Int. J. Nonlinear Anal. Appl. 14 (2023) 5, 113–120
ISSN: 2008-6822 (electronic)
http://dx.doi.org/10.22075/ijnaa.2022.27266.3544

The effect of tax incentives on tax collection in the comprehensive tax plan using grounded theory and structural equation model

Seifolah Hassanzadeh[a], Yahya Kamyabi[b,*], Mehdi Khalilpour[a], Javad Ramezani[a]

[a]*Department of Accounting, Nour Branch, Islamic Azad University, Nour, Iran*
[b]*Department of Economics, Mazandaran University, Babolsar, Iran*

(Communicated by Ehsan Kozegar)

Abstract

The purpose of this study is the effect of tax incentives on tax collection in the comprehensive tax plan using Grounded theory and the structural equation model. The method used in this study was a hybrid method including a qualitative method based on the Grounded theory approach and a quantitative method based on the structural equation approach. The research was conducted in three stages. In the first step, which was done qualitatively, the data are collected through structured interviews with a statistical sample (experts). In the second stage, key themes were extracted and converted into the corresponding model. In the last step, the extracted model was tested, which was done quantitatively. At the qualitative stage, the statistical population consists of two groups. The first group includes specialists and experts who have been faculty members of universities and the second group includes experts and managers who have at least 10 years of experience in the field of finance and taxation. A sampling at this stage of the research was purposeful and 12 in-depth and semi-structured interviews were conducted using theoretical sampling and the snowball technique of managers, tax experts and financial management. In a small part of the statistical population of the study, the taxpayers were the General Department of Tax Affairs of Mazandaran Province. According to the survey, the statistical population was 40,000 companies and based on the Morgan table, the sample size was 380 files. In the present study, the data obtained from the text of the interviews were analyzed by MAXQDA software in order to increase the accuracy and speed of the research. In this research, 98 codes extracted from 12 detailed interviews with experts and specialists in the field of research have become 33 more abstract concepts and finally, 5 categories have been identified. The coefficient of achievement of structural equations shows that the variables of Ease of understanding and usefulness of the rules, Security and speed rules, Rules Support Services, Effectiveness of laws, and Conditions for facilitating the rules have a positive and significant effect on tax payments by taxpayers.

Keywords: Video ads, top insurance brands, customer sentiment, Grounded theory, structural equations
2020 MSC: 91B64

*Corresponding author
Email addresses: f1400kha@gmail.com (Seifolah Hassanzadeh), y.kamyabi@umz.ac.ir (Yahya Kamyabi), khalilpourmehdi@gmail.com (Mehdi Khalilpour), javad.ramezani58@gmail.com (Javad Ramezani)

Received: April 2022 *Accepted:* June 2022

1 Introduction

In most countries of the world, taxes are the most important source of government revenue. One of the pervasive challenges in most countries of the world, especially in developing countries, is the high tax evasion and low power of the state's tax office [6]. This issue can be examined from two perspectives. The macro view, in which high tax rates are the main cause of tax evasion, and the micro view, in which taxpayers make rational decisions based on the expected benefits and costs of tax evasion [9]. In these decisions, variables such as the probability of detecting tax evasion, penalties related to evasion, income level of taxpayers, cultural and social factors and human behavioural norms play a key role [10]. Obviously, high tax evasion in society is synonymous with low tax collection, and given the available statistical evidence, this is a more serious issue for developing countries, including Iran. That is why different countries of the world are trying to amend their tax laws and regulations in a way that allows the tax organization to use the useful information.

One way to assess the appropriateness of the tax structure and tax revenue is to compare the relationships between the taxes of a large number of countries. A comparison of developed and developing countries shows that the ratio of tax revenues to GDP in developing countries is much lower (about one-third) than in developed countries [10]. Despite the efforts made in recent decades, there is still a gap between potential and actual tax capacity in developing countries. However, the legal tax rates of these countries are not very different [2]. Multiple tax rates complicate the understanding and enforcement of the law and create opportunities for corruption, and widespread exemptions and zero tax rates limit the tax base, which can reduce tax revenues [13].

Research shows that the tax structure in developing countries is less dependent on income tax, and the tax composition is such that the share of corporate income tax is much higher than the corporate income tax; In developed countries, however, the opposite is true; This indicates the declining tax system in developing countries [8]. One of the reasons for the existence of such a system could be the tendency of political elites in the interests of their supporters. The tendency is to shift the tax burden to sectors that have fewer resources (poorer people) so that certain groups (those in power and wealth) have a lesser role to play in paying taxes. In other words, the provision of special rents in favour of certain groups is another factor influencing the government's tax power [3].

Given the effects that taxes have on economic variables, adopting appropriate tax policies to reform and improve the system is extremely important. Iranian taxpayers generally spend a lot of time due to their involvement in the bureaucratic system, which weakens the tax culture and makes the taxpayer regret appealing to the tax system [11]. To improve the efficiency of the tax system, we need to facilitate processes with the help of electronic taxation and simplify tax processes through office mechanization [4]. By implementing these two technologies together, the efficiency of the tax system will increase [5]. The use of information technology in the implementation of electronic taxation and the mechanization of the country's tax system can increase taxpayer satisfaction and the implementation of the principle of easy accessibility of taxes. The taxpayers enter the cycle with the full implementation of the mechanization and become a kind of collaborator of the tax affairs organization in the provincial tax affairs [12]. On the other hand, identifying tax capacities and creating appropriate information networks between organizational departments requires the use of new technologies in the field of electronic tax implementation and office mechanization [1].

Considering that after oil, tax is the most important source of government revenue and due to the increasing role that is considered for taxation in the country's economic development programs, so the realization of tax revenues is one of the important goals of the government. Also, due to the fact that wealth is the people's favourite, people are not willing to give it easily to anyone or spend it in any way, so governments face problems in collecting taxes and opening large offices. Have been established in the country to receive it [2]. The question has always been why diagnostic taxes are never matched with taxes collected and a significant portion of tax revenues are not realized. In general, in order to collect taxes better, the necessary conditions and facilities should be provided for taxpayers in a favourable manner. With the current development of communication, the use of the Internet in order to collect taxes seems to be essential [9]. The need to pay attention to taxpayers and expedite their affairs by meeting their demands, as well as the need to use information technology are important issues on the agenda of the Tax Affairs Organization and in parallel with increasing the number of taxpayers, respond by manpower and traditional methods. It seems like a very difficult and consuming task [7]. For this purpose, in order to establish e-government, the IRA has resorted to the use of electronic tools in order to achieve goals and improve performance, and in this regard has suffered a lot of financial burdens, and on the other hand the main concern of countries that networks Online in their tax transactions, the acceptance of such systems by users. Therefore, by using its information, they seek to solve problems and strengthen these systems [3].

Given the importance of the above, the present article intends to assess the factors and drivers of tax laws and regulations and trust in the system and drivers of tax laws in the legal entities. And examine its role in increasing the power of tax collection in the General Department of Tax Affairs of Mazandaran Province to use the findings of this study to help managers improve the quality of services and advance goals.

2 The research method

The method used in this study was a hybrid method including a qualitative method based on the Grounded theory approach and a quantitative method based on the structural equation approach. The research was conducted in three stages. In the first step, which was done qualitatively, the data are collected through structured interviews with a statistical sample (experts). In the second stage, key themes were extracted and converted into the corresponding model. In the last step, the extracted model was tested, which was done quantitatively. At the qualitative stage, the statistical population consists of two groups. The first group includes specialists and experts who have been faculty members of universities and the second group includes experts and managers who have at least 10 years of experience in the field of finance and taxation. A sampling at this stage of the research was purposeful and 12 in-depth and semi-structured interviews were conducted using theoretical sampling and the snowball technique of managers, tax experts and financial management. In a small part of the statistical population of the study, the taxpayers were the General Department of Tax Affairs of Mazandaran Province. According to the survey, the statistical population was 40,000 companies and based on the Morgan table, the sample size was 380 files.

2.1 Grounded theory

Grounded theory is a systematic methodology that has been largely applied to qualitative research conducted by social scientists. The methodology involves the construction of hypotheses and theories through the collecting and analysis of data. Grounded theory involves the application of inductive reasoning. The methodology contrasts with the hypothetico-deductive model used in traditional scientific research. A study based on grounded theory is likely to begin with a question, or even just with the collection of qualitative data. As researchers review the data collected, ideas or concepts become apparent to the researchers. These ideas/concepts are said to ”emerge” from the data. The researchers tag those ideas/concepts with codes that succinctly summarize the ideas/concepts. As more data are collected and re-reviewed, codes can be grouped into higher-level concepts and then into categories. These categories become the basis of a hypothesis or a new theory. Thus, grounded theory is quite different from the traditional scientific model of research, where the researcher chooses an existing theoretical framework, develops one or more hypotheses derived from that framework, and only then collects data for the purpose of assessing the validity of the hypotheses.

2.2 structural equation model

Structural equation modeling (SEM) is a multivariate, hypothesis-driven technique that is based on a structural model representing a hypothesis about the causal relations among several variables. In the context of fMRI, for example, these variables are the measured blood oxygen level-dependent time series $y_1, ..., y_n$ of n brain regions and the hypothetical causal relations are based on anatomically plausible connections between the regions. The strength of each connection $y_i \longrightarrow y_j$ is specified by a so-called path coefficient which, by analogy to a partial regression coefficient, indicates how the variance of y_i depends on the variance of y_j if all other influences on y_j are held constant. The statistical model of standard SEM can be summarized by the equation:

$$y = Ay + \mu \tag{2.1}$$

where y is an $n \times s$ matrix of n area-specific time series with s scans each, A is an $n \times n$ matrix of path coefficients (with zeros for absent connections), and u is an $n \times s$ matrix of zero mean Gaussian error terms, which are driving the modeled system. Parameter estimation is achieved by minimization of the difference between the observed and the modeled covariance matrix $\sum$. For any given set of parameters, $\sum$ can be computed by transforming eqn:

$$y = (I - A)^{-1}\mu \tag{2.2}$$

$$\sum = yy^T \tag{2.3}$$

$$\sum = (I - A)^1 uu^T (I - A)^{-1^T} \tag{2.4}$$

or

$$Y = (I - \beta) = \varepsilon \tag{2.5}$$

$$Y = \varepsilon(1 - \beta)^{-1} \tag{2.6}$$

$$\sum = (y^T y) \tag{2.7}$$

$$\sum = (1 - \beta)^{-T}(\varepsilon^T \varepsilon)(1 - \beta)^{-1} \tag{2.8}$$

The sample covariance is:

$$S = \frac{1}{n-1} Y^T Y \tag{2.9}$$

where n is the number of observations and the maximum likelihood objective function is:

$$F_{ML} = \ln|\sum| - tr(S\overset{-1}{\sum}) - \ln|S| \tag{2.10}$$

where I is the identity matrix. The first line of eqn (2.4) can be understood as a generative model of how system function results from the system's connectional structure: the measured time series y results by applying a function of the interregional connectivity matrix – that is, $(I - A)^{-1}$ to the Gaussian innovations u.

The PLS framework can be summarized into three matrix equations, two for the measurement model component and one for the path model component. For the measurement model component,

$$X = \Lambda_x \xi + \delta \tag{2.11}$$

$$Y = \Lambda_y \eta + \delta \tag{2.12}$$

where x is a $p \times 1$ vector of observed exogenous variables, and it is a linear function of a $j \times 1$ vector of exogenous latent variables ξ and a $p \times 1$ vector of measurement error δ. Λ_x is a $p \times j$ matrix of factor loadings relating x to ξ. Similarly, y is a $q \times 1$ vector of observed endogenous variables, η is a $k \times 1$ vector of endogenous latent variables, ε is a $q \times 1$ vector of measurement error for the endogenous variables, and Λ_y is a $q \times k$ matrix of factor loadings relating y to η. Associated with (2.11) and (2.12), respectively, are two variance-covariance matrices, $\Theta\delta$ and $\Theta\varepsilon$. The matrix $\Theta\delta$ is a $p \times p$ matrix ofvariances and covariances among measurement errors δ, and $\Theta\varepsilon$ is a $q \times q$ matrix of variances and covariances among measurement errors ε. For flexibility, PLS describes the path model component as relationships among latent variables,

$$\eta = B\eta + \Gamma\xi + \zeta \tag{2.13}$$

where B is a $k \times k$ matrix of path coefficients describing the relationships among endogenous latent variables, Γ is a $k \times j$ matrix of path coefficients describing the linear effects of exogenous variables on endogenous variables, and ζ is a $k \times 1$ vector of errors of endogenous variables. Associated with (2.13) are two variance-covariance matrices: Φ is a $j \times j$ variancecovariance matrix of latent exogenous variables, and Ψ is a $k \times k$ matrix of covariances among errors of endogenous variables. With only these three equations, PLS is a flexible mathematical framework that can accommodate any specification of a SEM model. SEM has been typically implemented through covariance structure modeling where the variance-covariance matrix is the basic statistic for modeling. Model fitting is based on a fitting function that minimizes the difference between the model-implied variance-covariance matrix $\sum$ and the observed variance-covariance matrix S,

$$\min f(\sum, S) \tag{2.14}$$

where S is estimated from observed data, $\sum$ is predicted from the causal and noncausal associations specified in the model, and $f(\sum, S)$ is a generic function of the difference between $\sum$ and S based on an estimation method that follows. As Shipley concisely stated, causation implies correlation; that is, if there is a causal relationship between two variables, there must exist a systematic relationship between them. Hence, by specifying a set of theoretical causal paths, one can reconstruct the model-implied variance-covariance matrix $\sum$ from total effects and unanalysed associations. Hayduk outlined a step-by-step formulation under the PLS mathematical framework, specifying the following mathematical equation for $\sum$:

$$\sum = \begin{bmatrix} \Lambda_y A(\tilde{A}\ddot{O}'\tilde{A} + \emptyset)\H{A}\acute{A}_y \grave{E}_{\mathring{a}} & \Lambda_y A\tilde{A}\ddot{O}\acute{A}_x \\ \Lambda_x \ddot{O}\acute{\tilde{A}}A\acute{y} & \Lambda_x \ddot{O}A_x \acute{+} \grave{E}_{\ddot{a}} \end{bmatrix} \tag{2.15}$$

where $A = (I - B)^{-1}$. Note that in (2.15) the derivation of $\sum$ does not involve the observed and latent exogenous and endogenous variables (i.e., x, y, ξ, and η). A common method in SEM for estimating parameters in $\sum$ is maximum likelihood (ML). In ML estimation, the algorithm iteratively searches for a set of parameter values that minimizes the deviations between elements of S and $\sum$. This minimization is accomplished by deriving a fitting function $f(\sum, S)$ (2.15) based on the logarithm of a likelihood ratio, where the ratio is the likelihood of a given fitted model to the likelihood of a perfectly fitting model. The maximum likelihood procedure requires the endogenous variables to follow a multivariate normal (MVN) distribution, and S to follow a Wishart distribution. Hayduk described the steps in the derivation and expressed the fitting function F_{ML} as

$$F_{ML} = \log|\sum| + tr(S\sum^{-1}) - \log|S| + tr(SS^{-1}) \tag{2.16}$$

where tr refers to the trace of a matrix and $\sum$ and S are defined as above. Proper application of (2.16) also requires that observations are independently and identically distributed and that matrices $\sum$ and S are positive definite. After minimizing (2.16) through an iterative process of parameter estimation, the final results are the estimated variancecovariance matrices and path coefficients for the specified model. The first is the overall model chi-square test based on a test statistic that is a function of the mentioned fitting function F_{ML} (2.16) as follows:

$$X^2_M = (n-1)F_{ML} \tag{2.17}$$

where n is sample size and X^2_M follows a chi-square distribution with degree of freedom df_M as defined above. Subsequently, a P value is estimated and evaluated against a significance level. The overall model chi-square test is only applicable for an overidentified model, that is, when $df_M > 0$. A justidentified model ($df_M = 0$), for example, a path model representation of a multiple regression, does not have the required degrees of freedom for model testing.

The second fit statistic to consider is the Root Mean Square Error of Approximation (RMSEA), which is parsimony-adjusted index that accounts for model complexity. The index approximates a noncentral chi-square distribution with the estimated noncentrality parameter as

$$\hat{\delta}_M = \max(X^2_M - df_M, 0) \tag{2.18}$$

where X^2_M is computed from (2.17) and df_M is defined above. The magnitude of $\hat{\delta}_M$ reflects the degree of misspecification of the fitted model. The RMSEA is then defined as

$$RMSEA = \sqrt{\frac{\hat{\delta}_M}{(n-1)df_M}} \tag{2.19}$$

Lastly, the Joreskog-Sorbom Goodness of Fit Index (GFI) is a measure of relative amount of variances and covariances jointly accounted for by the model, and it is defined as

$$GFI = 1 - \frac{tr(\sum^{-1} S - 1)^2}{tr(\sum^{-1} S)^2} \tag{2.20}$$

where I is identity matrix. GFI ranged from 0 to 1.0 with 1.0 indicating the best fit.

3 Research Findings

In the present study, the data obtained from the text of the interviews were analyzed by MAXQDA software in order to increase the accuracy and speed of the research. In this way, first the open coding was done, then the concepts of the concepts were made by putting together the initial codes, and finally, the categories were formed by relating the concepts. Open coding is the first step in analyzing interviews in the grounded theory method. This stage of research is called open because the researcher with an open mind and without any restrictions on the number of codes and categories to extract codes and build categories. Open transfer involves an analytical process through which data concepts are first discovered and then concepts are compared to identify similar phenomena and categorized as categories. Therefore, it can be said that open coding includes data shredding, comparison, conceptualization and categorization. In the open coding stage, 98 codes extracted from 12 detailed interviews with experts and experts in the field of research have become 33 more abstract concepts and finally 5 categories (ease of understanding and usefulness of laws, security and speed of laws, law support services, effectiveness Rules, conditions for facilitating rules) have been identified.

To evaluate the normality of the distribution of the main variables, the valid Kolmogorov-Smirnov test is used. In interpreting the test results, if the observed error level more than 0.05, in that case, the observed distribution is the same as the theoretical distribution and there is no difference between them. That is, the obtained distribution is normal distribution.

Table 1: Variables Normality Test

Variable	**Sig**	**Result**
Ease of understanding and usefulness of the rules	0.176	Normal
Security and speed rules	0.218	Normal
Rules Support Services	0.195	Normal
Effectiveness of laws	0.317	Normal
Conditions for facilitating the rules	0.229	Normal

According to the values obtained from Smirnov-Kolmogorov statistics (Table 1), it can be inferred that the expected distribution is not significantly different from the observed distribution for all variables and so the distribution of these variables is normal.

In this research, to identify and measure the latent variables, confirmatory factor analysis has been used. In performing the factor analysis, we must first be sure to use the available data that is required for analysis, to ensure this, the KMO index is used. By using this test, we can ensure the adequacy of sampling. This index is in the range of 0 to 1, if the index value is close to one, the desired data are suitable for factor analysis and otherwise, the results of factor analysis are not suitable for the desired data.

Table 2: Results of KMO index and Bartlett's test of structures of research variables

Sampling adequacy ratio coefficient KMW		0.316
Bartlett's test	Chi-square test	756.4284
	Degrees of freedom	196
	Sig	0.000

According to the above results, the amount of sampling adequacy for research structures is 0.316. Therefore, the sample size is appropriate for using structural equations. Generally, high values (close to 1) show that factor analysis is applicable to data. If this value is less than 0.5, the results of factor analysis probably will not be useful for the data. Also, Bartlett's Test of Sphericity is significant (because its significance level is less than the test level), so, the relation between variables or their covariance matrix is suitable for factor analysis. Table 3 shows the research structural model in which the estimated regression coefficients between the variables of research structural model are displayed.

Table 3: The results of fitting the research structural model

Variable	**Standard coefficient**	**Test statistics**	**Sig**
Ease of understanding and usefulness of the rules	0.34	6.85	0.000
Security and speed rules	0.15	9.43	0.000
Rules Support Services	0.26	5.18	0.000
Effectiveness of laws	0.43	5.94	0.000
Conditions for facilitating the rules	0.22	8.04	0.000

The coefficients obtained from structural equations show that the above variables (Ease of understanding and usefulness of the rules, Security and speed rules, Rules Support Services, Effectiveness of laws, Conditions for facilitating the rules) have a positive and significant effect on tax payments by taxpayers.

4 Conclusion

The purpose of this study is the effect of tax incentives on tax collection in the comprehensive tax plan using Grounded theory and the structural equation model. The method used in this study was a hybrid method including a qualitative method based on the Grounded theory approach and a quantitative method based on the structural equation approach. The research was conducted in three stages. In the first step, which was done qualitatively, the data are collected through structured interviews with a statistical sample (experts). In the second stage, key themes were extracted and converted into the corresponding model. In the last step, the extracted model was tested, which was done quantitatively. At the qualitative stage, the statistical population consists of two groups. The first group includes specialists and experts who have been faculty members of universities and the second group includes experts and managers who have at least 10 years of experience in the field of finance and taxation. A sampling at this stage of the research was purposeful and 12 in-depth and semi-structured interviews were conducted using theoretical sampling and the snowball technique of managers, tax experts and financial management. In a small part of the statistical population of the study, the taxpayers were the General Department of Tax Affairs of Mazandaran Province. According to the survey, the statistical population was 40,000 companies and based on Morgan's table, the sample size was 380 files. In the present study, the data obtained from the text of the interviews were analysed by MAXQDA software in order to increase the accuracy and speed of the research. In this research, 98 codes extracted from 12 detailed interviews with experts and specialists in the field of research have become 33 more abstract concepts and finally, 5 categories (ease of understanding and usefulness of laws, security and speed of laws, law support services, the effectiveness of laws, Conditions for facilitating the rules) have been identified. The coefficient of achievement of structural equations shows that the variables of Ease of understanding and usefulness of the rules, Security and speed rules, Rules Support Services, Effectiveness of laws, and Conditions for facilitating the rules have a positive and significant effect on tax payments by taxpayers. According to the results of this research, the following suggestions are presented:

1. Granting special discounts to taxpayers, in case of using the comprehensive tax plan
2. Informing taxpayers of the public interest of using a comprehensive tax plan such as reducing banknote printing costs, reducing fuel consumption, reducing traffic, reducing environmental pollution, etc. through mass communication channels.
3. Instead of using monotonous and ineffective advertisements, the tax affairs organization can inform taxpayers about their tax status and anything that helps Modi make decisions, by sending simple electronic messages, and thus a positive attitude. Strengthen taxpayers to the comprehensive tax plan.
4. Tax officials are advised to educate their taxpayers about the benefits and advantages of the comprehensive tax plan and to inform them through appropriate advertisements, and in this way, to influence the taxpayers' understanding.
5. Advertising and informing the taxpayers should be designed and implemented in an effective way so that the taxpayers are encouraged more about the benefits and usefulness of using internet payment services compared to the traditional method.

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