

**Research Article**

## **The relationship between corporate governance and value-added tax on Telecommunications Company**

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### **ABSTRACT**

The present study is an attempt to analyze the relationship between corporate governance and value-added tax on Telecommunications Company. The subsidiary goals of the study are the analysis of the relationship between indexes of board of directors and tax on added value, the analysis of the relationship between indexes of auditing and tax on added value, the analysis of the relationship between indexes of anti-monopoly (role of market at control) and tax on added value and the analysis of the relationship between reward and tax on added value. The location of research is Telecommunication Company of Hormozgan province. The present research is practical in terms of the purpose and data collection is correlational. The research population consists of the personnel of Telecommunication Company of Hormozgan province who are 556 personnel. Statistical sampling of the present study under Morgan table is 226 personnel of the Telecommunication Company of Hormozgan province. Sampling method was based on ordinal random method (on the basis of the position). On the basis of the findings in the first hypothesis there is a significant relationship between board of directors and tax on added value. On the basis of the findings in the second hypothesis there is a significant relationship between auditing index and tax on added value. On the basis of the findings in the third hypothesis there is a significant relationship between anti monopoly (role of market at control) and tax on added value. On the basis of the findings in the fourth hypothesis there is a significant relationship between reward index and tax on added value.

**Key words:** corporate governance, tax on added value, auditing, anti-monopoly, reward

### **INTRODUCTION**

There are several methods to define corporate governance that are variable from limited and focused definitions to companies against many groups of stock holders, individuals and beneficiaries. There is no definition of company governance in consensus. The available definitions of company governance consist of a vast range of limited perspective on one end and the expansive perspectives on the other end. In limited perspective the relationship between

company governance is limited to the relationship between company and the shareholders. This is an old pattern that represents the theoretical framework.

On the other end of the range company governance can be seen as a network of the relationships that exists not only between a company and its owners (shareholders) but between a company and many of its beneficiaries such as personnel, customers, sellers, bonds

holders etc. Such a perspective is seen within the theoretical framework of beneficiaries. General analysis of the definitions of company governance in scientific texts shows that all of them have a common and definite feature that is "responsiveness". Limited definitions of company governance are focused on the abilities of legal system of a country to preserve the rights of the minority shareholders. These definitions are basically apposite for the inter state comparisons and the rules of each country has a defining role in the system of company governance. Expansive definitions of company governance focus on further responsiveness towards shareholders and other beneficiaries. Expansive definitions show that companies are responsible against all of the society, future generations and natural resources (environment). In this perspective company governance systems are the obstacles and balance levers of inward and outward organizational for the companies that guarantee they fulfill their responsibilities against all beneficiaries and act responsibly in all acts of trade. Similarly the rationale behind this view is that the benefits of the shareholders can be met by considering the benefits of the beneficiaries. Companies can increase their value creation in long term and they do this by doing their responsibility against all beneficiaries and by optimizing company governance system (Hassas Yeghane, 2005). Taxes are the price or cost of the services of the state that the governments provide and the states require revenue resources for their services. In most countries taxes are the main resources of revenue for the governments. In our country taxes have provided a small part of the state revenues over the past years. The reason behind this trend might be the presence of easily obtained oil revenues that has moved the economy of the country towards a condition where tax is located at the margin of the state revenue resources. The interaction between the state and the people is a sign of democracy and the sole reliance of the state on oil revenues has damaged the organic relationship between state and the people and has

made governments lose their apposite efficiency and coordinate themselves with the sick structure of the economy.

For the same reason one of the corrective measures of the less developed states is to rectify their financial and tax structure. The emphasis of the international authorities such as international monetary fund(IMF) and the World Bank is on the financial and tax revisions in less developed countries in recent years. So that in the first part of the report of the international monetary fund concerning the economy of Iran in 2009 has supported the programs of the government in increasing its reliance on non-oil revenues and reducing subsidies. Deficient system of tax in some cases such as the law known as cumulative effects has reduced the competitiveness and profitability of the producers. The law of tax on added value to improve the economic and tax structure of the country was administered in the second half of the 2008. On the basis of the article 53 of the tax on added value law this law has been enforced experimentally for five years. Given the experimental nature of the administration of this law the analysis of the effect of this tax on economic variables would be significant.

#### **Statement of the problem**

Corporate governance is a system by which companies are guided and controlled (Ashegi Oskui, 2011, p.74). Corporate governance can appositely enhance the performance of the companies and their access to the financial resources and provide the sustainable economic development and progress. Corporate governance properly reduces the rate of susceptibility of the companies at the time of financial crises occurrence, reinforces the rights of the ownership and reduces the costs of the dealings and expenses of the capital and assist the capital market development (Ahmad vand, 2009, p.1) corporate operations depend on the relationship of representation between stockholders and managers. When the purpose of the company is to maximize the benefits of the stockholders to the highest rate the separation of stock ownership and

managerial decision making and control of the trade managers can lead to the controversy of the benefits and because of that it is possible that managers instead of acting for the benefit of the stock holders follow their own goals. The principles of the company governance have been established to create less contradiction of representation and more equilibrium between the benefits of managers and stockholders (Etemadi et al. 2010, p.35).

The subject of corporate governance was first introduced in 1990s in industrial countries such as England, Australia and some other European countries. The background of this issue returns to the Cadberry report which was announced in 1992. In this report the presence of fundamental stockholders and establishing internal control system and internal auditing were emphasized. This report was later reanalyzed by the Green berry committee in 199 and was finalized by Hampel committee in 1998. Most of the world states such as England, China, Korea, Canada, Australia, etc. have such a codified guiding system. In America after revealing the Watergate event and also the fraud in the capital market of America in 2001 a law entitled Sarbanes Oxley or corporate governance was codified (Yeghane et al, 2009).

Tax on added value is a type of indirect tax that is received as a ratio or a percentage of the value of an article. In other words, it is a type of indirect tax that establishes part of the price of the good (Gharabaghiyan, 1993) and tax on added value is the tax that is imposed on the value of any product at each stage of the production and distribution. In other words, tax on added value can be paid at any stage of the production of the goods and services to other producers or the final consumer (Jafari, 2004).

Less than 50 years ago tax on added value was only at a theory level but today the successful experience of the countries that have implemented this tax system instead of other tax systems has caused this system to be called as a revolution in the public financial literature. From 1954

afterwards countries such as Germany, France, Denmark, have been the pioneers of applying this system. Later in 70s other members of the European Union tried to implement the aforementioned tax system so that this system plays a significant role in the financial provision of the states (Bigdeli, 2004)

Generally what we are tracing in this article is the analysis of the relationship between the corporate governance and tax on added value in Hormozghan province Telecommunication Company.

### **Significance of the study**

In a general look corporate governance consists of legal, cultural and fundamental procedures that determine the direction and point of movement and performance of the companies. Elements that exist in this scene are the stock holders and the structure of their ownership, the members of the board of directors and their combination that are directed by the CEO or the superior administrative manager and other beneficiaries that have the possibility of influencing the movement of the company (Salman jill, 2005).

Over the latest decades the system of tax on added value has been implemented in most of the world countries. The countries that have not followed this system so far or have applied it with delay observe a lot of problems and concerns ahead of them and the most significant issue is that what impacts would tax on added value leave on the community and the welfare level of the citizens in general. The most significant influence of the tax on added value is to create economic stability in the country. As we know there is always reference to auto tax system stabilizers in economic literature. Automatic stabilizers are those tax variables that are converted on the basis of the economic fluctuations and reduce the rate of the increasing independent costs and therefore can provide the factors required to reduce the range of the economic fluctuations in the face of unwanted changes in the establishing components of internal gross production. Among these factors is the rate of income tax in progressive tax system that has

caused the reduction of economic fluctuation range and at crisis and depression periods has reduced the deviation from balanced situation. However if this system is replaced with tax on added value system where the tax rates are without connection with economic conditions and the progress and depression periods the role of automatic stabilizers have decreased in economy practically the possibility of developing economic fluctuation range is provided; therefore, applying this tax system particularly in communities which suffer lack of stability in economic process should be conducted with utmost care and precision (Ziyai Bigdeli, Tahmasebi Boldaji, 2004).

On the basis of the aforesaid issues the present study with a practical perspective tries to analyze the relationship between corporate governance and tax on added value in Hormozgan province Telecommunication Company. The findings of the present study would benefit Telecommunication Company to a considerable extent.

#### **The purpose of the study**

Major purpose:

Analyze the relationship between corporate governance and tax on added value

Subsidiary goals:

Analyze the relationship between board of directors' index and tax on added value

Analyze the relationship between auditing index and tax on added value

Analyze the relationship between anti-monopoly (role of the market on control) index and tax on added value

Analyze the relationship between reward index and tax on added value

#### **Field of study**

##### **Study location**

This study was conducted in Hormozgan province Telecommunication Company

##### **Study time**

This study was carried out in 2014-2015

##### **Study subject**

This study is an analysis of the relationship between corporate governance and tax on added value

#### **Research hypotheses:**

##### **Main hypothesis**

There is a significant relationship between corporate governance and tax on added value.

##### **Subsidiary hypotheses**

There is a significant relationship between board of directors and tax on added value.

There is a significant relationship between auditing and tax on added value.

There is a significant relationship between anti-monopoly (the role of market on control) and tax on added value.

There is a significant relationship between reward and tax on added value.

#### **Review of the related literature**

- Local researches:
- Aghahi Oskui (2014) has analyzed the relationship between corporate governance and added economic value of the companies accepted by Tehran stock exchange market. The basis of the study is the test of the relationship between components of corporate governance and added economic value with a 122 sample type from the accepted companies in Tehran stock exchange market over 2006-2009. This study is a descriptive-analytic study based on nominal data analysis. Multi purpose regression method and step by step regression has been implemented to estimate the regression and constant influences, incidental influence and the least square have been applied to estimate the regression. The results of the study reveal that among five components of the corporate governance (including fundamental investors of ownership, the percentage of the main shareholders, the percentage of the control shareholders, differentiating the role of the head of the CEO from the head manager and the percentage of the non-responsible members of the board of directors) only the variable of the percentage of

fundamental investors of ownership had a positive and significant relationship with added economic value. Besides that the causality of this variable with added economic value is confirmed on the basis of the Granger causal test. Irankhodro, mines and metals investors and Saipa Companies respectively have the highest corporate governance influence on added economic value.

- Baradaran (2012) studies the relationship between some corporate governance mechanisms with created value for the owners of stock and added economic value. The purpose of this study is to analyze the relationship between measures of corporate governance with added economic value for shareholders. In this study the added economic value for the shareholders has been estimated by the use of Fernandez model and the economic added value by the use of Stewart model has been done. This study is practical and in terms of methodology it is descriptive correlational. The research population consists of the accepted companies in Tehran stock exchange that by applying systematic omission method 69 companies were selected in this study. The study was conducted over the time period of 2006-2010. Multiple Regressions was applied to categorize the hypotheses. The results of the research show that from eight mechanisms of the corporate governance under the study four mechanisms (the rate of the influence of the state, the rate of the ownership of the fundamental shareholders, capital structure and the arte of the floating and free stock) have significant relationship with created value for the shareholders. Also from eight mechanisms of the corporate governance under the study three mechanisms (the rate of the influence of the state, the rate of the ownership of the fundamental shareholders, and the arte of the floating and free stock) have significant relationship with added economic value.
- Aghaie et al (2009) analyzed the relationship between the characteristics of corporate governance (ownership focus, fundamental ownership, the influence of director manager, mutuality of the responsibility of the director manager, size of the board of mangers, independence of the board of directors, dependence on loan and the time of holding position at board of directors) and the content of profit data in case of the existence of profit management in accepted companies over 2001-2007. To test the research hypotheses multi variable linear regression model through least square method was used. The research findings show that the relationship between fundamental ownership and (PGLS) combination of board of directors' independence with the profit data content at companies with high profit management incentive is stronger than companies with lower profit management incentive. Also from the vantage point of shareholders other features of the corporate governance (ownership focus, fundamental ownership, the influence of director manager, mutuality of the responsibility of the director manager, size of the board of mangers, independence of the board of directors, dependence on loan and the time of holding position at board of directors) has no significant influence on improving profit data content either at the time of presence of high profit management incentive or at the time of low profit management incentive.
- Foreign studies
- Allen Tit (1991) in a comprehensive study of the countries that have implemented tax on added value has analyzed the changes of goods price index and consumptive services and also credits and wages in 35 countries before and after the administration of the tax on the added value. In 22 countries (63% of the sample) there was no change of inflation rate after the administration of tax on added value or it was insignificant. In 7 cases the rise of the inflation

rate was only an abrupt rise and one country (Norway) after an abrupt rise in the process of goods price and consumptive services has experienced the increasing inflation. Therefore, in 29 countries or 83% of the research sample the administration of tax on added value did not accompany quick rise of the inflation. Allen Tit concludes that tax on added value can be administered without considerable inflation impact. He believes that after the administration no other automatic relationship would exist between changes of tax rate and inflation.

### Methodology

The implemented method in the present study is practical because it is meant to solve problems and questions quickly and take required measures. So that through this method the problems and obstacles ahead of the precise and accurate planning can be eliminated or reduce their intensity. On the other hand this study is descriptive and correlational in terms of data collection.

### Research population

The research population of the present study consists of Hormozgan province Telecommunication Company with 556 personnel.

### Sample and sampling method

Statistical sampling of the present study was conducted under Morgan table is 226 personnel of the Telecommunication Company of Hormozgan province. Sampling method was based on ordinal random method (on the basis of the position).

|              | Statistical population | percent | sample |
|--------------|------------------------|---------|--------|
| Managers     | 83                     | 14.9    | 34     |
| Clerks       | 162                    | 29.1    | 67     |
| Experts      | 198                    | 35.6    | 82     |
| Deputies     | 2                      | 0.35    | 1      |
| Authorities  | 111                    | 20.1    | 46     |
| Total Number | 556                    | 100     | 230    |

### Data collection instruments

In the present study to collect the required data the researcher-made questionnaire was applied in the following procedures:

| Row | Hypothesis                                      | Questions |
|-----|---|-----------|
| 1   | Board of Directors Index                        | 1 To 4    |
| 2   | Audit Index                                     | 5To8      |
| 3   | Antitrust Index (Role of the Market in Control) | 9To12     |
| 4   | Bonus and Tax Index                             | 13To16    |
| 5   | Value Added                                     | 17To23    |

### Data collection procedure

In this article in order to collect data the following methods were applied:

1- Library study: In this method after studying the books, journals, internet resources, and the data sites and after selecting the related material and making notes and translating the foreign texts were done.

2- Field study: In order to collect the data first the required co-ordinations were done with the officials of the Telecommunication Company of Hormozgan province. Later the questionnaires were distributed among the research population.

### Data analysis methods

Generally statistical methods are of two kinds:

#### 1. Descriptive statistics:

The most important factors of descriptive statistics are as follows: frequency, frequency percentage, mean, standard deviation, and variance

**2. Deductive statistics:** To establish a relationship between the research variables so that deductions through them can be done deductive methods such as correlation index and regression analysis by considering the hypotheses of the research are used and to this end SPSS software has been implemented.

### Data analysis

At this part after the data collection by the use of descriptive statistics which consists of central and scatter indexes of percentage, frequency and tables the sample would be described.

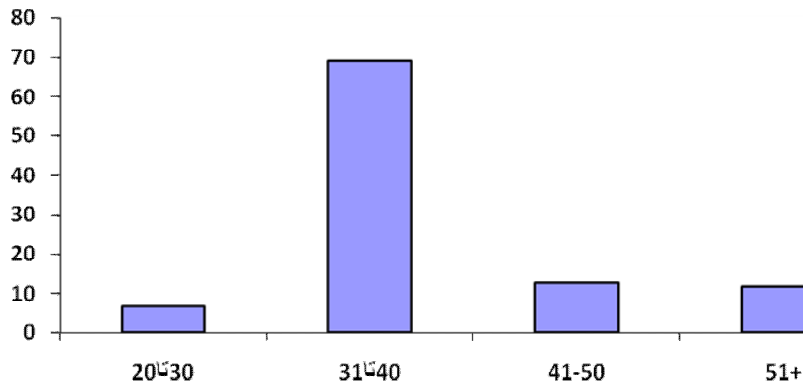
**Age of the participants**

The analysis of the data obtained from the questionnaire in terms of the frequency of the participants on the basis of the age of them is as follows: Table of samples' frequency distribution by (in terms of) test subjects' age Table of

frequency distribution of the sample population on the basis of the age of the participants

| Age   | Frequency | Percent |
|-------|-----------|---------|
| 20-30 | 15        | 6.6     |
| 31-40 | 156       | 69      |
| 41-50 | 29        | 12.8    |
| 51+   | 26        | 11.6    |
| Sum   | 226       | 100     |

Diagram of frequency and percentage of sample population on the basis of age



On the basis of the table and the diagram it can be observed that 15 persons equal to 6.6% of the respondents announced their age 20-30 and 156 equal to 69% 31-40, 29 persons equal to 12.8% 41-45, 26 persons equal to 11.6% 51+.

**Participants' sex**

The analysis of the data obtained from the questionnaire in terms of the frequency of the participants on the basis of the sex of the participants is as follows: Table of samples' frequency distribution by their sex (gender)

| Sex    | Frequency | Percent |
|--------|-----------|---------|
| Female | 87        | 38.5    |
| Male   | 139       | 61.5    |
| Sum    | 226       | 100     |

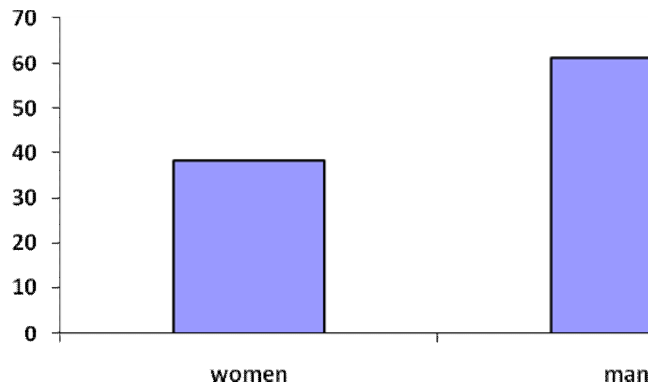


Table of frequency distribution of the sample population on the basis of the sex of the participants

Diagram of frequency and percentage of sample population on the basis of sex

On the basis of the table and the diagram it can be observed that 87 of the participants equal to 38.5% of the respondents are female and 139 equal to 61.5% are male.

**Education**

The analysis of the data obtained from the questionnaire in terms of the frequency of the participants on the basis of the education of the participants is as follows:

Table of samples' frequency distribution by education

| Education            | Frequency | Percent |
|----------------------|-----------|---------|
| Associate Degree     | 7         | 3.1     |
| Bachelor of arts/ BA | 123       | 54.4    |
| Master of arts/ MA   | 80        | 35.4    |
| Ph.D.                | 16        | 7.1     |
| Sum                  | 226       | 100     |

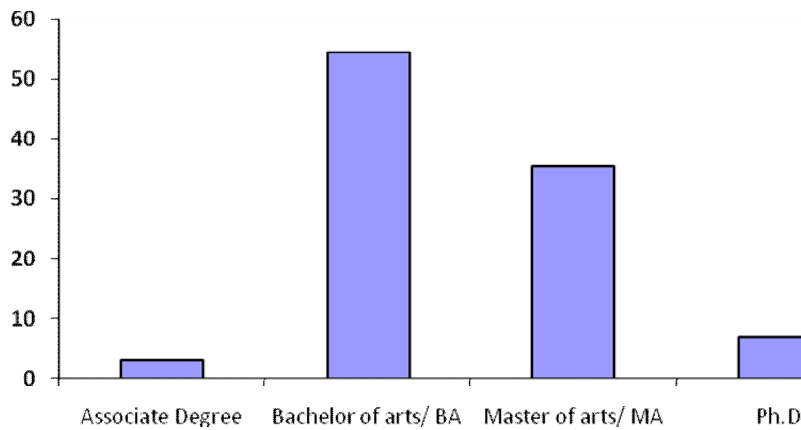


Table of frequency distribution of the sample population on the basis of the education of the participants

Diagram of frequency and percentage of sample population on the basis of education

On the basis of the table and the diagram it can be observed that 7 participants equal to 3.1% of the respondents are undergraduate, 123 participants equal to 54.4% bachelor, and 80 participants equal to 35.4% masters and 16 participants equal to 7.1% PhD.

**Years of service**

The analysis of the data obtained from the questionnaire in terms of the frequency of the participants on the basis of the years of service of the participants is as follows:

Table of frequency distribution of the sample population on the basis of the years of service of the participants Table of samples' frequency distribution by years of service

| Years of service | Frequency | Percent |
|------------------|-----------|---------|
| 1-5 years        | 18        | 7.9     |
| 6-10years        | 66        | 29.2    |
| 11-20years       | 93        | 41.2    |
| 21-30            | 49        | 21.7    |
| Sum              | 226       | 100     |



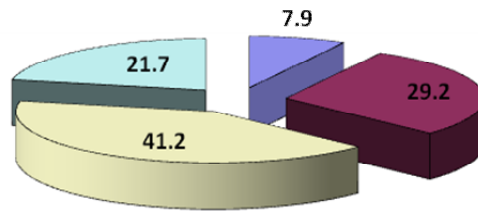


Diagram of frequency and percentage of sample population on the basis of years of service

On the basis of the table and the diagram it can be observed that 18 participants equal to 7.9% of the respondents have 1-5 years of service, and 66 participants equal to 29.2% 6-10 and 93 participants equal to 41.2% 11-20, 49 participants equal to 21.7% 21-30 years of service.

### Deductive statistics and hypotheses test

After describing the variables and the obtained responses from the research population at this part the analysis of the research hypotheses and statistical test of the study is conducted that is at this part the analysis of the obtained results are carried out to confirm or reject the formulated hypotheses in this study.

### Normalcy analysis of the data by means of Kolmogorov Simornov (K-S)

To make use of the statistical techniques first we need to determine whether the collected data has normal distribution or not. If the distribution of the collected data is normal then parametric tests can be implemented otherwise nonparametric tests are employed. To this end at this stage the analysis of the obtained data of the Kolmogorove and Smirnov test for each of the independent and dependent variables was conducted and on the basis of the obtained results the hypotheses are rejected or confirmed.

Kolmogorove and Smirnov test on the basis of normalcy of the data

On the basis of the following table results if the significance level is larger than the value of standard error the data has normal distribution and if smaller the variable data lack the normal distribution.

Kolmogorov-Smirnov test table

| Factor  | Meaningful level | error | conclusion |
|---|------------------|-------|------------|
| Board of Directors Index                        | 0.65             | 0.05  | Normal     |
| Audit Index                                     | 0.92             | 0.05  | Normal     |
| Antitrust Index (Role of the Market in Control) | 0.84             | 0.05  | Normal     |
| Bonus and Tax Index                             | 0.72             | 0.05  | Normal     |
| Value Added                                     | 124              | 0.05  | Normal     |

According to the results since the value of significance level for all variables is larger than the error value of 0.05 then these variables have a normal distribution.

### Research hypotheses test

#### Hypothesis 1:

There is a significant relationship between board of directors and tax on added value.

$H_0=0$  There isn't a significant relationship between board of directors and tax on added value.

$H_1 \neq 0$  There is a significant relationship between board of directors and tax on added value.

According to the results of the following table if the value of significance level is larger than error value null hypothesis is considered and in case the value of the significance level is smaller we consider hypothesis 1.

Table of the Pearson correlation coefficient test between board of directors' index and tax on added value

|                          |                         |       |
|--------------------------|-------------------------|-------|
| Board of Directors Index | Value Added             |       |
|                          | correlation coefficient | 0.352 |
|                          | significance level      | 0.000 |
|                          | number                  | 226   |

On the basis of the above tables since the significance level is less than 0.05 it can be inferred that  $H_0=0$  is rejected and  $H_1 \neq 0$  is confirmed. As it can be observed that at significance level of 95% there is a significant relationship between board of directors' index and tax on added value and the coefficient index is 0.352.

**Hypothesis 2:**

There is a significant relationship between auditing and tax on added value.

$H_0=0$  There isn't a significant relationship between auditing and tax on added value.

$H_1 \neq 0$  There is a significant relationship between auditing and tax on added value.

According to the results of the following table if the value of significance level is larger than error value null hypothesis is considered and in case the value of the significance level is smaller we consider hypothesis 1.

Table of the Pearson correlation coefficient test between auditing index and tax on added value

|             |                         |       |
|-------------|-------------------------|-------|
| Audit index | Value Added             |       |
|             | correlation coefficient | 0.310 |
|             | significance level      | 0.000 |
|             | number                  | 226   |

On the basis of the above tables since the significance level is less than 0.05 it can be inferred that  $H_0=0$  is rejected and  $H_1 \neq 0$  is confirmed. As it can be observed that at significance level of 95% there is a significant relationship between auditing index and tax on added value and the coefficient index is 0.310.

**Hypothesis 3:**

There is a significant relationship between anti-monopoly (role of market on control) and tax on added value.

$H_0=0$  There isn't a significant relationship between anti-monopoly (role of market on control) and tax on added value.

$H_1 \neq 0$  There is a significant relationship between anti-monopoly (role of market on control) and tax on added value.

According to the results of the following table if the value of significance level is larger than error value null hypothesis is considered and in case the value of the significance level is smaller we consider hypothesis 1.

Table of the Pearson correlation coefficient test between anti-monopoly (role of market on control) index and tax on added value

|   |                         |       |
|---|-------------------------|-------|
| Antitrust index (role of the market in control) | Value Added             |       |
|   | correlation coefficient | 0.204 |
|   | significance level      | 0.002 |
|   | number                  | 226   |

On the basis of the above tables since the significance level is less than 0.05 it can be inferred that  $H_0=0$  is rejected and  $H_1 \neq 0$  is confirmed. As it can be observed that at significance level of 95% there is a significant relationship between anti-monopoly (role of market on control) index and tax on added value and the coefficient index is 0.204.

**Hypothesis 4:**

There is a significant relationship between reward and tax on added value.

$H_0=0$  There isn't a significant relationship between reward and tax on added value.

$H_1 \neq 0$  There is a significant relationship between reward and tax on added value.

According to the results of the following table if the value of significance level is larger than error value null hypothesis is considered and in case the value of the significance level is smaller we consider hypothesis 1.

Table of the Pearson correlation coefficient test between auditing reward and tax on added value

|             |                         |       |
|-------------|-------------------------|-------|
| Bonus Index | Value Added             |       |
|             | correlation coefficient | 0.272 |
|             | significance level      | 0.000 |
|             | number                  | 226   |

On the basis of the above tables since the significance level is less than 0.05 it can be inferred that  $H_0=0$  is rejected and  $H_1 \neq 0$  is confirmed. As it can be observed that at significance level of 95% there is a significant relationship between reward index and tax on added value and the coefficient index is 0.272.

**Regression model fitness:** To analyze and present a model among the research variables after

analyzing the model efficiency indexes displayed in the following table a processed model is presented.

Correlation index between the dependent and independent variables is 0.421. Determination index is obtained at 0.18 and this value shows that 16% of the tax on the added value is related to the corporate governance influences.

| Model Summary   |                   |                |                   |                            |        |                   |
|---|-------------------|----------------|-------------------|----------------------------|--------|-------------------|
| Model   | R                 | R Square       | Adjusted R Square | Std. Error of the Estimate |        |                   |
| 1   | .420 <sup>a</sup> | .177           | .162              | .56491                     |        |                   |
| a. Predictors: (Constant), shakheseepadashvamaliat, shakheseheiatmodire, shakhesezedeenhesarboodan, shakhesehesabrasi |                   |                |                   |                            |        |                   |
| ANOVA <sup>b</sup>  |                   |                |                   |                            |        |                   |
| Model   |                   | Sum of Squares | df                | Mean Square                | F      | Sig.              |
| 1   | Regression        | 15.125         | 4                 | 3.781                      | 11.849 | .000 <sup>a</sup> |
|   | Residual          | 70.527         | 221               | .319                       |        |                   |
|   | Total             | 85.652         | 225               |                            |        |                   |

| Coefficients <sup>a</sup> |   |                             |            |                           |       |      |
|---------------------------|---|-----------------------------|------------|---------------------------|-------|------|
| Model                     |   | Unstandardized Coefficients |            | Standardized Coefficients | t     | Sig. |
|                           |   | B                           | Std. Error | Beta                      |       |      |
| 1                         | (Constant)                                      | 2.001                       | .230       |                           | 8.693 | .000 |
|                           | Board of Directors Index                        | .185                        | .048       | .256                      | 3.820 | .000 |
|                           | Audit endex                                     | .135                        | .062       | .156                      | 2.172 | .031 |
|                           | Antitrust index (role of the market in control) | .019                        | .056       | .023                      | .334  | .739 |
|                           | Bonus Index                                     | .111                        | .065       | .122                      | 1.704 | .090 |

a. Dependent Variable: arzesheafzoode

**DISCUSSION AND CONCLUSION**

On the basis of the obtained results about the first hypothesis since the significance level is less than

0.05 it can be inferred that  $H_0=0$  is rejected and  $H_1 \neq 0$  is confirmed. As it can be observed that at significance level of 95% there is a significant

relationship between board of directors' index and tax on added value and the coefficient index is 0.352. The results showed that company ownership through supervision has more influence on managers and by the purpose of controlling the opportunistic behavior of the managers and reducing the influences of the representation can have a positive influence on the performance of the tax on the added value. The results of this study are consistent with the results of Schmid, Zimmerman<sup>1</sup>Tesai and Gu (2007).

On the basis of the obtained results about the second hypothesis since the significance level is less than 0.05 it can be inferred that  $H_0=0$  is rejected and  $H_1\neq 0$  is confirmed. As it can be observed that at significance level of 95% there is a significant relationship between auditing index and tax on added value and the coefficient index is 0.310. As the supervising characteristic corporate governance within the ownership structure can lead to the improvement of performance through control of the properties and more supervision on the managers. The results of this study are consistent with the results of Vaez et al (2010) Shifer and Vishni (1986), Chen<sup>2</sup> (2001) and Xu and Wang<sup>3</sup> (1997).

On the basis of the obtained results about the third hypothesis since the significance level is less than 0.05 it can be inferred that  $H_0=0$  is rejected and  $H_1\neq 0$  is confirmed. As it can be observed that at significance level of 95% there is a significant relationship between anti-monopoly (role of market on control) index and tax on added value and the coefficient index is 0.204. The results showed that there is a significant relationship between board of directors and the added economic value and the results are consistent with the results reported by Ferth et al. (2002), Balter et al (1991) and Colles et al (2002)

On the basis of the obtained results about the fourth hypothesis since the significance level is less than 0.05 it can be inferred that  $H_0=0$  is

rejected and  $H_1\neq 0$  is confirmed. As it can be observed that at significance level of 95% there is a significant relationship between reward and tax on added value and the coefficient index is 0.272. The rise of the rate of reward of the board of directors lead to the improvement of the performance of company and the rise of added economic value by the reduction of controversy among the managers and shareholders and the similarity of the perspectives and the performance of the agents in line with the rise of the wealth of the company. The results of the present study are consistent with the results reported by Murphy (1986). Larker and Halson (1999) and Hanlon et al (2003) concerning the existence of significant and direct relationship between these two variables.

## SUGGESTIONS

### Suggestions on the basis of the results

Market policy makers need to consider that the mere presence of non-responsive members at the board of directors is not sufficient on its own and considering other aspects of the board of directors (on the basis of the presence of the administrative managers) might prove more apposite.

Companies by establishing the internal auditing units through control, revision of processes and benefiting from counseling activities take steps towards improving the performance.

On the basis of the result establishing reward committee and assigning a sum of money for the board of directors can improve the performance of the members.

On the basis of the obtained results it is suggested that fundamental investors as well as main shareholders have more presence in terms of supervision and assist in uniting the activities of shareholders and managers in order to reduce the problems of representatives and ultimately improving the performance of company.

### Suggestions for future studies

- Using other factors related to corporate governance

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<sup>1</sup>Schmid, Zimmerman

<sup>2</sup>Chen

<sup>3</sup>Xu and Wang

- Analyzing the impact of main economic, inflation, oil price and currency arte variables for the relationship between the structure of corporate governance and the performance of the companies
- Repeating the present study by means of modeling structural equations in order to analyze the variables' relationships

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