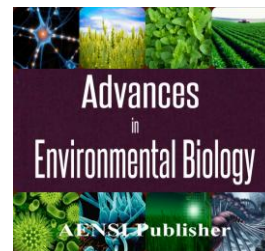




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Estimated Tax Capacity of Kermanshah Province with Value-Added Approach

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ABSTRACT

Background: Taxes, an important role in financing the one hand, and on the other hand the economic regulation play. Tax law, to adopt an appropriate tax policy, act as a factor of economic equilibrium. **Objective:** So consider how to increase tax revenue, as part of government revenues, is of particular importance, and therefore an accurate estimation of tax capacity, and identifying new sources it seems necessary. **Results:** In this study, a review of the basic concepts of tax at the macro level, and factors affecting the tax capacity, for the first time, the tax system in terms of components in Kermanshah province, during the period (1993- 2005), have been studied. With the tax base (value added economic sectors), to estimate the capacity of provincial tax paid, and have been evaluated. **Conclusion:** After calculating the capacity of the tax, the value added of the sector in 2002 (order to tax base), it was found that the in tax effort, less than one-sixth (15/5%) of the tax capacity, and saw a 84.5 percent tax gap in our province. However hypothesis is confirmed, because of the financial strength of most of the province's tax revenues.

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INTRODUCTION

The government, for its financing costs, the need for a source of income, which, undoubtedly, in particular tax revenues, are considered the best source of income for the government. In other words, the most economical means of providing these expenses tax. The role of financial leverage, the economic reform and fiscal policy, the advantage of this concept is, therefore, the share of tax revenues in GDP is higher, indicating a healthier economy. So that the share of developed countries, more than 40 percent of their gross domestic product, is formed, while in our country, this contribution is less than 10%, and in most parts of the country, even the portion of 4% is lower. Unfortunately, despite the government's efforts in recent years to reform the tax system, but the tax share of GDP and public spending is low. Given these qualities, it is, as an effective strategy to address the tax revenues, which is no doubt in this regard, accurate identification of tax resources, and efficiently determine the capacity of the tax, the tax revenues will be. The studies in this regard, the developing countries have shown that, in most of these countries, the potential tax (the tax rate), and the amount of tax proceeds realized, there are significant gaps that, in Our country is a considerable gap. Therefore, in the present study are as follows: First, the real power of provincial taxes, to be determined. Secondly, the efficiency of the tax system determined. Thirdly, to identify existing gaps in tax revenues and the efficiency of the administrative remedies provided. steps, and to exit from reliance on oil revenues, which has helped a national goal.

Literature:

Tax capacity:

Fiscal capacity, including important issues that, despite its importance, in the short-term and long-term planning, organizing and implementing the reform, it has been paid. But the reality is that if we consider the increased tax revenue, estimated tax capacity is essential. Tax capacity is calculated when the first phase of a comprehensive definition of the concept of tax capacity value. Therefore, the first step is to provide a definition of our fiscal capacity. The concept of tax capacity, high definition proposed that, to some it is. In other words the amount of tax is the tax capacity, the ability to pay it. In other words, fiscal capacity, the maximum tax that,

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given the level of income distribution, composition and rules of each country, is in a long-term receivable. The three major factors in determining the effective tax potential:

1. production or income population (national production of national income)
2. distribution of income and wealth among the population.
3. The rules and regulations (including tax)

Due to add Comments: tax capacity is the maximum tax, depending on the level and composition of income distribution and the laws of the country, is taking a long-term period. Naturally, if the tax is a tax of more capacity, reduced income and tax revenue in the coming years will be, and if the tax is less than the potential of the government to achieve its economic objectives, financial difficulties will be encountered. In fact, when most of the proceeds of the tax capacity (potential) which is trying to increase tax revenues, the result would be. Tax capacity necessary information, the capacity of a country or region, in mobilizing resources to meet the tax, financial and administrative problems of economic policy provides. In this regard, it is noteworthy, however, the capacity of the tax may be regarded as part of that, taxation over it, bring economically disastrous results. By Category, Mr. Elias Naderan capacity of the three categories of national income tax, national capital and capital markets division is final [1].

A) the capacity of national income tax:

The ability of national income tax, the tax revenues generated within the framework of existing laws. This capability can be used in various limitations, human, economic structure, economic and tax mechanism, evaluated. Human factors: the set of relations, culture and practices of their own. Tax capacity for the production of two hinges. One of income for the owners of the means of production, capital, labor, and the result, and the purchasing power of households in the procurement of goods and services have earned. This depends on the total manpower of the community, and staffing of the major factors affecting the production. The role of this factor in tax capacity is well defined. Economic factors: Since the tax capacity based on economic capacity. The economic factors of the basic factors, and effective in determining the tax capacity. These factors are examined from two directions. Economic structure: industrial countries generally, than countries with agricultural economy, the fiscal capacity of the property are determined by the turnover and mobility of wealth they are super fast. So if the tax system in a way that at each stage of the flow of wealth, to determine the share of the tax, the tax rate will play an important part in increasing capacity. However, in countries with agricultural economy, because of the slow circulation of wealth, and consumption of agricultural products by family farmers themselves, fiscal capacity than other industrialized countries, fewer shows, as well as the distribution of income, a decisive role in determining the tax capacity will be important. Because of different income classes, mixed reaction, to show taxes. Economic mechanism in the development of prices, the income tax return is extremely high nominal. But on the contrary it should be noted that, in these circumstances, the actual capacity of the tax, markedly reduced, because the revenues obtained lose its purchasing power. And on the other currencies, driven in a way that is both possible and profitable return on investment, with more facilities available for transactions, and the possibility of tax evasion is as simple as possible. In fact, we can say that, during periods of economic recovery, prosperity, crisis, and record tax capacity varies depending on the choice of the tax system. Tax laws, regulations, enforcement tools at the operational steps, to the extent that if law enforcement is not worthy, its implementation will linger, a good host if good laws, and is not compatible, her performance helpful not. The capacity of the country's tax laws related, tax tables, progressive taxes, incentives and tax deductions tax represents the orientation and movement of the underlying tax system of the country [5].

B) The national capital tax capacity:

The capacity of the revenues, the national capital and supplementary tax capacity, national income. That is, government spending and investment, and to provide, in addition to the revenues of the tax funds they receive. Such as inheritance tax is a tax increase, the national capital or through an increase in the value of different types of capital, either through natural increase, the increase of wealth takes place. Increasing the value of different types of capital: capital gains or through the mechanism of economic value added, or the result of government action or result of monetary factors. Add the capital value of the economic mechanism, be noted that, at different stages of the economic value of some assets increased, and a broader tax basis will be awarded. The withdrawal of capital transfer tax is done. This transfer may be through inheritance or through the exchange takes place. Add the capital value of the activity, it must be said that the activities of development projects, social and infrastructure spending that takes place in urban development and building projects such as the construction of factories and ports, etc. are , and therefore the value of the property and assets of adjacent lands, increasing forever. This is an example of the added value created for the private sector resulting from the activities of the state. So part of this added value should be returned to the government in taxes. Also added to the capital value of money, money is a means to measure the value of capital, but today its value has fluctuated money, and not stable. Real increase in national wealth, changes in the value of wealth is money calendar. But may actually increase the capacity of the national capital tax measure is working. In that case, only the

assessment of the wealth derived from economic activities which formed the basis on which income and national saving is not used, will be paid. Sometimes economic evolution, and both hand and to be coordinated, and it often happens that the wealth is concentrated in the class of the society. So that the result of this focus, the lack of coordination has intensified, and not necessarily the final to avoid severe economic crisis, and to modify the social and economic classes, great wealth on the basis of certain heavy taxes.

C) Investors consider:

Investments in different economic sectors, and in different areas of the sector, productivity and profitability are different. The government adopted a policy in terms of the constitution and implementation of policies emanating from the goals of the Islamic Republic, part of the economic activities in favor, and the other part is the opposite orientation. Therefore, the different instruments of economic policy, to strengthen economic activity, and inhibition of non-economic activities, and to apply the appropriate levers. Tools such as political, economic, financial and tax systems, however measured, in this direction. This fiscal policy, tax capacity can be changed. Important parameters determining fiscal capacity, especially in developing countries, including tax revenue, GDP, GDP, imports, exports per capita income, per capita exports, production and value added economic sectors (industry, agriculture, services and mining) , and other qualitative and quantitative factors. The fiscal capacity index, is a perfect tool, so by the different provinces of the country's tax revenues, compared to the provincial average tax revenue, the provinces in the area of tax analysis, if the index is greater than one, indicating that the contribution of , out of the total provincial tax revenues of the country, more and more capabilities in order to increase provincial income tax on the rich. The study is to evaluate and determine the capacity of the index of Kermanshah tax (value added economic sectors) is. In Table 1, the amount of tax capacity of the country, during the Plan, and the Plan of the years 2000 to 2005 years is given. Among the 30 provinces of Kermanshah, the sixteenth place in the highest tax capacity has been that, in fact, is close to the national average [6].

Table 1: Tax capacity of Kermanshah, in comparison to the region, based on tax revenues from 2000 to 2005 years (in0.0)

year						Name Province
2005	2005	2004	2002	2002	2001	
1.52	1.4	1.54	1.64	1.82	1.94	Azarbayijan Sharghi
0.69	0.57	0.57	0.66	0.72	0.66	Azarbayijan Gharbi
0.31	0.24	0.23	0.26	0.27	0.26	Ardebil
3.21	3.2	3.82	3.06	3.46	3.95	Isfahan
0.21	0.16	0.19	0.14	0.12	0.11	Ilam
2.1	1.97	2.21	1.14	0.59	0.46	Bushehr
4.34	4.52	2.31	4.37	4.61	4.22	Tehran
0.28	0.23	0.2	0.2	0.21	0.21	Charmahal Bakhtiari
2.23	2.23	1.44	2.35	2.33	2.46	Khorasan
2.73	2.7	3.61	2.79	2.54	2.38	Khozestan
0.47	0.43	0.54	0.53	0.56	0.53	Zanjan
0.39	0.33	0.39	0.31	0.29	0.3	Semnan
0.43	0.33	0.3	0.37	0.23	0.34	Sistan and Baluchestan
1.76	1.56	1.61	1.8	1.71	1.79	Fars
0.83	0.86	1.23	1.1	1.21	1.155	Qazvin
0.37	0.3	0.28	0.32	0.32	0.33	Qom
0.3	0.24	0.28	0.23	0.23	0.22	Kordestan
1.155	0.94	1.02	0.89	0.87	0.88	Kerman
0.54	0.5	0.45	0.45	0.45	0.48	Kermanshah
0.16	0.14	0.15	0.12	0.15	0.13	Kogiluyeh and Boyerahmad
0.39	0.32	0.27	0.34	0.33	0.34	Golestan
0.87	0.72	0.74	0.83	0.77	0.93	Gilan
0.42	0.35	0.4	0.34	0.35	0.41	Lorestan
1.05	0.9	0.85	1	1.06	1.19	Mazandaran
1.07	1.04	1.45	1.12	1.07	0.87	Markazi
0.76	0.68	0.86	0.6	0.56	0.53	Hormozgan
0.44	0.37	0.31	0.43	0.42	0.34	Hamadan
0.69	0.68	0.77	0.62	0.54	0.59	Yazd
0.13	0	0	0	0	0	Khorasan Jonoobi
0.14	0	1.52	0	0	0	Khorasan shomali

Source: Vice President of Strategic Planning and Monitoring

D) Tax attempt:

To compute a local tax effort, we have identified the potential of the tax. The determination of the tax capacity of a country, or even a region can show us how much effort to mobilize resources tax, applied, and to what extent can these resources is increasing. Tax effort, as a key indicator, in a review of the tax system, ie the ratio of the collected taxes, the tax potential. This index is to be determined by it, in obtaining a tax system that

taxes should be collected would have been successful or not. Compare countries on the basis of tax effort, in the context of further increases in tax revenue, specifies. Of course this also applies to the provinces.

E) Tax efficiency:

Efficiency of the tax system, and set tax rates so that the maximum tax revenue for the government to have the highest, the most important concerns of any economic system is considered. Tax efficiency of tax collection (de facto), the GDP of the region. In fact, these indicators show that the actual situation and the efficiency of the tax system, is how a country or region. It is a fact that, rather than in developing countries, especially in our country relative to developed countries, much less. Tax performance indicators to evaluate the role of tax revenues in GDP provinces used. The index of tax revenue, the non-oil GDP is calculated. If the state or region, this share is low, indicating that, in the different sectors of the economy including private, public and cooperative even state-owned enterprises, and foreign investment in the creation of added value, but much of the revenues State tax, in the creation of GDP is insignificant. Check taxes to GDP ratio in 1342 Salhay84- shows that the ratio is 3 to 9 percent, fluctuated. Table (2) The value of this indicator in different provinces of the country, 2000 to 2004 years to come [4].

Table 2: Tax efficiency of Kermanshah, in comparison to the region from 2000 to 2004 years (percent).

year					Name Province
2005	2004	2002	2011	2001	
1.75	1.15	1.83	2.37	2.22	Azərbayjan Sharghi
1.39	0.79	1.42	1.75	1.38	Azərbayjan Gharbi
1.18	0.61	1.11	1.37	1.15	Ardebil
2.36	1.75	2.33	3.17	2.97	Isfahan
1.94	1.39	1.62	1.55	1.39	Ilam
7.45	4.62	3.46	2.56	2.04	Bushehr
0.87	0.26	0.75	0.94	0.82	Tehran
1.82	0.87	1.43	1.63	1.54	Charmahal Bakhtiari
1.91	0.68	1.72	1.95	1.85	Khorasan
2.69	2.15	2.33	2.48	2.01	Khozestan
2.36	1.74	2.8	3.51	2.7	Zanjan
1.91	1.44	1.92	1.96	1.87	Semnan
1.54	0.77	1.47	1.49	1.41	Sistan and Baluchestan
1.75	1.04	1.83	2.1	1.99	Fars
3.05	2.46	3.39	3.76	3.28	Qazvin
1.43	0.79	1.39	1.55	1.49	Qom
1.19	0.81	1.03	1.23	1.02	Kordestan
1.86	1.18	1.53	1.68	1.27	Kerman
1.61	0.86	1.39	1.65	1.63	Kermanshah
1.62	0.97	1.18	1.77	1.55	Kogiluyeh and Boyerahmad
1.09	0.52	1.04	1.24	1.09	Golestan
1.59	0.85	1.52	1.64	1.75	Gilan
1.41	0.89	1.21	1.31	1.41	Lorestan
1.28	0.66	1.24	1.51	1.62	Mazandaran
2.25	1.83	2.1	2.2	1.79	Markazi
1.58	1.34	1.5	1.53	1.36	Hormozgan
1.18	0.6	1.18	1.43	1.1	Hamedan
2.99	1.83	2.24	2.23	2.36	Yazd

References: Vice President of Strategic Planning and Monitoring

F) The Tax Gap:

Two categories of tax avoidance and tax evasion can be the reason for the tax gap. The important thing is that there are differences between the two, and that is when there is tax avoidance, tax payers to change their behavior so that, legally reduce your tax liability. However, tax evasion, tax evasion and failure means that, in accordance with the law, he is responsible. (Einollah: 1999), for example, the tax is levied on the goods and people that sell fewer goods, avoiding the tax is. But if the seller of the goods, the actual sale of goods is reported (deny), is tax evasion. However, after careful assessment of tax capacity (tax potential), and compare it with the actual performance of tax revenues (taxes actually), can be used to determine the amount of the tax gap. In simpler terms, the gap between actual tax (collected), the potential tax (the tax of the community) to, say tax gap. In fact, the two can be deducted, in order to mobilize more resources and better tax, a significant step up. According to the research that has been conducted on the tax capacity across the country have shown that a considerable gap between actual and potential earning capacity of the country's two properties mentioned there. This is usually the result of several factors. For example, the tax system, and provincial tax authorities, tax resources largely been identified, but the refusal (non-compliance), some taxpayers or tax not enabled some cases, this effect has been detected low is.

G) principles, the review of tax capacity:

The capacity of the tax principles that should be considered include the following: clear principle: the tax each individual is bound to pay, and must pay and how payments, certain, and knowledge of the tax payer, and deductions etc. is. The easy, time and manner of payment of taxes should be adjusted so that the payment will not put too much pressure on the taxpayer. Principle of conservation: it is clear that any tax system is not without cost. The gimmick is that, very carefully about whether the administration costs, the benefits are worth it or not, should be considered. Obviously, the situation becomes more taxes, fees, the administration also increases. It would be equally well, the optimal management of tax increases, ie, the sum of the costs of collection (overload + Office finance costs) is minimal. The principle of justice, for justice and equitable distribution of the tax burden on the tax-paying public to participate in, and tailored to their property and income taxes. Justice can be evaluated both vertically and horizontally. In fairness vertical distribution of the tax burden between those who have a different ability to pay attention and to implement the press should give more tax. An old standard for the design of a good tax system, justice is horizontal. There must be people who have the same condition, the same behavior. Horizontal equity is the basic concept of justice orientation. However, to use this criterion to be "the same" as defined. Typically, some indicators show the ability to pay such income, expense or liability to be used in the same situation. However, this criterion holds, though there are two in the absence of taxes, have the same welfare, after taxes have the same level of welfare. And are generally not tax compliance order (welfare) change. [3]

H) review of national studies:

The tax capacity in the years 1984 and 1985, the study has been produced with the financial capacity, will be mentioned below. Estimated tax potential in the Civil Service, the research by large, was conducted in 1984, as a function of the value added tax capacity, number of employees and investment, income distribution, and tax laws governing economic activity, The department knows. In addition to the main part of the tax, on the one hand is in direct contact with oil revenues, and the other hand on indirect revenue share accessible, such as the rights and duties is based. Tax rate, the tax capacity of the tax tried, in determining the amount of revenues: This study was conducted in 1985 by Kordbacheh ratio of tax revenues collected by the tax capacity as an indicator to measure tax effort is intended to values indicate more appropriate, to increase tax revenues. Also, fiscal capacity to a level of taxation is applied, where the tax base used to be moderate. Equations using the statistical period 1979 - 1974 for developing countries, the method of least squares (OLS) estimates that, the results indicate that the ratio Real tax, equivalent to 7.8 per cent in the period That's among the 61 countries studied, has won 60 ranking [7].

I) Review of Regional Studies:

the tax capacity, including case studies on the issue of tax capacity, the research on the potential tax Hamadan province of Mazandaran and Azerbaijan Sharghi and Khorasan, Qazvin has been done, the more points will. Estimated tax capacity of the province: the research thesis Mr. Hamid Reza Nikoo, and to help Ebrahim Hoseini Nasab, Tarbiat Modarres University, has been in 1996 years, the estimated capacity of the province's tax, tax prerequisite resource mobilization, to respond to financial difficulties and economic policies being implemented, and tries to two fundamental questions: 1. How much of Hamadan province, has been successful in mobilizing resources tax, 2. To what extent can be equipped facilities in the province increased tax revenues, answer. Refinement, good sir, in this study, some of the basic concepts of tax capacity, account set, and thereby causes the necessity of taxes, the economy suggests that, in addition, the tax system's performance and Hamadan, in recent years Review the data, during which the overall characteristics of tax revenues, in Iran. The most important of which are the small percentage of tax revenues, the total revenues, economic dependence on oil revenues, combined improper internal taxes, tax capacity utilization, and low tax effort, low stretch and non-tax revenues sufficient flexibility tax, the tax base changes, and finally there's a massive tax breaks. Lovely beautiful, in their study presents the econometric model for estimating tax capacity Hamadan province to the conclusion that the four variable segments of the industry, mining, agriculture and the literacy rate of Hamadan, the greatest impact in determining the tax rate or capacity played provincial tax. Estimated tax capacity of the province (1998-1971): In this study, master's thesis, Mohammad Hosein Ehsan Far, and to help Khosrov Pira'i the Faculty of Humanities, University of Mazandaran, carried out the most appropriate criterion for calculating the estimated capacity tax as the tax base in different sectors. In this study, to obtain a tax base in different sectors of the economy, the calculated value added sectors in the province. The dependent variable in the model, the ratio of total tax or local tax, the region's GDP, and value-added economic sectors, and the literacy rate, per capita income is used as a substitute for, the explanatory variables of the model form. Estimated tax capacity of the province, in this study using a time series of data, for the period 1998 - 1971 and is based on standard econometric methods have been carried out, showing the gap between the potential of the tax, and the tax proceeds realized is found. The estimated coefficients of the model suggests that the positive effects of industry, mining and services depends on variables that have the greatest impact on the creation of tax capacity, the

service sector has played. Tax capacity and tax effort, using the statistics for the variables used in the model during the studied period, the value of the model are calculated by taking the GDP of the province's fiscal capacity has been calculated. Finally, by comparing the estimated tax collection and tax capacity, during the study concludes that, in the actual tax system is inefficient [2].

Research Methodology:

A) hypothesis:

More financial power of the province, the province's tax revenues.

These hypotheses can be considered in terms of the following questions:

1. What are the sources of potential tax?
2. the realization of how much tax?
3. The performance of existing tax revenues, compared with actual performance is what?
4. Does the provincial tax on resource mobilization has been successful?
5. What strategies can be offered in this respect?

B) Return time and location of research: determining the tax capacity study, political and geographical divisions of the province of Kermanshah and the current review period, between 1993 to 2005.

Analysis of Data:

Study hypothesis: the taxation of the province, most of the province's tax revenues To test this hypothesis, the data related to value-added economic sectors in the province of Kermanshah, the tax base is used. The estimated tax capacity, for these sections after gathering information and statistics on small workshops and large (in terms of work now), has been done. It should be noted in this calculation, tax cuts economic sectors are also taken into consideration, and finally comparing the estimated tax capacity, the tax collected to answer this hypothesis. Overall, the study hypothesis (estimated capacity of tax) that, through information on the value of different economic sectors (workshop 2002 census), is as follows.

1. Separation of the different economic sectors, based on the type of activity: The following section is thus: mining, industry, water, construction, wholesale, hotel, restaurant, transportation, brokerage, real estate
2. Separation of active sites in each of the sectors mentioned above, the number of employees: a workshop from 1 to 10 people employed in occupations group (individuals), and workshops in more than 10 individuals in the group companies (legal persons) is located.
3. Calculate the total staff employed in each of the sectors by multiplying the number of workshops in the number of employees
4. Use the statistics for each value, the economic part of the statistics that separate workshops fewer than 10 employees, and more than 10 people working from the national accounts of the region, in 2002 that of the Statistical Centre of Iran, is published each year.
5. Calculate the average value added per worker: This is a breakdown product of value, Subdivision Number of employees (total natural and legal persons) in the following section.
6. The value added Workshops: Workshops value multiplied by the value added per worker, the number of employees for the natural and legal persons.
7. value added, employment and salary after deduction of exemptions in order to calculate the after-tax value of employment, value added workshop, the product of the tax rate in 2002 (equivalent to 1,740,000 dollars) in the number of employees dropped. The calculation of the natural and legal persons, for the same purpose.
8. Calculate the amount of tax on natural and legal persons in the area of tax for each workshop is calculated. Due to the separation of workshops, working groups of individuals and entities, tax these two forms of business tax, and corporate tax group is calculated. Jobs in the tax group (individuals), the calculation of tax, business tax exemption limit to the amount of 30,000,000 dollars, in 2002 and in excess of the value added tax on the table, the tax is calculated. Taxation of corporate tax rate of 25% with a fixed value is calculated.
9. Calculation of tax: As mentioned, the tax calculated in the previous section, is solely based on the number of employees. In order to calculate the total tax amounts are multiplied by the number of workshops. The calculation of the natural and legal persons, for the same purpose. This process of sub mining, industry, water, construction, wholesale trade, hotels and restaurants, transport, intermediation, real estate, independently conducted, and ultimately represents an estimate of the total tax capacity of the province.
10. The following section compares the total taxes, the total tax collected in 2002

Table 3: Determine the capacity of the tax, the mining sector (millions of dollars)

Number of employees	The number of workshop	Total number of employees	VAT Workshops	Value added, employment and salary after deducting exemptions	Taxation of natural persons / legal	Total tax
1	3	3	370	368	91	274
2	3	6	740	736	202	605
3	3	9	109.1	104.1	317	952
4	2	8	479.1	472.1	446	892

5	3	15	849.1	840.1	575	725.1
7	8	56	588.0	576.2	833	661.6
Gathering of individuals		97				111.11
14.5	1	14.5	362.5	336.5	334.1	334.1
24.5	1	24.5	059.9	018.9	254.2	254.2
39.5	2	79	606.4	537.14	634.3	269.7
74.5	0	0	548.27	418.27	855.6	0
299.5	0	0	745.110	224.110	556.27	0
749.5	0	0	141.277	837.275	959.68	0
1000	0	0	769.369	027.368	007.92	0
Total legal entities		118				857.10
Value added in mining sector				79500		
The per capita value added per worker				370		
Total tax natural and legal persons						968.21

National accounts and accounts of the country of origin of the detailed results of the general census 81. Workshop 2002. Statistical Center of Iran.

Table 4: Determine the tax capacity in the industrial sector (millions of dollars)

Number of employees	The number of workshop	Total number of employees	VAT Workshops	Value added, employment and salary after deducting exemptions	Taxation of natural persons / legal	Total tax
1	4547	4547	42	40	6	255.27
2	2892	5784	83	80	14.5	888.41
3	1271	3813	125	120	23.5	830.29
4	695	2780	167	160	23.5	255.23
5	357	1785	208	200	43.74	512.15
7	311	2177	292	280	64.9	189.20
Gathering of individuals		20886				928.157
14.5	203	2943.5	605	579	145	406.29
24.5	41	1004.5	022.1	979	245	035.10
39.5	25	987.5	647.1	578.1	295	865.9
74.5	15	1117.5	107.3	977.2	744	164.11
299.5	15	4492.5	489.12	968.11	992.2	880.44
749.5	2	1499	245.31	950.29	487.7	975.14
1000	0	0	700.41	960.39	990.9	0
Total legal entities		12045				324.120
Value added of industry				1373200		
The per capita value added per worker				42		
Total tax natural and legal persons						252.278

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Table 5: Determine the tax capacity in the water sector (millions of dollars).

Number of employees	The number of workshop	Total number of employees	VAT Workshops	Value added, employment and salary after deducting exemptions	Taxation of natural persons / legal	Total tax
1	40	40	70	68	10.3	411
2	20	40	140	137	27.7	555
3	23	69	211	205	44.9	031.1
4	10	40	281	274	63.0	632
5	12	60	351	342	83.7	005.1
7	18	126	492	479	124.8	246.2
Gathering of individuals		375				880.5
14.5	25	362.5	018.1	993	248	206.6
24.5	13	318.5	720.1	678.1	409	452.5
39.5	8	316	774.2	705.2	676	410.5
74.5	6	447	231.5	102.5	275.1	652.7
299.5	4	1198	030.21	509.20	127.5	509.20
749.5	2	1499	628.52	324.51	831.12	662.25
1000	0	0	217.70	477.68	119.17	0
Total legal entities		4141				891.70
Value Added of Water sector				317100		
The per capita value added per worker				70		
Total tax natural and legal persons						771.76

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Table 6: Determine the tax capacity in the construction sector (millions of dollars).

Number of employees	The number of workshop	Total number of employees	VAT Workshops	Value added, employment and salary after deducting exemptions	Taxation of natural persons / legal	Total tax
1	290	290	325	324	78.1	652.22
2	156	312	651	647	175.2	334.27
3	79	237	976	971	272.3	514.21
4	37	148	302.1	295.1	384.2	215.4
5	25	125	627.1	618.1	497.5	437.12
7	19	133	278.2	266.2	724.1	757.13
Gathering of individuals		1245				908.111
14.5	21	304.5	719.4	694.4	173.1	642.24
24.5	8	196	973.7	931.7	983.1	861.15
39.5	5	197.5	855.12	786.12	197.3	983.15
74.5	3	223.5	245.24	116.24	029.6	087.18
299.5	2	599	469.97	948.96	237.24	474.48
749.5	0	0	916.243	612.242	653.60	0
1000	0	0	438.325	698.323	925.80	0
Total legal entities		1520.5				046.13
Value Added of Building				000.900		
The per capita value added per worker				325		
Total tax natural and legal persons						954.234

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Table 7: Determine the tax capacity in the wholesale sector (millions of dollars).

Number of employees	The number of workshop	Total number of employees	VAT Workshops	Value added, employment and salary after deducting exemptions	Taxation of natural persons / legal	Total tax
1	30671	30671	32	31	4.6	479.141
2	8310	16620	65	62	10.8	754.89
3	1584	4752	97	92	17	851.26
4	463	1852	130	123	24.3	229.11
5	180	900	162	154	31.9	749.5
7	168	1176	227	215	47.3	949.7
Gathering of individuals		55971				011.283
14.5	56	812	471	446	111	243.6
24.5	24	588	796	753	188	521.4
39.5	10	395	283.1	215.1	304	037.3
74.5	2	149	421.2	291.2	573	146.1
299.5	1	299.5	731.9	210.9	303.2	303.2
749.5	0	0	353.24	049.23	762.5	0
1000	0	0	492.32	752.30	688.7	0
Total legal entities		2243.5				248.17
Value added in wholesale				1891500		
The per capita value added per worker				32		
Total tax natural and legal persons						259.300

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Table 8: Determination of tax capacity, the hotel and restaurant sector (millions of dollars)

Number of employees	The number of workshop	Total number of employees	VAT Workshops	Value added, employment and salary after deducting exemptions	Taxation of natural persons / legal	Total tax
1	981	981	50	48	7.2	050.7
2	511	1022	99	96	17.8	026.9
3	136	408	149	144	29.4	003.4
4	43	172	199	192	41.4	781.1
5	26	130	248	240	53.4	388.1
7	30	210	348	335	81.6	488.2

Gathering of individuals	2923			696.25	
14.5	6	87	720	695	174
24.5	3	73.5	216.1	174.1	293
39.5	5	197.5	961.1	892.1	473
74.5	1	74.5	699.3	569.3	892
299.5	0	0	870.4	349.14	587.3
749.5	0	458.31	213.37	908.35	977.8
1000	0	0	650.49	910.47	977.11
Total legal entities	432.5				180.5
Value Added of Hotel and restaurant sector					166,600
The per capita value added per worker		50	Other exemptions		3734
Total tax natural and legal persons					142.27

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Table 9: Determination of tax capacity in the transport sector (million dollars)

Number of employees	The number of workshop	Total number of employees	VAT Workshops	Value added, employment and salary after deducting exemptions	Taxation of natural persons / legal	Total tax
1	1795	1795	128	126	25	799.44
2	224	448	255	252	56.5	656.12
3	65	195	383	377	94.2	126.6
4	50	200	510	503	132	600.6
5	34	170	638	629	169.7	771.5
7	76	532	893	881	245.2	638.18
Gathering of individuals		3340				590.94
14.5	72	10.44	850.1	825.1	456	842.32
24.5	22	539	125.3	083.3	771	956.16
39.5	13	513.5	039.5	970.4	243.1	153.16
74.5	11	819.5	504.9	374.9	334.2	779.29
299.5	1	299.5	207.38	386.37	422.9	422.9
749.5	1	749.5	614.95	310.94	577.23	577.23
1000	0	0	570.127	830.135	458.31	0
Total legal entities		3965				729.124
Value Added of Department of Transportation					931900	
The per capita value added per worker					128	
Total tax natural and legal persons					319,219	

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Table 10: Assessment of tax capacity, in part mediated (millions of dollars).

Number of employees	The number of workshop	Total number of employees	VAT Workshops	Value added, employment and salary after deducting exemptions	Taxation of natural persons / legal	Total tax
1	49	49	57	55	8.2	404
2	91	182	113	110	21	909.1
3	83	249	170	165	34.7	882.2
4	125	500	227	220	48.5	058.6
5	108	540	284	275	63.4	852.6
7	187	1309	397	385	96.4	030.18
Gathering of individuals		2829				134.36
14.5	58	841	822	3	199	555.11
24.5	4	98	389.1	4	337	347.1
39.5	8	316	240.2	5	543	342.4
74.5	3	223.5	224.4	7	024.1	071.3
299.5	2	599	982.16	461.16	115.4	230.8
749.5	0	0	497.42	193.41	298.10	0
1000	0	0	700.56	960.54	740.13	0
Total legal entities		2077.5				545.28
Value Added of Intermediation sector					278200	
The per capita value added per worker					57	
Total tax natural and legal persons					679.64	

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Table 11: Estimate of real estate tax capacity (millions of dollars).

Number of employees	The number of workshop	Total number of employees	VAT Workshops	Value added, employment and salary after deducting exemptions	Taxation of natural persons / legal	Total tax
1	1995	1995	284	282	65.6	891.130
2	968	1936	568	564	150.2	412.145
3	209	627	851	846	334.8	079.49
4	52	208	135.1	128.1	325.8	944.16
5	27	135	419.1	410.1	424.6	463.11
7	37	259	986.1	974.1	622	013.73
Gathering of individuals		51.60				802.376
14.5	17	246.5	115.4	089.4	022.1	380.17
24.5	6	147	952.6	910.6	727.1	365.10
39.5	7	276.5	209.11	140.11	785.2	495.19
74.5	3	223.5	141.21	011.21	253.3	759.15
299.5	1	299.5	990.84	468.84	117.21	117.21
749.5	0	0	687.212	383.211	846.52	0
1000	0	0	771.283	031.282	508.70	0
Total legal entities		1193				116.84
Value Added of Real estate				800.802.1		
The per capita value added per worker				284		
Total tax natural and legal persons						918.460

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Table 12: Tax capacity of Kermanshah, the sectors (millions of dollars).

Row	Title	Taxes Individuals	Taxation of legal entities	Total
1	Mine	11.111	10.857	21.968
2	industry	257.928	120.374	278.252
3	water	5.880	70.891	76.771
4	Building	111.908	123.046	234.954
5	Wholesale	283.011	17.248	300.259
6	Hotels and restaurants *	25.696	5.180	27.142
7	Transport	94.590	124.729	219.319
8	Intermediation	36.134	28.545	64.679
9	tenement	376.801	84.116	460.918
Sum		1.099.326	548.936	1.684.262

* Amounted to 3.734 million rials other cuts of hotels and restaurants.

With regard to the value added per unit, it can be concluded that the estimated tax capacity Kermanshah province is 1,684,262 million riyals, while the tax revenues, totaled 199.391 million dollars in 81 years, which, however tax effort of 11.8 percent. However hypothesis confirmed the financial strength of the province, most of the province's tax revenues.

Conclusion:

After calculating the estimated tax capacity, the research hypothesis explains. After calculating the capacity of the tax, the value added of the sector in 2002 (order to tax base), it was found that the tax capacity of Kermanshah 1,283,196 million riyals, while the tax revenues in the year, totaling 199.391 million dollars, that is, the low levels of financial performance of the province, every day. This would suggest that, in tax effort, less than one-sixth (15/5%) of the tax capacity, and saw a 84.5 percent tax gap in our province. However hypothesis is confirmed, because of the financial strength of most of the province's tax revenues.

Suggestions and recommendations:

1. The results of this study suggest that, in addition to a huge tax gap that exists in the current situation of tax revenues, tax efficiency and capacity of the province is very low compared to the national average, and this effect factors the high volume of agricultural activities, and the share of industry in total economic activity is low. This province according to its functionality, you can create the industries and the establishment of industrial units, in addition to realize the objectives of industrial harmony in the country, increased direct and indirect taxes, resulting from the production and income the unit is provided.
2. The current state of the tax system, and reviewing deferred taxes, and the most important measure of fiscal capacity of different provinces shows that the tax system of taxpayer compliance rate is very low. Therefore, our tax system must be reformed in such a way that, of the "tax compliance" is centered.

3. Therefore, to address this issue, a new engineering building on tax administration and tax laws and tax structure of the organization and be done.
4. The first step in order to achieve a successful and efficient tax system, the tax reform is the new engineering. It should simplify the rates and taxes, as well as ones for the transaction, and rental as a pilot employed. Now, one of the reasons for non-compliance of the taxpayer, to pay taxes voluntarily, and in general complex coefficient of tax evasion and tax rates.
5. If you want the principle of vertical equity in the tax system will have to implement the tax burden on low-income, upper middle classes that transfer, no doubt, through a tax on the transfer of property - Wealth consumption as Taxation less effort and possible profit.
6. One way to reduce the gap between actual and potential tax planning for deferred tax is collected to measure the deferred taxes in the country shows that the gap is enormous. Therefore, the implementation of appropriate pre-payment system (payment on account of tax) - a reduction of payment, as well as the indexing of payments, including the deferred tax reduction strategies.
7. Undoubtedly one of the causes of reduced capacity to tax, tax evasion. This status (tax evasion) when ruling that, in a society loses its tax and social justification. The lack of equitable distribution of the tax burden - how to deal with the administration of the tax payers, and lower levels of government accountability for the decisions made, and also not involved in the decision-making process leading to tax evasion, and reducing tax culture. Therefore, the increase of tax potential and actual tax gap can be reduced.
8. The results of the present study is that a bit of indirect taxes in total taxes especially taxes province. As a result of the progressive tax system, VAT and its flaws can be corrected, this share increased. Of course this must be done in such a way that once the tax consumption tax burden on low-income consumers are not transferred.

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