

## VAT Survey in Iran

*Rasool Behroozi*

*Senior Auditor*

*Supreme Audit Court of the Islamic Republic of Iran*



### Introduction

Value-added Tax (VAT) is a general tax imposed by the government and levied on business actors (legal entities and individuals) from production to distribution. When a shirt is produced to reach the consumer, dozens of services are performed on it and its taxes must be paid separately. VAT is divided into three categories: consumption, income and production. Taxpayers must pay taxes and duties on time so as not to be subject to fines. Due to rising government spending and fluctuations in oil revenues, it is natural that the government needs a stable tax revenue to compensate for the budget deficit. One of the ways to reform the country's tax system is to study the VAT Law, and the implementation of this law is one of the most efficient sources of financing government budget deficits. Therefore, one of the concerns of the Ministry of Economy and Finance and the Iranian National Tax Administration is full and correct implementation of this law. The implementation of the VAT system in more than 150 countries shows the special position of this tax system among governments.

### Theoretical Foundations

In most countries, taxation is one of the most important and stable sources of revenue for governments. Among the types of available taxes, one of the best ways to collect taxes is VAT. Value-added tax is a type of indirect tax collection that plays a special role in the economies of countries. This study seeks to examine VAT and its problems

in Iran in light of the current social and economic conditions. The results of this study indicate that VAT, or basically any tax, has increased government revenues and therefore can expand government budgets and expenditures, so since the expansion of government spending can be potentially inflationary, the establishment of the above tax system can increase the general level of prices.

Policymakers are looking at value-added tax as a viable option to restructure the tax system to find a way to reform the tax. The need to establish a special tax system is one of the concepts to understand before designing or restructuring a tax system.

### Hypothesis

- 1- Establishment of VAT system causes fair presentation of financial statements.
- 2- Establishment of VAT system will establish tax justice in the society.

### Conclusion

VAT has been debated in Iran's economic circles for many years, and the goal of establishing this system has always been to increase tax revenues, reduce the government's reliance on oil revenues, reduce the budget deficit and find a stable source of revenue. Since the VAT system is always mentioned as a progressive system with more participation of citizens, one of the important factors that can play an effective role in the

successful implementation of this system and achieving the desired goals is the level of readiness of financial experts as auditors and tax payers and the practicality of the relevant system.

Following the study of the necessity of establishing a VAT system in Iran, the first hypothesis of the research was designed to examine the existence of a tester and sufficient executive requirements for the establishment of this system in terms of readiness of financial experts to accept VAT to test whether this system provides financial support. The results indicate that from the perspective of financial experts, the establishment of a VAT system will result in a fair presentation of financial statements. Since the establishment of tax justice is one of the important features of a favorable tax system, therefore, before establishing a serious tax system, it is necessary to ensure that it is fair in terms of imposing an equal tax burden according to the ability of taxpayers.

The VAT system can also be considered an efficient tax system if its implementation leads to the establishment of tax justice in society. This will

increase the welfare of the citizens and as a result, their greater participation in the successful implementation of this system. The results indicate that from the perspective of tax experts, the establishment of a VAT system will lead to the establishment of tax justice in society.

### Suggestion

Although the concept of value added tax in Iran is not new in theory, there are still very few people who have the necessary and sufficient information about this tax system. Now that we are going to establish a value-added tax system in the Iranian economy and aim at making the country's tax system more efficient, we are moving towards a growing economy and increasing the welfare of the citizens than to spend on military that the economic, social and cultural conditions of society are not yet ready to accept.

Spreading the culture of paying taxes through training sessions, conferences and even training through mass media can increase the likelihood of successful implementation of the VAT system, which is a national plan.