies in Islamic Republic of Iran system in a level that the constitution has 5 articles assigned to it (articles 51-55). In this respect it is stipulated in article 51 of constitution that: "there is no kind of tax legislated unless in accordance with law. Tax exemption, impunity and relief are also specified in accordance with law." This article is 2-fold:

1. Only the legislative branch is entitled to approve tax rules in order for every executive authority no to be able to determine tax based on his personal discretion or local needs.
2. This rule is inviolable. If tax is determined based on rules, no one can exempt any cases or take less than the determined amount. Also the government is not entitled to add/delete any of the mentioned rules and if there is situation based on which exemption or discount is allowable, it should be stipulated in codes.

Unfortunately in Iranian Economy there is not seen any predetermined definition for tax which is one of the problems with tax system in Iran, since when one doesn't know what is called tax the issue would be forgotten unconsciously. Investigation of evolutions of Iranian tax system show that in 1345 following the approval of the first codified direct tax code, Iranian tax system emerged as its modern concept. Since this date Iranian tax system had some partial evolutions in rules structure and its formation considering the time and economic and political reformations and most importantly due to oil price fluctuations which is a driving force for necessity of tax incomes as a stable income source. Anyway, until the end of war between Iran and Iraq and initiation of first economic, social and cultural development plan (1368-1372) there were major

reforms in direct tax codes approved in 1345 and administrative structure and formation confronted many direct tax code reforms during 1366 and 1381. Based on the last reforms of direct tax code, this rule is briefly as follows:

In accordance with article 1 the following persons are subjected to pay tax:

1. All of owners such as real or legal persons related to their properties or estates located in Iran based on regulations of chapter 2
2. Every Iranian person resident in Iran related to all of his income earned in or out of Iran
3. Every Iranian person resident abroad related to all his income earned in Iran.
4. Every Iranian legal person related to his income earned in or out of Iran.
5. Every non-Iranian person (real or legal) related to his income earned in Iran as well as income from submission of concessions or other rights or training technical assistance or submission of movies (as price or display right or any other incomes) in Iran.

Also in accordance with article 2 the following persons are not subjected to pay tax:

1. Ministry houses or governmental institutions
2. Organizations whose budgets is provided by government
3. Town halls.

#### 4. Tax corruption preventing rules in Iran

First it is important to note that current evaluation solutions in Iran are mostly traditional and emphasize on punishment more than prevention. So it can be stated that in our law, there are not any rule directly applied for preventing from tax corruption and there are only rules mentioned in order for punishment due to tax corruption in direct tax code which is briefly mentioned as follows:

5<sup>th</sup> and 6<sup>th</sup> sections of 5<sup>th</sup> chapter of direct penal codes entitled disciplinary higher board and duties and authorities as well as tax disciplinary attorney and its duties and authorities from articles 261 to 273 are about revenue's fiscal corruption.

Article 261 states that:

Tax disciplinary board consisting of 3 members and 2 alternates are appointed from top employers of ministry of finance and economy who are knowledgeable in tax issues and have 16 years of service from which at least 6 years must be in tax issues occupations by recommendation of minister of finance and economy for 3 years and they are not changed during mentioned except based on their request or in accordance with verdict of specific administrative court, article 267. Their reappointment after expiry of the mentioned date is permitted.

The chairman of tax disciplinary board is selected and appointed from members by recommendation of chief of tax organization and based on economy and finance minister's ruling.

In accordance with article 262 authorities and duties of this board is as follows:

- A. Investigation of administrative violations in tax issues from all of revenue's and tax organization representatives in tax disputes resolution boards and 3-member board, subject of paragraph 3 of article 97 and other agents who are responsible for collecting tax based on this rule as well as persons who do these agents' duty in keeping with their position by request of tax disciplinary attorney, investigation or prosecution of mentioned cases in attorney and tax disciplinary board on these jurisdictions based on the subject of this chapter.
- B. Rejection of authority of occupying in mentioned positions following the tax services due to morality issues or behaviors inconsistent with revenue's prestige or interests and bad reputation or negligence and carelessness in their duties by request of tax disciplinary attorney general.
- C. Investigation of revenue's objection whose qualification was not approved by tax disciplinary attorney general. The board's verdict would be credible for authorities in these cases.

Article 263 of this law states:

Attorney general of tax disciplinary is appointed from top employers of economy and finance ministry who has at least 10 years of services from which 6 years must be occupied in tax issues, recommended by chief of tax organization and based on economy and finance minister's ruling.

In accordance with article 264 tax disciplinary attorney general's authorities and duties would be:

- A. Investigation and detection of revenue's and tax organization representatives' violations and delinquencies in tax disputes resolution boards as well as 3-member boards as subject of paragraph 3 of article 97 and other agents who are involved in tax collection based on this rule and persons who do these agents' duties in keeping with their positions and their prosecution.
- B. Investigation of the mentioned persons' morality and actions and behavior
- C. Ruling about revenue's job promotion and tax organization representatives in tax disputes resolution boards
- D. Foreclose against tax payers and revenue's predicted in this rule.

In accordance with article 266 of this law: investigating jurisdictions of mentioned persons' violation in article 262 is consisting of 2 members of tax disciplinary board except chairman and a member of tax council based on the chairman discretion. The mentioned jurisdiction issues verdict or acquittance or conviction based on regulations and investigating rule of administrative violations and other legislated regulations related to proceedings referred. The mentioned verdict can be revised by prosecuted person as well as tax disciplinary attorney in 10 days after issuance. Revision board is consisting of 3 persons including: chairman of board of tax disciplinary, chief of tax council and one of the members of disciplinary board

based on chairman of disciplinary board's selection who is not involved in first verdict. The revision board's verdict is final and binding verdict. In accordance with article 270 punishment of revenueurs' and tax organization representatives' violation in disputes resolution board would be as follow:

1. When after the tax is determined and unquestioned, it is revealed that revenueurs or tax organization representatives in disputes resolution board determined the tax payers' income lower or higher than the real amount without sufficient investigation or without regarding the payer's documents and evidence, deliberately or due to negligence, would be sentenced to at least 3 month to 5 years dismissal of government services in addition to compensating the loss in amount determined by tax council.
2. In cases the payers' tax is irrecoverable or lapsed due to negligence or carelessness by revenueurs except in cases like affidavits investigating which is not necessary based on article 158, the delinquent would be sentenced to punishment consistent with his violation based on administrative law in addition to being dismissed from tax services in accordance with disciplinary board verdict.

## **5. Tax organization performance and its law in Iran**

### **5.1. Selection of revenueurs in Iran**

Iranian Management and planning organization, board of ministers in meeting, date: 04/06/1380 based on common recommendation No S03.003-105.25410 date: 13/03/1380, economy and finance ministry and Management and planning organization and according with paragraph A of article 59 of the third law of economic, social and cultural development in I.R. of Iran (approved in 1379), approved Iranian tax organizations rules and executive regulation paragraph A of mentioned article which is stated in accordance with its article 11 that:

Organizations employers are subjected to Iranian employment rules and coordinated system law of government employers' payment and following reformations which would be approved considering the particular characteristics and importance and responsibilities of tax jobs, organizational operators by recommendation of minister of finance and economy and approval of Iranian management and planning organization in terms of cases by responsible authorities (board of ministers, salary council).

### **5.2. Supervising the revenueurs in Iran**

As mentioned before, tax disciplinary board is responsible for the followings:

- A. Investigation of administrative violations in tax issues by all revenueurs and tax organization representatives in disputes resolution board and 3-member board, subject of paragraph 3 of article 97 and other agents who are responsible for collecting tax based on this rule as well as persons who do these agents' duty in keeping with their position by request of tax disciplinary attorney, investigation or prosecution of mentioned cases in attorney and tax disciplinary board on these jurisdictions based on the subject of this chapter.
- B. Rejection of authority of occupying in mentioned positions following the tax services due to morality issues or behaviors inconsistent with revenueurs' prestige or interests and bad reputation or negligence and carelessness in their duties by request of tax disciplinary attorney general.
- C. Investigation of revenueurs' objection whose qualification was not approved by tax disciplinary attorney general. The board's verdict would be credible for authorities in these cases.

### **5.3. Inspection of revenueurs in Iran**

- A. Investigation and detection of revenueurs' and tax organization representatives' violations and delinquencies in tax disputes resolution boards as well as 3-member boards as subject of paragraph 3 of article 97 and other agents who are involved in tax collection based on this rule and persons who do these agents' duties in keeping with their positions and their prosecution.
- B. Investigation of the mentioned persons' morality and actions and behavior
- C. Ruling about revenueurs' job promotion and tax organization representatives in tax disputes resolution boards
- D. Foreclose against tax payers and revenueurs predicted in this rule.

## **6. Conclusion**

Tax system in every country is one of the most important sub-branches of economic system and is one of the most effective elements in management of all countries and its development which is mentioned in all countries constitution with different concepts. So, the importance and role of tax in securement of governments' income is an undeniable issue. Overall, it can be said that in Iran the fiscal policies is as important that there are 5 articles assigned to this in constitution. Totally it can be stated that tax is one of the manifestations of every government's authorization and is one of the most important public income resources and plays an effective role in public spending securement in such a way that I can be noted that every country's activities continuity and its stability and survival depends highly on tax collection. Due to this fact, tax is of significant importance for governments. Therefore, there are many authorities and extensive and unique action permissions given to tax organizations in the level of determination and

collection in order for securement and guaranteeing the tax, in tax law of majority of countries so that these organizations can determine the tax timely and correctly and collect them using these aiding tools. These rights and authorities of tax organization which are originating from governments authorization, are namely public power concession in public law and tax power application in fiscal and tax laws. Considering the subject importance, there are always attempts consistent with regulation of tax collection and preventing from tax payers' and revenueurs' violations. Considering the complexities of determination and collection of tax, there were the probability of disputes between tax payers and tax organization on one hand and probability of government's and revenueurs' violating from legal principles and their authorities on the other hand. One of the major problems which seem to be in supervision and inspection is irrelevance of supervisory rules. The inspection organization's regulation approved in 19<sup>th</sup> of Mehr of 1360 was revised in 1375. But one of the problems with this regulation is that there is no predetermined definition for supervision and the position of inspection organization so that this organization can defend its indictment and reports like attorney general. Also the other problem with this law is the time of investigating the cases of inspection and supervision organization. In accordance with law, investigation of inspection organization cases must be done without regard to the orders which due to lack of predetermined definition in this regard the cases are investigated 2 or 3 years in judicial courts.

## References

- Alikhani, Aliakbar (1383), Supervision in Islamic Republic of Iran system, Journal of Imam Sadeq (PBUH) University, No. 23, Pp. 159-188.
- Askari, Ali (1392), autopsying the Iranian tax system reformation: challenges, plans and performance of tax system, periodical of economic and fiscal policies, government's economic workbook, No. 2, Pp. 85-130.
- Baradaran Jafari, Hamideh, Tehrani, Reza (1386), evaluation of Iranian fiscal supervision, audit science, No. 22-33, Pp. 30-32
- Cekad, Borzu (1385), tax history- England during Feudalism, tax magazine, No. 42, Pp. 44-49.
- Iran, Zarir, (1386) tax history, events of England 1381, tax magazine, No. 46, Pp. 43-51
- Navidi, Hamidreza, Abdoli, Ghahreman (1385), government's management on revenueurs' and tax payers' behavior in situation of deviation in statement, periodical journal of Daneshvar Raftar, Shahed university, 13<sup>th</sup> year, No. 20, Pp. 86-94.
- Poor moqim, Seyed Javad, Nemat poor, Masumeh, Moosavi, MirHossein (1384), investigation of effective factors on level of tax income collection

in Iranian tax system, economic magazine, No. 17, Pp. 161-188

- Qorbani, Saber, (1389) looking at tax culture in Iran, Tadbir, Mordad, No. 219, Pp. 35-42
- Rostami, Vali (1386), authorities and powers of tax organization in Iranian tax law, law magazine, period 38, No. 3, Pp. 165-190.
- Sadat Tahereh, Faezeh, (1386) tax day, summary of tax in Islam, Golbarg magazine, No. 88.
- Taqavi, Nematollah (1363), tax systems in Iran, Tabriz humanities college magazine, No. 131, Pp. 7-46
- Tolit, Abbas (1383), accountability of legal dimensions of inspection and supervision in I.R. of Iran, magazine of Islamic Republic Ideology, No. 11, Pp. 11-12, 216-271
- Zarei, mohammad (1388), window2: looking at investigation of investigating judiciaries the tax disputes, Kanoun, No. 102, Pp. 89-96