



Organizational Culture and Corporate Tax Evasion

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ABSTRACT

The imposition of more economic sanctions on the state and the reduction of oil incomes in recent years have directed attention towards tax and collection of more tax revenues; therefore, the recognition of the determinants of tax evasion is necessary. The decision of taxpayers for tax compliance or evasion is a function of multiple variables. The “culture” variable is a determinant of the tax payer’s behavior for paying or evading the payment of the tax; and accordingly, the present work is to analyze the link/s existing between organizational culture and tax evasion. In terms of purpose, the present study is applied, methodologically, it is descriptive (survey), and concerning the relations between its variables, it is correlational. The companies admitted to Tehran Stock Exchange make the statistical society of this research, and eventually, 110 companies meeting some specific criteria were chosen in this regard. The data collection tool included Hofstede’s Standard Questionnaire (1980) on the cultural organization and Crow Standard Questionnaire for tax evasion (1994) devised based on Likert five-value scale. Once the reliability and validity of the questionnaire were confirmed, it was handed to the top heads of the related companies and the required data were collected. The research data were analyzed using structural equations modelling. The results of the study suggest that organizational culture has a significant impact on tax evasion. Uncertainty avoidance and big power distance lead to the increase of tax evasion, nonetheless, democracy lowers tax evasion.

Keywords:

Tax, Tax Evasion, Organizational Culture, Structural Equations



1. Introduction

Culture is a relatively new means of collecting taxes, and whether it is fostered substantially, it will improve the performance of the tax system. The promotion of this culture is a highly big challenge before each tax system, and thus, it seems that this culture and its dimensions are required to be understood and analyzed. Attempts for the creation of a cohesive culture can significantly improve the government's tax revenues (Salehi et al. 2014). In recent years, the Iranian government has devoted specifically extra attention to the capacity and solidarity of the Taxation Affairs Organization. The level of Iranian tax revenues, as a share of the national GDP, in general, has experienced a positive upward movement in the past two decades, and under the arrangements made in this respect, it is going to reach 12 per cent of the national GDP by the end of the Sixth Development Plan (Iranian Central Bank's Economic Indicators). But, by comparison, this rate in other developed countries is at least 25-30 per cent of their national GDP (OECD, 2019). In addition to the tax policies and solidarity of the tax system contributing to the appropriate execution of laws and regulations, the enhancement of taxpayers' internal motivations and encouraging them to cooperate and influencing their views, together with the existence of cultural norms can help the tax system function more fruitfully and raise more tax revenues (Torgler et al. 2019). Therefore, the consideration of taxpayers and their views about tax and tax system can act as a key to the collection of tax revenues. Basically, concerning the explanation of taxpayers' tax behavior, there are two major currents: one based on the neoclassic economy attempting to explain the tax behavior in reliance on the data assumed within the economy, those like the "principle of maximizing the anticipated profit", "the principle of personal rationality" etc. It should also be mentioned that this current is chiefly concerned with economic factors (like tax rate, the tax payer's share of income subject to taxation, the possibility of tax auditing and specifically, tax penalties); on the other hand, the second current encompasses those approaches critic of the economic models, which seek to add non-economic factors like societal and cultural ones and institutional structures to their semi-mathematical models; besides, they propose that

such variables are as important as economic factors (Hoffman et al., 2008).

Culture is a phenomenon embedded in the national historical events, and in other words, it can be noted that culture and history are interwoven, and concerning the relationship between culture and tax, it can be stated that the tax system in each country has its own specific historical, economic and social boundaries. Accordingly, tax culture is influenced by economic, social, cultural, geographical and psychological factors prevalent in that specific country and society (Spitaler, 1997). Therefore, as the political, economic, cultural and psychological conditions of each state produce that country's tax system, the creation of a global and integrated system of taxation is not viable. Moreover, the tax culture is, on the one hand, influenced by the tax system ruling in that society (such as the emphasis on direct taxes) and, on the other hand, is interacting with the social and cultural values dominant in that society (Blanchard, 1999). Torgler (2007) acknowledges that different societies have diverse cultural values, and thus, their tax cultures are not the same. Depending on their different cultures, the level of compliance of people will be also different. Tsakumis et al. (2007), examining the effect of Hofstede's cultural dimensions (1980) on tax evasion, showed that the bigger the power distance and uncertainty avoidance, and the lower the level of individualism and democracy, the higher will be the level of tax evasion. The links between the organizational and tax evasion of companies hasn't been explored so far in Iran, therefore, this study is novel and without any precedent. The outcomes of this research are:

- 1) It can expand the theoretical foundations and literature on tax evasion and organizational culture in Iran;
- 2) It explores the cultural factors explaining the tax evasion, and in this case, the sad issue no longer remains a "black box" and as a result, the association/s between cultural dimensions and tax evasion will be determined;
- 3) It informs the policy-makers of the significant impact of culture and makes them consider this factor while devising strategies, laws and regulations;
- 4) The results of the present work can create some novel ideas for the conduction of future research.

The following sections on theoretical foundations and literature review deal with the concept of tax evasion, Hofstede's cultural dimensions and related studies. And the next parts present the conceptual model, hypotheses, research method, results of the analysis, discussion and results of the hypotheses tests.

2. Theoretical Foundations and Literature Review

What is Tax Culture?

Culture is a dynamic concept encompassing a range of complex beliefs and values that cover the whole life. Within societies, culture is composed of two material and spiritual components. Its material components include technological developments, production, technical skills and the capabilities required for the progress of society; its spiritual ones are values, beliefs, laws, customs and traditions and ethics. These two groups of components act in full conformity with each other (Birgerner, 2001). In the recent decade, specific attention has been given to culture. The inadequacy of states' tax systems can be regarded as the reason for the greater attention dedicated to culture in recent years. Such inadequacies can fall into three categories of

culture, tax regulations and executive laws (Radaev and Vadim, 2001). "Tax culture" in every country is how official and non-official organizations treat that state's taxation system and its performance. The primary groups and actors within tax culture are the taxation officials, taxpayers, policy-makers, experts and academics (Birgerner, 2000). Indeed, tax culture is composed of the "tax levying culture" and "taxpaying culture". It is formed through interaction and compatibility between actors. Besides organizations' cultural indicators and developments playing a key role in the explanation of tax culture in historical terms, environmental conditions and restrictions are also influential in defining and development of tax rules.

The process of tax culture is divided into multiple levels. First, the government has a determining part in the formulation of rules and regulations for the tax system and taxpayers. Second, taxpayers as the citizens of a state, have the right to both vote and choose in that country's flow of civil and political engagements; and in this way, it can be mentioned that taxpayers indirectly play a substantial role in the formulation of tax rules and regulations (Holler, 1993).

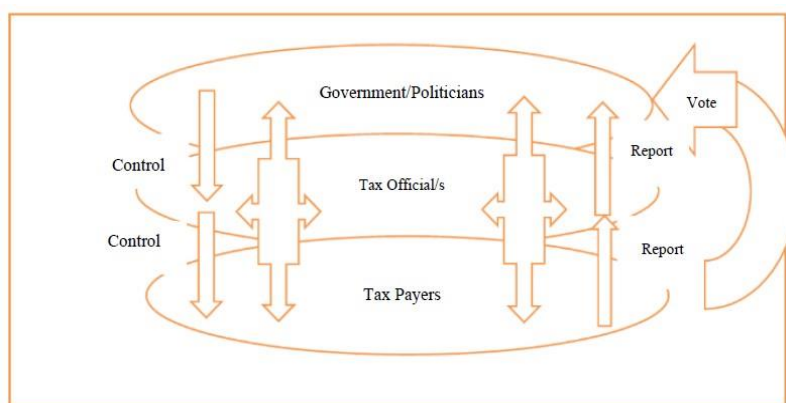


Figure no.1- the importance of taxpayers' role

Tax Evasion

"Tax evasion" and "tax avoidance" both are done for escaping the payment of the tax, and the tax avoidance is the abuse of the gaps existing in the tax law; but, overall, any illegal attempt for not paying all or a part of the tax is called "tax evasion". Despite diverse definitions existing in this regard,

"tax evasion" in short is a deliberate illegal act, for instance, declaring a lower and unreal income, manipulation of financial accounts, providing false financial data or not providing such information, etc. are the most common types of tax evasion (Chow and Ling, 2009) Tax evasion negatively impacts the economy and leads to the failure in earning the

revenues needed by the government. Furthermore, it causes that revenues are not distributed properly in the society, and accordingly, the accumulation of capital by a specific group not only prepares the ground for the reinforcement of this group but also this class gap increases the political and social tensions inside the society. Finally, the economic security required for the promotion of economic and investment activities will be hindered. Such a phenomenon puts obstacles before the economic growth in mid-term and long-run (Pazhooyan and Omidpoor, 2017). Economists used to determine factors such as tax rate, tax payer's share of income subject to tax, the possibility of tax auditing and specifically, tax penalties as the causes of tax evasion, nonetheless, psychological research suggest that internal variables like taxpayers' attitude towards the government and taxation, individual values, social values, equality and ... are important (Torgler, 2019). Although the increase of tax incomes and the fight against tax evasion are the chief purposes of each tax system, all tax laws and regulations of all countries are not fully observed; there are ever some taxpayers who seek to violate regulations, and this issues have long concerned and challenged every government. And for this reason, they have attempted to make taxpayers observe tax conditions and regulations, but despite all these attempts and activities, tax evasion still exists (McGee and Howley, 2008). Overall, the variables recognized as associated with tax evasion, which studied by credited research across the world, are highly diverse and as follows:

- Cultural dimensions (Tsakumis, Curatola and Porcano, 2007);
- Economic boom (Porcano, Tsakumis and Curatola, 2011);
- Public expenses (Halla and Schneider, 2010);
- Individual variables like religiousness, trust in government and being law-abiding (Torgler, 2003);
- The mutual relationship between citizens and government, i.e. citizens are provided with service equal in value to what they have paid (Goat, Levati and Sosgrabir, 2005).
- Taxpayers' interpretation and belief about the quality of the services provided by the government (Cullis and Lewis, 1997).

Organizational Culture and Tax Evasion

In the 1750s, Taylor introduced culture as an "individual's lifestyle". Taylor's definition of culture won greater acceptance in that era. He described culture as "a complex set that includes knowledge, belief, arts, ethics, law, customs and other capabilities and habits that man, as a part of the society, needs them." Each person develops her unique instances of thoughts and conducts, and these shape the abstract examples of the culture. There exist many differences both between cultures as a whole and their insides; this cultural diversity plays a major part in life. This diversity is specifically present in modern societies (Radaev and Vadim, 2001). In the late 1960s, Hofstede launched some comprehensive studies aimed at suggesting the part and impact of cultural differences of societies and organizations on the administration and performance of organizations. He introduced a four-dimension model for the introduction and comparison of cultural differences. They include Power distance, uncertainty avoidance, individualism versus collectivism, and masculinity versus feminism. Having focused on cultural diversity, his study has been recognized as a highly thoroughgoing experimental study carried out so far (Hofstede, 1980). The majority of financial studies consider culture as the "black box", and it has been rendered those cultural dimensions of impact on tax evasion unexplored (Richardson, 2008).

They remained to be uncharted territories until the time that two research delved into the association between culture and tax using Hofstede's cultural dimensions, and these works were followed by the many further ones. The first study was carried out by Tsakumis et al. in 2007, and the second by Richardson (2008). In the first study, Tsakumis et al. (2007), using the OLS Regression analysis, analysed the relationship between the dependent variable, tax evasion, and the independent one, Hofstede's cultural dimensions. The results of OLS regression analysis demonstrated that a positive association exist among tax evasion, uncertainty avoidance, masculinity and power distance, but the relationship between tax evasion and individualism was negative.

Later, Richardson (2008) expanded the results of Tsakumis's work. In addition to Hofstede's cultural dimensions, Richardson investigated three

indicators of law, policy and religion. With regard to the results of OLS regression analysis, a significant relation was found between uncertainty avoidance and individualism and tax evasion. Richardson (2008) maintained that the high level of uncertainty avoidance and low level of individualism raise tax evasion. Gabour (2012), relying on Tsakumis's study, in his research dealt with the links between tax evasion and Hofstede's national cultural dimensions. The results of this research illustrated that there is a significant relationship between tax evasion and Hofstede's cultural dimensions. As the results of OLS demonstrate, a positive relationship exists between uncertainty avoidance and power

distance, yet, individualism and masculinity have a negative relationship with tax evasion. The present research examines the general question that whether the organizational culture impacts tax evasion or not. In the following section, in order to formulate hypotheses, all four cultural dimensions of Hofstede (1980) are dealt with and the link between each of these four aspects with tax evasion is explored.

Ambiguity Avoidance (or Uncertainty Avoidance)

Ambiguity aversion or uncertainty avoidance is defined as the level of threat felt by the members of culture towards an unknown or uncertain situation (Hofstede et al., 2010) This cultural indicator pertains to people's level of desire for stability and predictability of affairs and reflects how much people can tolerate doubt, uncertainty and risk. In societies with a high index of uncertainty avoidance, there exist an abundance of regulations, laws and complexities. Uncertainty avoidance is centered on how much people in a society can stand uncertainty and ambiguity and vice versa (Hofstede, 1980). Once people consider the tax structure as complex, they attempt to evade the taxes levied on their incomes. Richardson (2006) and Milliron and Toy (1988) provide some irrefutable evidence suggesting that there is a positive relationship between tax complexity and tax evasion. On the one hand, some studies have shown that a negative relationship exists between trust of the masses in governmental institutions, that is, if people see the government expends the tax revenues on desirable social ends, public welfare

and provision of public services, it negatively influences the increase of evasion by taxpayers. All in all, the lower is people's uncertainty avoidance, the more they rely on their state's governmental institutions, and in this situation, they regard the government's activities as accountable and as done for the establishment of social justice; however, people in the cultures with a high level of uncertainty avoidance don't trust governmental systems that impact their lives; they often feel that the legal system of their country is against them, and consequently, it lowers their interest and motivation for paying taxes, and as a result tax evasion and violation of laws and regulations is increased. This statement is confirmed by researchers like White, Nochoko and Barnes (1993), Husted (1999), Tsakumis, Curatola Porcano (2007). With regard to the aforementioned theoretical foundation, it seems that people in cultures with higher levels of uncertainty avoidance are less inclined and motivated to pay taxes.

In accordance with these theoretical foundations, the first hypothesis of the research is formulated as, "The increase of uncertainty avoidance raises the corporate tax evasion."

Masculinity

Values in a masculine society include for being better, competing and winning. But, in a feminist society, the attention to others, maintaining training/educational values and quality of life are significant (Hofstede, 1991). In a society with lower masculinity, education and quality of life are more important. A masculine society is more concerned with competition and material achievements ("male" characteristics). On the contrary, a culture with a lower masculine attribute is rather engaged in education and acquiring a high level of life quality (female characteristics) (Hofstede, 2001). According to the results of Douppnik and Tsakumis (2004), the positive links existing within a masculine society lead to the divulge of more information as the masculinity attribute is more inclined to publish the information of the people outside of the company (Douppnik et al., 2004); masculinity has a greater tendency for showing up its better performance and occupational success, thereby, its tax compliance is rather an act for prevention from the imposition of financial penalties and tarnishing its image

(Tsamumis et al., 2007). Hofstede (2011), showing the negative interaction between masculinity and the absence of strict punishment for lawbreakers, advocated the mentioned concept. The masculine society, rather than being lenient, is focused on penalties and strict punishment, and thus, this society is far more motivated (and inclined) to comply with the law (Husted, 1999). In the masculine society, violation of laws and regulations is subject to punishment and penalties, and concerning tax, non-compliance with tax rules and regulations causes many penalties. However, less masculine cultures are more inclined towards the correction rather than punishment and penalties. As per the theoretical foundations mentioned earlier, it seems that people in cultures with higher levels of masculinity have more tendencies and motivations for paying taxes.

As the above theoretical foundations suggest, the second hypothesis of the research is formulated as, "The increase of masculinity lowers the corporate tax evasion."

Power Distance

Power distance is the inequality among the members of society; in a society with big power distance, there is an inequality of power and wealth among its members, and those of power and wealth enjoy specific privileges. Power distance applies to the method of management and dealing with human inequality and injustice by societies. In a society with a big power distance, citizens have come to terms with inequality and injustice across organizational hierarchy as something usual. But in those with small power distance, there is a minimum of inequality among people, and the hierarchy in that society exists solely for the facilitation of conduction of affairs and not for providing a specific group with privileges and advantages (Tsakumis et al., 2007) In a society with big power distance, the tax system is unfair as it bestows some specific benefits upon those of power and wealth; and the outcome of such a situation is that the members of this society see this distance and the special privileges given to a specific group (those of power and wealth), and no longer will be any motivated or inclined to pay taxes (Begue, 1976). In this type of cultures, the tax system not only contributes to the lowering of the level of social justice, but it also widens the class gap existing among different groups of the society, it adds

to injustice and also potentially creates more motivations for tax evasion (Tsakumis et al., 2007). On the contrary, those in the cultures with smaller power distance consider the power and wealth inequality as something undesirable; in such cultures, there are fewer income differences, and the number of these differences is reduced with the help of fair tax systems (more income, more tax) as people are generally more inclined to pay tax and comply with tax laws and regulations. Thereby, in these cultures, which own efficient ruling tax systems, tax collection- as a chief manifestation of sovereignty and tool for the establishment of social justice- is fulfilled appropriately, and it results in the government's reliance on tax incomes. As per the theoretical foundations provided earlier, it seems that people in cultures with bigger power distance are less inclined and motivated to pay taxes.

In accordance with these foundations, the third hypothesis of the research is formulated as, "The increase of power distance raises the corporate tax evasion."

Individualism

In an individualistic society, progress and interpersonal relationships are advocated and fostered. Here, similar value standards apply to all people (Hofstede, 1980). Individualism appertains to individual's level of independence and her conception and view of her own self; the existence of individualism in a society proposes that people prefer to act individually rather than collectively (Hofstede, 1984). In individualist societies, the relationships among people are not strong; in this society, usually, each person is primarily concerned with her own self or family. Collectivism refers to those societies in which people, shortly afterwards their birth, enter into some strong and cohesive groups; and this link and group membership is maintained during the person's life so that the group supports her in return of her total loyalty (Hofstede et al., 1991). That is, a tribe or organization defends the interests of its members and in return, it expects them constant loyalty. Group aims, needs and views are priorities over personal wants by the members of the group. In other words, collective social norms are preferred to individual ones. Usually, the individualist societies believe that values should be shared by people all. And laws, regulations and

process should be implemented globally and for all (Trump Narizz and Turner, 1998). It seems that with such conditions, tax systems can act fairly and justly, .e. tax rules and regulations can be enforced on all people similarly so that th distribution of tax loadings is done fairly (Sandford, 2000). Therefore, in cultures with a high level of individualism, the tax loadings should be distributed fairly and equally, the fact that leads to less tax evasion, and in this situation, people usually comply with laws and have more motivations and tendencies to pay taxes for they view the tax system as fair (Spicer, 1974; Milliron and Toy, 1988). And on the contrary, once the tax system is unfair, and the distribution of tax loadings is unfitting to people's incomes, people will be more motivated for not paying taxes, and it brings about more non-compliance with laws and regulations and more tax evasion. In collectivist societies, some standards may be different from a group to another one. Since all tax laws may be seen and assessed differently by different groups due to their different interests, the tax system is regarded unfair; and for this reason, taxpayers don't comply with tax laws as they don't regard laws fair, they further believe that the interests of a specific group are served by those laws and regulations (Richardson, 2008). In a society with a collectivist culture, laws and regulations are not the same for all people. However, individualist societies believe that rights and laws should be the same and equal for all. Accordingly, in highly individualist cultures, there are more accurate regulatory and leadership systems, and as a result, people are more compliant with laws and regulations, including tax ones, and due to their enjoyment of better regulatory and leadership systems, the level of tax compliance and morale is higher in such societies (Tsakumis, 2007). As per the theoretical foundations mentioned above, it seems that people in cultures with a higher level of individualism are more inclined and motivated to pay taxes.

According to these foundations, the fourth hypothesis of the research is formulated as, "The increase of individualism raises the corporate tax evasion."

2. Literature Review

Roth et al (1982) in a study on the relationship between the culture and tax compliance claim that different cultural conditions contribute to people's

different interpretations of events and issues, and accordingly, it can shift individual's view towards tax. Different cultural environments are possible to change approaches and views.

Cummings et al. (2004) in a work examined the role of culture in tax behavior. The results of this research suggested that in addition to tax laws and regulations, some other factors impact the tax behaviors of taxpayers. Taxpayers' tax behavior is a function of cultural and social norms, and these norms, together with binding laws and regulations, are needed to be studied as an optimal means of enhancing tax compliance and reduction of tax evasion.

In their research, Lu and Hu (2005) dealt with the links between the tax culture and tax morale. According to their results, those of inadequate tax culture, who haven't received education and information on tax and tax system and the outcomes of paying taxes, have weak tax morale. In those specific conditions where by taxpayers are not informed of taxes, tax system and their positive impacts in the society, the tax evasion is acceptable.

Tsakumis et al. (2007) analyzed the relationship between organizational culture and companies' tax evasion in 50 countries across the world. In the said study, Hofstede's cultural dimensions (1980) were utilized for measuring the organizational culture of different countries. The results of this work illustrate that the national culture is a highly significant factor in determining the level of tax evasion in different states.

Brizi et al. (2015) in research studied the factors impacting tax compliance. This study showed that factors like tax laws, trust in the political system plus personal and social norms affect tax compliance.

Brink et al. (2016) examined the effect of culture and economic structure on the tax morale and tax evasion; they demonstrated that cultural and structural variables directly impact the amount of tax payment, and thus while making policies, policy-makers should consider behavioral aspects that affect taxpayers.

Azizi et al (2017), having studied the economic and non-economic components which impact tax compliance of taxpayers, showed that the reform of tax structure and adoption of optimal tax policies entails knowing taxpayers and economic and non-economic factors that affect their compliance behavior.

Khajavi and Kermanshahi (2017) dealt with the personal attitude and tax compliance. Their findings demonstrated that the profundity of people’s belief in religion and faith, patriotism, transparency and accountability of the government and the existence of a fair tax system can hinder tax evasion.

Heidari et al (2019) examined the tax culture within the semantic system of taxpayers. According to them, the tax culture of taxpayers are impacted directly by the variables of tax systematicity, mutual trust between actors and the efficiency of tax consumptions, and indirectly by the variables of transparency of tax laws and tax authoritarianism, and again indirectly by variables of tax fairness and officials’ economic health.

3. Research Method

In terms of purpose, the present research is applied, and concerning its method of conduction, it is a survey, and it is correlational due to the relationship existing among its variables. The data collection tool used by this work is the standard questionnaire. In order to assess the variable of “tax evasion”, Crow standard questionnaire (1994), and for measuring the “organizational culture”, Hofstede’s standard questionnaire (1980) were used whose validity and reliability were previously corroborated. The former included six statements/questions on tax evasion and the latter had 26 statements and nine questions on masculinity, five questions about uncertainty avoidance, five questions on individualism and six questions about power distance. The scoring of

statements was done using Likert 5-point answering scale, that ranges from “strongly agree=5” to “strongly disagree=1”. The statistical society of the study include financial managers of those companies admitted to Tehran Stock Exchange except for the financial intermediary companies like banks, investment funds, insurances, etc., and each director was considered as the representative of a company. Moreover, companies had to meet some criteria including, the end of their financial year should be 29th of Isfand in the Persian year [equal to March 19]; the tax of the company should be finalized; tax and financial information were required to have no pause or interval. Once these criteria were fully met, in 2019, the questionnaires of the research were sent to 135 companies previously admitted to Tehran Stock Exchange randomly and using electronic methods or handed to them in person, and finally, 110 questionnaires were filled in. it is noteworthy that the present study has used the structural equations model for testing the hypotheses. The PLS software was also employed for the analysis of the data and testing the pattern and the verification of the model.

3.1. Research Conceptual Model

Besides the analysis of the structural equations modelling, the links among the variables were examined with the regression using the method of the least squares under study. And the tax evasion variable is the dependent variable of the research.

$$TEVA_i = \alpha_0 + \beta_1 PD_i + \beta_2 IDV_i + \beta_3 UA_i + \beta_4 MAS_i$$

The Variable of the Research Conceptual Model	
Uncertainty Avoidance (Avoidance of Ambiguity) UA	Weak values show low uncertainty avoidance, and high numbers show high levels of uncertainty avoidance.
Power Distance	Weak values show small power distance, and high numbers show big power distances.
Individualism (IND)	Weak values show high levels of collectivism, and higher numbers show high levels of individualism.
Masculinity (MASC)	Weak values show high levels of masculinity, and high numbers show higher levels of individualism.

Tax Evasion-Craw Questionnaire 199€

Weak values demonstrate less tax evasion and high values show more tax evasion.

46.43 per cent had 10-20, and 18.37 had 20-30 years of working experience.

4. Research Findings

Demographic Descriptive Statistics

Demographic aspects are the ones forming the discrete nature of this present study encompassing gender and education. The research sample, in terms of gender, was a combination of men (63.5%) and women (36.5%); concerning education, it was a collection of holders of PhD (13.3%), MA (39%), BA (44.100%). The age and experience formed two demographic variables of the study that are continuous; in respect of age, samples were from 24 to 63 years old; 47.6 per cent of the sample were 24-40 years old, 53.3 per cent were older than 40-63 years old, and concerning experience, they had 1-30 years of experience, 35.2 per cent had up 2- 10,

Descriptive Statistics of Research Variables

The structure of Hofstede’s cultural values forms the independent variables of this study, a second-order structure that itself is composed of 4 components. These components are masculinity, individualism, uncertainty avoidance and power distance; the following table provides the descriptive features of all the variables of the study. Following the omission of the outlier data and the incompletely filled in questionnaires, and after the examination of research variables based on Kolmogorov–Smirnov test, the data, in terms of distribution and normality, are not normal, and thus, the SMART-PLS structural equations software, not sensitive to the normality, is employed.

Table no. 1. Descriptive data and normality of the Research Structures

Variable	Mean	Standard deviation	Kolmogorov–Smirnov value	Significance
Masculinity	26.796	6.230	0.173	0.000
Individualism	11.082	3.759	0.231	0.000
Uncertainty Avoidance	11.357	5.507	0.291	0.000
Power Distance	16.694	5.607	0.135	0.000
Tax Evasion	25.857	3.760	0.329	0.000

Assessment of the Modeling

The assessment of the modelling in the structural equations falls into three categories, done through the structural measurement of the model (the reliability of indicators, factor loadings, convergent validity, divergent validity and collinearity), assessment of the structural model (coefficient of determination, predicting criterion and significance of

the path coefficient) and the assessment of the general model .As mentioned earlier, for the reliability of the structures, two important criteria can be extracted from SEM-PLS (both presented in the following table); as per the below table, the least Cronbach's Alpha=0.810 and combined reliability=0.755, both values are more than 0.7, and thus, the measurement devices all are of good reliability.

Table no. 2- Summary of reliability indicators

Structure	Cronbach's Alpha	Combined Reliability (CR)
Ambiguity Avoidance	0.926	0.944
Tax Evasion	0.858	0.894
Power Distance	0.882	0.910
Individualism	0.817	0.872
Organizational Culture	0.810	0.755
Masculinity	0.900	0.918
Minimum Reliability	0.810	0.755

Factor Loadings

Factor loadings are the values of the indicators' correlation with the structure itself. once the factor loading is lower than 0.3, the said relation is considered as weak and thus, it is neglected. The factor loading between 0.3 and 0.6 is acceptable, and when it is more than 0.6, it is highly desirable (Cline, 1994). And, if it is more than this value, at the minimum level of 95 per cent, it should be important. Factor loadings of morality are at least 0.741 (bigger than 0.4) and those of structure and associated with Hofstede's cultural dimensions are at least 0.730 (bigger than 0.4), furthermore, they are significant at the confidence level of 95 per cent;

they have desirable reliability in their measurement model.

Validity-AVE

Another criterion for the assessment of measurement model is the convergent validity that is measured using the average validity extracted (AVE) (or the average of the common values), besides, it should be noted that the more the better this factor will be (Barcelo et al., 1995) and its critical number, as per Fornell and Lacker (1981), is at least 0.5. According to the below table, all the AVEs of the structures are above 0.5 (0.554-0.772) and all are standing on the 95 per cent of confidence.

Table no. 3- Convergent Validity-AVE

First Order Exogenous Structure	AVE	Mean	Standard Deviation	T Statistics	Significance
Uncertainty Avoidance	0.772	0.772	0.009	84.804	0.000
Tax Evasion	0.584	0.584	0.036	16.325	0.000
Power Distance	0.629	0.629	0.011	57.034	0.000
Individualism	0.577	0.575	0.022	26.532	0.000
Masculinity	0.554	0.553	0.014	39.916	0.000

Fornell - Lacker (Divergence of Structures)

Via this method, the correlation of the structure and its indicators with other structures are measured. Here the interaction of a structure with indicators is required to be stronger than its interaction with other structures. Therefore, as per Fornell-Lacker criterion,

in this method, the AVE of each reflective structure ought to be higher than its maximum of correlation with other structures, therefore as the following table suggests, this criterion is met here; in all the cases this value exists, and there is a desirable divergence among structures.

Table no 4-Divergent Validity- Fornell-Lacker

Fornell-Lacker	Uncertainty Avoidance	Tax Morale	Power Distance	Masculinity
Uncertainty Avoidance	0.878			
Tax Evasion	0.266	0.764		
Power Distance	0.370	0.232	0.793	
Individualism	-0.370	-0.504	0.389	
Masculinity	-0.083	-0.230	0.242	0.744

Collinearity (Variance Inflation Factor-VIF)

A method for assessing the models of constructive structures is the analysis of collinearity on two levels of structures and indicators that are measured using the variance inflation factor (VIF). For the

desirability of the constructive structures, this factor should be lower than 5 (Davari and Rezazadeh, 1393: 99), and here all VIF values belonging to structures were maximally 1.371 and those of the indicators were 3.238, all lower than five, and thus, there are no problems in terms of

collinearity between structures and indicators.

Significance of Coefficients

The standard coefficients of culture structures (uncertainty avoidance, power distance, individualism and masculinity) on the tax evasion is as presented in

the below table, that all are significant at the confidence level of 95 per cent. The components of individualism and masculinity have negative impact/s on tax evasion, and the components of power distance and uncertainty avoidance positively affect tax evasion.

Table no. 6- Significance of coefficients of the impact of the culture second-order structures on tax morale

Path	Path Standard Coefficient	Mean	Standard deviation	T-value	Significance
Uncertainty Avoidance-> Tax Evasion	0.214	0.224	0.056	3.797	0.000
Power Distance->Tax Evasion	0.216	0.228	0.038	5.687	0.000
Individualism->Tax Evasion	-0.458	-0.466	0.067	6.804	0.000
Masculinity->Tax Evasion	-0.220	-0.236	0.051	4.306	0.000

Assessment of the General Model of Goodness of Fit (GOF)

The goodness of fit (GOF) is a criterion utilized for the assessment of the general goodness of fit in Smart-PLS. It appertains to the assessment of the general section of the research model. Via taking the square root of the result of the multiplication of the reflective structures' common values by the mean coefficients of determination of the endogenous structures (geometric mean of the two

arithmetic means of common values and coefficient of determination), the value of the said factor is calculated; acceptable values for the low, medium and high values of GOF were respectively determined at 0.01, 0.25 and 0.36.

With regard to the table below and the mean of the coefficient of determination and the mean of the common values-respectively observed to be at 0.552 and 0.592- the GOF value of the model is equal to 0.519 (higher than the quorum, and thus, according to this indicator, the model has goodness of the fit).

Table no. 9- Goodness of Fit (GOF)

Endogenous Structure	Coefficient of Determination (R ²)	Common Value (C)	Redundancy of Structures (R ² *C)
Uncertainty Avoidance	0.434	0.772	0.335
Tax Evasion	0.282	0.584	0.165
Power Distance	0.556	0.629	0.349
Individualism	0.520	0.577	0.300
Masculinity	0.367	0.554	0.203
Mean	0.432	0.623	0.270
Goodness of Fit (GOF)	The Square root of the result of multiplying the mean determination coefficient in the mean common value		0.519

Test of Research Hypothesis

Standardized Beta coefficients were employed for the determination of the strength of the relationship existing between two variables; and the examination of the significance of the relations was done applying the t-vale, calculated with Smart PLS and using the Bootstrapping algorithm. In case the value of the path coefficient between the

independent latent variable and the dependent latent variable is positive, it is concluded that once the independent variable is increased, the dependent variable will also grow, and inversely, if the value of the path coefficient between the independent latent variable and the dependent latent variable is negative, it is recognized that once the independent variable is reduced, the dependent variable will also become smaller

Table no. 10- Path Standard Coefficients and Test of Research Hypothesis

Hypothesis	Path	Path Standard Beta Coefficient	Standard Deviation	T-value	Significance	Result
Impact of Organizational Culture on Tax Evasion	Path->Tax Evasion	-0.260	0.047	5.482	0.000	Confirmed
Impact of Uncertainty Avoidance-> Tax Evasion	Uncertainty Avoidance->Tax Evasion	0.214	0.056	3.797	0.000	Confirmed
Impact of Power Distance on Tax Evasion	Power Distance->Tax Evasion	0.216	0.038	5.687	0.000	Confirmed
Impact of Individualism on Tax Evasion	Individualism->Tax Evasion	-0.458	0.067	6.804	0.000	Confirmed
Impact of Masculinity on Tax Evasion	Masculinity->Tax Evasion	-0.220	0.051	4.306	0.000	Confirmed

Conclusion

This study deals with the association/s between the organizational culture and corporate tax evasion in the companies admitted to the Tehran Stock Exchange. The hypotheses of the research were formulated based on Hofstede's cultural framework. The results of the research suggest that uncertainty avoidance and power distance have a positive impact on corporate tax evasion, and this impact is significant at the confidence level of

95 per cent, i.e., if the power distance and uncertainty avoidance are increased,

corporate tax evasion is also raised. The results of this hypothesis conform to those of the research by Schuler (1998), Husted (1999) and Tesakumis (2007).

As per the results of the present work and views of the companies' directors, the existence of a bigger power distance is commensurate with the unfair distribution of power and wealth; an unfair unjust tax system provides a specific group of influence with tax exemptions and reliefs, therefore, it reduces the motivation and tendency for payment of taxes and diminishes compliance with tax laws. The results of this hypothesis conform to those of Tsakumis (2007), Spicer (1974), Hight (1992) and Hofstede (1991). As the results of the hypothesis test illustrate, individuality has a negative effect on tax morale, and it is significant at the confidence level of 95 per cent. Companies stated that once laws, regulations and process are enforced

globally and to all, tax laws and regulations are also applicable to all groups the same. In addition, the findings of this investigation show that once the level of individualism is raised, the tax loading is distributed fairly, and it also results in less tax evasion. Besides, the results of this hypothesis match those of Hofstede (1980), Schwartz (1994), Sandford (2000) and Richardson (2008).

The results of the masculinity hypothesis have negative impacts on tax evasion, and it is significant at the confidence level of 95 per cent. Those societies with a masculine characteristic have stronger desires to succeed and win, and due to their attention to the existence of penalties and punishments, they are more inclined to divulge information; consequently, they do the same concerning taxes and compliance with tax laws and regulations, moreover, they are more tended to pay taxes, and as result, tax evasion is reduced in these societies. The results of this hypothesis are commensurate with those of Douppnik et al. (2004), Tsakumis (2007), Spicer (1974), Hight (1992) and Hofstede (1991).

With regard to the tested hypotheses by this study, and applying the restrictions of this study, it is proposed that:

- 1) The future research can examine the relationship of the organizational culture and tax evasion while having an eye on control variables such as economic ones or individual characteristics.
- 2) To assess the organizational culture and tax evasion, some further devices can be

considered and the outcomes of those measurements can be compared to the results of this paper.

- 3) Concerning the statistical society, companies can be categorized based on their type, size and capital structure.

Certainly, there are some limitations in the conduction of each research, including:

- a) the high number of questions in questionnaires
- b) Some participants are not much inclined to fill in the questionnaires;
- c) (As a natural limitation of the research) some questions of the questionnaires may be interpreted wrongly;
- d) And finally, the results of this study should cautiously be generalized to other taxpayers since the statistical society of this study was solely composed of those companies admitted to Tehran Stock Exchange as legal entities.

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