

Presenting the Tax Audit Risk Model in the Integrated Tax Project with ISM-ANP Approach¹

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Received: 2022/10/09

Accepted: 2023/03/04

Research Paper

INTRODUCTION

One of the main challenges of tax auditing in developing countries is the lack of efficiency in resource utilization, which the risk-based tax audit has been developed to overcome them. In Iran, risk-based audits have begun with the implementation of the Integrated Tax System (ITS). A review of research conducted in the field of risk-based auditing shows that most studies have introduced the need for this type of auditing. Also, although the selected projects for risk-based auditing in the short-term and long-term horizons are considered in the comprehensive tax plan, no effective action has been taken so far. These projects face challenges in risk analysis and assessment. Therefore, it is necessary to identify and model the effective indicators in selecting Taxpayers for a risk-based tax audit, and conducting research studies in this field seems required.

Determining and modeling risk measurement indicators for taxable selection is a critical point in starting the risk-based tax audit process that this research addresses. Choosing a model based on risk criteria and audit planning requires identifying the level of risk of each model. Identifying the risk of each item also requires recognizing the indicators that indicate the risk of the thing. Based on these indicators, the item is selected for audit before performing the audit process. Due to the lack of a theoretical framework in the field of indicators affecting tax audit risk, the combined research method is exploratory. In the qualitative part, theme analysis was

1. DOI: 10.22051/JERA.2023.38394.2953

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performed on semi-structured interviews. After identifying sub-concepts and main and main themes, the model was designed using interpretive Structural modeling (ISM) and then indicators using Analytic Network Process (ANP). Were ranked. According to the results, the possibility of validating the data with information systems, as the first point of intersection and communication between the taxpayer and the tax administration, is the most critical factor affecting the tax audit risk.

MATERIALS AND METHODS

The research method is of the combined type, emphasizing the exploratory approach. Its orientation is of the applied style, its purpose is exploratory and descriptive, and the research approach is inductive. Combined research emphasizes collecting, analyzing, and combining two types of qualitative and quantitative data in a single study or a set of investigations. This research consists of two parts. In the qualitative part, first of all, due to the unique nature of risk-based tax auditing and the lack of field research in this field, relying solely on theoretical literature will not lead to comprehensive results; Therefore, in this study, knowing the subject and to identify the indicators affecting the risk of income, the theme analysis method was used, which is widely used in qualitative research. The study's statistical population was in the qualitative section of tax auditors of the Tax Affairs Organization of the country who had more than ten years of auditing experience of legal entities and auditing experience in the comprehensive tax plan. The qualitative sampling method is a purposeful method of judgment. Adequacy of sampling was achieved by the theoretical sampling method. In this method, selection continues until the pattern reaches the construction and saturation level.

The data needed to identify the initial indicators were collected during semi-structured interviews with 12 tax audit experts. The main question of the discussion is the factors that indicate the material risk before the start of the audit process by the auditor. After the interview, the text of the interviews was carefully reviewed and implemented in the form of text, and theme analysis was used to analyze the text of the discussions. Thus, the concepts, sub-themes, and central themes identified the indicators affecting tax audit risk.

Then, in a small part, interpretive structural modeling is used to identify and construct the model in question, using the opinion of experts. A comprehensive model can be achieved using this method and during its steps about the research topic. The questionnaire of this stage was

developed using the identified indicators of a theme analysis. Frequent referrals were completed to experts (including ten tax auditors of the Tax Affairs Organization). After identifying the influential factors, the relationship was identified using interpretive structural modeling and displayed in a model

RESULTS AND DISCUSSION

At the lowest level of the model, "general characteristics of taxpayers" is located as an influential factor with the most influence and the most negligible dependence. Characteristics of Taxpayers' ownership such as public or private stock, having Taxpayers' branches and physical and geographical structure as well as Taxpayers' type of activity (according to the cost tracking conditions for each kind of activity) are the most basic features that can affect tax behaviors and changes in reports and the financial statements are adequate for the taxpayer. Public limited companies have less incentive for anti-tax behavior due to less conflict of interest. The existence of different branches for the taxpayer and the possibility of transferring expenses and accounting according to transfer pricing issues can be a fundamental factor in the tax audit risk of taxpayers. These general characteristics that are influenced by the vision and strategies and the organizational mission of Taxpayers are considered the first and most fundamental factors in the proposed model.

Targeting to change accounting and financial reporting can lead to changes in "supplier characteristics" affected by previous levels. The most crucial action is to buy from formal and unreliable companies. "Concealment of financial events" will lead to an additional tax for the taxpayer in the coming years. Also, according to the model, in the next level, Taxpayers use "cost management techniques," "change in sources and location of expenses," "financial accounting information," and "presentation of financial statements with significant differences with the industry," to reduce Make your diagnostic tax, which indicates a more profitable risk.

At the last level, "quality of taxpayer interaction and performance of tax duties" and "how to pay taxes" are indicators of taxpayer risk. This level is related to the main stages of the tax affairs organization's role-playing in the taxation process. Makes efforts to reduce its taxes.

CONCLUSION

The possibility of data validation with information systems, as the first point of intersection and communication between the taxpayer and the tax administration, is the most critical factor affecting tax audit risk. The existence of external and internal information systems and allowing the tax

auditor to track the expenses and information provided by the taxpayer reduces the taxpayers' incentives to provide incorrect information.

The second factor is the use of the taxpayer's sales accounting information to influence the tax audit. The existence of this information, in addition to being the basis of the taxpayer's management decisions, is the most basic information in the preparation of financial statements and reports. It can be said that this factor is the starting point of the taxpayer in creating accounts and preparing unrealistic statements, which is done using tools such as sales to fake and uncredited companies.

The factor of taxpayers' general characteristics has been identified as the least important factor. The selection of features such as ownership, nature of activity, and location of the company's activities is based on strategies and economic justification and finally the profitability of the taxpayer and is a factor of low importance in the risk of the taxpayer. However, this factor will have the possibility of influencing the tax recognition process by influencing other factors or providing some features.

Keywords: Tax Audit, Risk Tax Audit, Risk Management, interpretive Structural modeling, Analytic Network Process.

JEL Classification: M42, M48.

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