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A Reflection on Criminal Enforcement Mechanisms for Tax Crimes in Iran

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ABSTRACT

Tax crimes, as one of the most significant categories of economic offenses, constitute a serious threat to tax justice, economic transparency, and public trust. In the 2015 amendment to the Direct Taxation Act of Iran, the legislator, through the enactment of Articles 274 to 277, sought to adopt a deterrent policy by criminalizing acts such as the preparation of false documents, the use of others' commercial cards, and the failure to submit tax returns, as well as by prescribing punishments including imprisonment, monetary fines, and social deprivations. Data were collected using a library-based method and analyzed through a descriptive–analytical approach. The central question of this research is whether these punishments have been able to achieve the necessary deterrent effect in practice. The findings indicate that although the legislator has underscored the importance of combating tax evasion by emphasizing criminal enforcement mechanisms, challenges such as weaknesses in the detection and proof of offenses, extensive reliance on mitigating and leniency institutions, the lack of proportionality between certain punishments and the nature of the violations, and the absence of effective supervision have reduced the efficiency of these enforcement mechanisms. Non-criminal enforcement measures, such as financial penalties under Article 275, have also demonstrated limited effectiveness due to institutional and executive gaps. The results of the study suggest that exclusive reliance on severe criminal sanctions cannot prevent the growth of tax crimes. The experience of other countries shows that combining criminal instruments with preventive measures, smart supervision, and the strengthening of tax culture is more effective. Accordingly, revising Iran's criminal policy with the aim of ensuring proportionality of sanctions, enhancing the efficiency of supervisory institutions, and promoting voluntary compliance is an unavoidable necessity for achieving tax justice and sustainable development.

Keywords: *Tax crimes, legislative criminal policy, Direct Taxation Act, enforcement mechanism, criminal punishment, deterrence*

Introduction

The capacity of governments to perform their functions depends on financial resources, particularly taxation. Tax revenue constitutes one of the most important sources of government income and plays a significant role in fiscal policymaking and in influencing macroeconomic variables such as production, inflation, unemployment, and the balance of payments. In Iranian tax law, in order to secure and guarantee tax collection, extensive powers have been granted to the tax administration so that taxes may be collected in the fastest and most appropriate manner. One of the major issues of the tax system is the identification of methods of tax evasion and the formulation of criminal laws to combat it. Although taxation in Iran, like in many developing countries, has historically played a

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limited role in the economy, due to declining oil revenues and the impact of sanctions, the legislator has moved toward a tax-based system and, through the amendment of the Direct Taxation Act in 2015, enacted Article 274. This provision, without providing an explicit definition of tax crimes, enumerates certain instances thereof and prescribes discretionary punishments of the sixth degree for offenders. The establishment of a comprehensive tax plan and the use of modern tax collection methods, alongside the promotion of tax culture and encouragement of self-declaration by taxpayers, can contribute to the country's economic development.

Iran's tax laws include, inter alia, the Direct Taxation Act adopted in 1987, which was amended in 1992, 2001, and 2015. By distinguishing between tax violations and tax crimes, the legislator has generally treated violations as subject to civil penalties, while tax crimes are sanctioned by imprisonment and monetary fines. Article 274 of the 2015 amendment specifies seven instances of tax crimes, the commission of which may occur through both acts and omissions. Examining the effectiveness of punishments and their impact on reducing tax evasion, particularly in the context of declining oil revenues, is essential for achieving tax justice and national development and is possible only through the proper enforcement of the Direct Taxation Act. The 2015 amendment, by emphasizing a self-declaration system and an intelligent information database, reviews tax returns and refers suspicious cases to audit units. Although this system appears efficient, challenges such as fraud and weak supervision persist. Alongside self-declaration, the amended law also emphasizes civil and criminal enforcement mechanisms in order to increase tax compliance and reduce tax evasion (1).

Administrative enforcement mechanisms in Iran's tax system are usually applied in the form of increasing the amount of payable tax, meaning that the taxpayer is obliged to pay a percentage in addition to the assessed tax. These penalties vary depending on the type of violation and play an important role in deterring tax evasion and encouraging timely tax payment (2). The 2015 amendment to the Direct Taxation Act, in numerous provisions including Articles 3, 17, 22, 23, 28, 31, 32, 33, 35, and 37, addresses the determination of such violations and administrative sanctions. An examination of these provisions indicates that the legislator and parliament, recognizing the weakness of previous enforcement mechanisms, have sought to strengthen them. Although ambiguities still exist in some articles, overall the application of these enforcement measures does not impose a heavy cost on the government, while it increases the cost of committing tax evasion for offenders.

Comparative literature likewise demonstrates that tax systems differ in the extent to which they rely on administrative enforcement mechanisms. For example, in England, most tax violations are resolved through civil and administrative mechanisms and even through negotiation with taxpayers (3). In the United States, research indicates that tax evasion has significant negative effects on tax justice and economic growth, and in many cases the boundary between tax evasion (illegal) and tax avoidance (legal) is not clearly defined (4).

In Iran, tax evasion occurs in various forms, including income concealment, falsified accounting, and underground economic activities, and results in consequences such as reduced government revenues and the disruption of economic justice (5). More recent studies have shown that tax evasion in Iran has not only followed an increasing trend, but has also been influenced by factors such as inefficiency in the tax collection system and weak administrative oversight (6). Some comparative studies have further demonstrated that Iran's criminal approach to tax evasion is relatively more stringent than that of other systems; however, in practice, due to weaknesses in implementation, it has failed to achieve the desired level of deterrence (7).

Previous research has largely focused on examining the elements of tax crimes, the conditions for their realization, and theoretical or jurisprudential analyses of punishments (1, 8-10). Nevertheless, the actual

effectiveness of punishments and their impact on taxpayers' behavior have received comparatively less attention. The present study, focusing on Iran's legislative criminal policy, seeks to identify weaknesses and gaps and to evaluate whether punishments effectively reduce violations and tax evasion and to what extent they align with the objectives of tax justice and transparency. The main research question is whether criminal sanctions and enforcement mechanisms within Iran's legislative criminal policy are capable of reducing tax evasion, enhancing tax compliance and transparency, and contributing to the country's economic development. This question delineates the path of the research toward analyzing the effectiveness of punishments and examining the strengths and weaknesses of legal and executive policies.

Clarification of Concepts and Terminology

The Concept of Tax Crimes

In general, a tax crime refers to any violation by taxpayers or tax officials of legal obligations for which the legislator has prescribed a punishment. However, Iranian tax laws do not provide a conceptual definition of tax crime and merely enumerate its instances in various provisions of the Direct Taxation Act. In other words, instead of offering a conceptual definition, the legislator has relied on an illustrative approach and has specified only those acts or omissions that constitute violations of tax regulations (11).

In Chapter Seven of Book Four of the Direct Taxation Act, the term "tax crimes" is used; however, it should be noted that this designation does not necessarily correspond to the concept of crime under Article 2 of the Islamic Penal Code. Many of these cases are in fact "tax violations" whose enforcement mechanisms are administrative or financial rather than criminal. Consequently, the imposition of sanctions in this area is generally carried out by tax officials and administrative authorities rather than criminal courts. Only in specific cases, such as forgery of documents and the use of false records—which are recognized as crimes under criminal law—does judicial prosecution become possible.

Although certain provisions of the Direct Taxation Act (such as Articles 201 and 270) refer to criminal conduct, in practice no specific criminal sanction has been prescribed for most of these behaviors. Therefore, the principle of legality of crimes and punishments requires that, unless the law explicitly criminalizes an act, criminal prosecution is not permissible. As a result, most violations of tax law are considered merely administrative offenses, and only in cases where bad faith or administrative corruption is established may tax officials be subject to criminal prosecution. Accordingly, tax crime in Iranian law can be regarded as a normative and administrative concept, with society and the national economic system as its victims rather than a specific individual (12).

Tax Evasion

Tax evasion is one of the most important forms of economic crime and is usually committed with profit-seeking motives and through omissions, such as refraining from accurately declaring income or concealing assets. This phenomenon constitutes a fundamental challenge to tax systems in most countries, particularly developing ones, and has a direct impact on reducing government revenues. Studies indicate that in Iran, the level of tax evasion has increased over recent decades, with the expansion of the informal economy being one of its principal causes (6).

From a legal perspective, tax evasion is also associated with concepts such as the forgery of financial and registration documents, since offenders may resort to falsifying or submitting false documents in order to conceal

income or deceive tax officials. Forgery and falsification in this context can disrupt public trust and administrative order and, in some cases, where they are widespread and have macroeconomic effects, may even be examined under the rubric of disruption of the national economic system. Various factors, including weaknesses in administrative structures, inefficiency of internal oversight, and the lack of electronic connectivity between institutions such as tax offices and notary publics, contribute to the increased likelihood of such crimes.

Pursuant to the 2015 amendment to the Direct Taxation Act, certain behaviors—including failure to submit tax returns, preparation of false books and documents, and concealment of actual income—have been recognized as tax crimes (Article 274 of the Direct Taxation Act) (13). These crimes may occur in two domains: annual income tax and value-added tax. Nevertheless, although each clause of the aforementioned article constitutes an independent crime, if such acts occur within the same fiscal year and tax domain, they are considered a single tax crime. In general, beyond its economic and financial consequences, tax evasion poses a threat to social justice and public trust in government, and combating it requires administrative reform, economic transparency, and the strengthening of tax culture within society.

Criminological Theoretical Foundations of Tax Crimes

Rational Choice Theory

Rational choice theory posits that human behavior is grounded in careful assessments of costs and benefits and in the selection of pathways that generate the greatest personal utility (14). In the tax context, this perspective can provide a rigorous explanation for why tax crimes are committed—such as tax evasion, inaccurate income reporting, or the concealment of assets. From the standpoint of this theory, taxpayers make choices when confronted with lawful and unlawful options; where the short-term gains from unlawful conduct outweigh its legal and social costs and risks, they select the unlawful path. This analysis indicates that the commission of a tax crime is not necessarily the result of lawlessness or immorality, but rather the outcome of a rational decision-making process oriented toward personal benefit (14). Accordingly, tax-crime reduction policies should be designed to recalibrate taxpayers' rational calculations in a manner that makes tax payment and legal compliance the most utility-maximizing option while increasing the risks associated with tax evasion. Factors such as greater transparency and tax oversight, increasing the likelihood of detecting violations, intensifying the magnitude of penalties, and providing positive economic and social incentives can steer individuals toward lawful behavior and prevent the commission of tax crimes. In this way, rational choice theory functions as a powerful analytical tool for understanding tax behavior and designing effective tax policy interventions.

General Deterrence Theory

General deterrence theory rests on the assumption that criminal behavior can be controlled if its costs and adverse consequences increase and if the risks of offending become salient to individuals. In the domain of tax crimes, this theory emphasizes that taxpayers conduct a rational assessment of risks and potential benefits prior to making financial decisions. In other words, if individuals perceive a high probability of detection and sufficiently severe penalties, the likelihood of tax evasion or misreporting decreases. This deterrence is not confined to punishing the specific offender; it also communicates a warning signal to the broader tax community, prompting

other taxpayers to prefer lawful behavior. General deterrence therefore has a preventive effect and can improve the overall tax behavior of society.

In practice, tax policies aimed at producing general deterrence typically include several components: expanded supervision and auditing, the imposition of severe and enforceable penalties, transparent public communication regarding legal consequences, and dissemination of successful audit outcomes. These measures lead taxpayers, during decision-making, to more carefully weigh the costs of noncompliance and to assess whether unlawful choices are worth the associated risks.

General deterrence underscores the importance of changing collective behavior rather than merely imposing individual punishment; when a community of taxpayers observes the legal consequences of tax violations, social pressure and collective attitudes in favor of compliance are strengthened (15). For this reason, combining legal deterrence with public communication and tax education is considered an effective instrument for reducing tax crimes and enhancing economic transparency.

Institutional Disorganization Theory

Institutional disorganization theory, advanced by Steven Messner and Richard Rosenfeld in the 1990s, is commonly presented as a development of Robert Merton's anomie framework. The theory argues that the social structure and cultural values of a society play a fundamental role in determining the prevalence of crime. According to this view, in societies where economic and materialistic values become excessively dominant and overwhelm other social institutions—such as family, education, religion, and politics—an institutional imbalance emerges. In such contexts, financial success is treated as the primary indicator of social status and value, while non-economic institutions that should serve regulatory and ethical functions are weakened. The result is the erosion of normative and moral controls and, ultimately, an increase in deviant behaviors, including economic crimes (16).

Within this framework, tax crimes can be analyzed as a salient manifestation of deviance produced by institutional imbalance. In a society where success is measured primarily by wealth and assets, paying taxes may be perceived not as a civic duty but as an obstacle to economic success. This perception may lead individuals or firms, in order to preserve financial interests, to engage in tax evasion, falsification of financial records, concealment of income, or the submission of inaccurate information. These behaviors function as responses to the pressure exerted by the social structure on individuals to achieve "financial success." When ethical and cultural institutions fail to internalize values such as financial honesty, social responsibility, and trust in government, unlawful tax-related behaviors can become culturally more tolerable.

Moreover, distrust in government and the inefficiency of formal institutions also play an important role in this trajectory. When people believe that paid taxes are not properly spent or are not directed toward public benefit, the propensity for tax noncompliance increases. In other words, weaknesses in political and administrative institutions can reduce the legitimacy of the tax system. From the perspective of institutional disorganization theory, such conditions indicate not only the dominance of the economy over other institutions, but also the weakening of the regulatory and ethical functions of the state (16).

By contrast, in societies where a form of institutional balance exists—meaning that education, family, religion, and government effectively perform their roles in fostering economic ethics, responsibility, and social conscience—the incidence of tax crimes tends to decline. Civic education, fiscal transparency, the rule of law, and tax justice can strengthen the legitimacy of the tax system and reduce incentives for unlawful behavior. Accordingly, institutional

disorganization theory does not focus solely on individual behavior; it demonstrates that tax crimes are products of a society's social and cultural structure rather than merely the result of individual decisions or personal moral failure.

Analysis of Legislative Criminal Policy and Punishments

The determination of the type and severity of punishments for tax crimes falls to the adjudicating court; however, the court's decision cannot exceed the limits set by the legislator. The principle of legality of punishment—recognized as a constitutional principle—requires the legislator, whenever declaring an act criminal, to specify the scope of its sanction. Accordingly, judicial discretion in selecting the penal response must be aligned with the intent and will of the legislator (11). In practice, however, this assumption is less frequently realized, because judicial authority in sentencing has expanded for two reasons: first, the judge's discretion to select a sanction within the statutory minimum and maximum for tax crimes; and second, the availability of judicial mechanisms such as mitigation and aggravation, which allow adjustment of the legally prescribed punishment for tax defendants.

Enforcement Guarantees and Punishments

Under the previous Direct Taxation Act, taxpayers were required to perform their legal obligations within prescribed deadlines, and in case of non-performance, tax penalties were imposed. In the July 2015 amendment, in addition to financial penalties, criminal and civil/legal sanctions were also предусмотр for natural and legal persons who refuse or obstruct the performance of tax obligations. Pursuant to Articles 274 and 279, acts such as preparing false books and documents, concealing income, preventing tax officials from accessing information, structuring transactions in the name of others, and using other persons' commercial cards are treated as crimes, and offenders are sentenced to sixth-degree punishments.

Punishments applicable to legal persons include prohibitions on certain occupational activities and the issuance of commercial instruments, and the criminal liability of a legal person does not preclude the criminal liability of the culpable natural person. Additionally, accountants, tax officials, and bank employees, in cases of complicity or failure to report violations, are sentenced to at least the minimum punishment applicable to the principal offender. Under Article 277, offenders, in addition to punishment, are obliged to pay the principal tax liability, statutory penalties, and compensation for damages incurred by the government. The punishments in Article 279 also include dismissal from public service and imprisonment from six months to two years, with dismissal periods extending up to five years.

With the aim of strengthening enforcement guarantees and reducing tax evasion, the amendment to the Direct Taxation Act contemplates three principal categories of enforcement: compensation for loss, payment of monetary penalties, and joint and several liability for tax payment. Loss-compensation enforcement reflects the defendant's civil liability to compensate harm to the government; joint and several liability at the collection stage increases assurance of tax recovery; and administrative enforcement includes estimated assessment, tax penalties, and deprivation from exemptions and tax facilities. Tax penalties are typically structured as increases in the tax liability, calculated as a percentage of the tax due. For example, Article 192 of the Direct Taxation Act sets a 10% penalty for failure to submit tax returns on time and 40% for legal persons. Article 193 establishes a 20% penalty for failure to submit the balance sheet and profit-and-loss statement. The most important criminal enforcement mechanism includes imprisonment, applied after a complaint by the Tax Affairs Organization and subsequent judicial proceedings (11).

Principal Punishment

By criminalizing tax evasion in Article 274 of the amended Direct Taxation Act (2015), the legislator seeks to punish individuals who, with the intent to evade tax payment, prepare false documents and records, conceal their economic activities, and hide the income derived therefrom (1, 11). Likewise, any person who is legally obliged to submit a tax return and, for three consecutive years, refrains from submitting a return containing income and expense information, or who is required under the law to collect and remit taxes owed by others but fails to pay them to the Iranian National Tax Administration within the prescribed deadline, is deemed a criminal offender (2).

Accordingly, persons who knowingly register their transactions and contracts contrary to reality in the names of others, or who register others' transactions and contracts in their own names, are also deemed to have committed a crime. Moreover, individuals who obstruct tax officials' access to their own financial information or that of third parties, or who fail to comply with statutory obligations to transmit financial information subject to Article 169, are considered offenders where such conduct results in damage to the government. With respect to legal persons, the chief executive officer and members of the board of directors, whether jointly or individually, are subject to the same rules (6).

Perpetrators of tax evasion are tried before the general courts and sentenced to discretionary imprisonment ranging from three months to two years. For attempt to commit a tax crime, discretionary imprisonment from three months to one year is prescribed. However, if a person who intends to commit a tax crime voluntarily ceases the conduct prior to discovery of the offense and rectifies the documents and records, they are exempt from criminal prosecution. After discovery of the offense, the perpetrator is punished for attempt, unless, during criminal proceedings and prior to the issuance of a final judgment, they facilitate the recovery of the government's rights through confession and cooperation, in which case they are entitled to mitigation of punishment.

In addition to the general courts, another measure envisaged by the amendment to the Direct Taxation Act for controlling taxpayers and preventing tax evasion is the establishment of a "tax police" and inspection unit. Pursuant to Article 181 of the amendment, for the purpose of supervising the implementation of tax laws and controlling taxpayers' financial books and documents, a unit entitled the "Tax Inspection Unit" is established within the Iranian National Tax Administration. Upon referral by the head of the organization or authorized representatives, this unit dispatches inspection teams to the taxpayer's place of business or legal domicile to examine books, documents, and equipment, whether manual or computerized (17). Where necessary, such documents are transferred to the tax office against receipt, and the relevant office is obliged to return them to the taxpayer within a maximum of two weeks.

Additional Punishments

Every crime has its own principal punishment; however, in certain cases the legislator has provided that additional punishments may be imposed alongside the principal punishment in order to prevent recidivism, reduce the likelihood of subsequent offenses, and accelerate the offender's rehabilitation. In such circumstances, the judge may, within the framework of the law and in conjunction with the principal sentence, also sentence the convicted person to supplementary or consequential punishments (11).

1. Supplementary Punishments

A supplementary punishment refers to a sanction that is not independently designated by law as a principal punishment, but with respect to which the judge is granted discretion to apply it in order to complete and enhance the effectiveness of the principal punishment. These punishments are designed to facilitate more rapid behavioral reform of offenders and to prevent their return to criminal conduct (18).

Pursuant to Article 23 of the Islamic Penal Code (2013), the court may, in addition to the principal punishment, sentence a person convicted of hadd, qisas, or discretionary punishments of degrees six to one to one or more of the supplementary punishments enumerated in the law. Given that perpetrators of tax crimes are generally subject to sixth-degree discretionary punishments, the court has the authority, where necessary, to impose supplementary punishments on them as well (1).

Such punishments include measures such as compulsory residence in a specified place, prohibition from engaging in a particular profession, dismissal from public service, prohibition from possessing checkbooks or issuing commercial instruments, travel bans, compulsory public services, and even publication of the final conviction. In selecting these punishments, the judge must consider the proportionality of the offense, the offender's personality, and their social circumstances.

According to Note 1 of Article 23, the maximum duration for the enforcement of supplementary punishments is two years. Article 24 further provides that if the convicted person refuses to comply with the terms of the judgment, the court may extend the duration of the supplementary punishment or convert it into seventh- or eighth-degree imprisonment or a monetary fine. Conversely, if the convicted person demonstrates signs of reform during the execution of the punishment, the court may decide to reduce the duration or revoke the supplementary punishment (10).

2. Consequential Punishments

Consequential punishments refer to deprivations that are automatically imposed on the convicted person as a consequence of a final criminal conviction. Unlike supplementary punishments, these sanctions do not require explicit mention in the judicial ruling and are imposed directly by operation of law. Their purpose is to restrict the offender's social rights and prevent access to certain positions and statuses (19).

This legal institution was not initially provided for in the Islamic Penal Code of 1991, but was later incorporated into Iran's legal system through the addition of Article 62 bis and subsequently elaborated in Articles 25 and 26 of the Islamic Penal Code (2013). Under these provisions, persons convicted of severe punishments such as life imprisonment, qisas of bodily injury, or hadd flogging are deprived, depending on the nature of the offense, of social rights for periods ranging from two to seven years (2).

The social rights enumerated in Article 26 encompass a wide range of civil entitlements, including the right to run for public office, employment in governmental bodies, membership in political parties and associations, engagement as a responsible manager of media outlets or as a licensed attorney, holding notarial offices, or serving on the boards of directors of companies.

However, given that the punishment for tax evasion falls within the category of sixth-degree punishments, it is not subject to consequential punishment. Nevertheless, some legal scholars argue that, in light of the detrimental effects of tax evasion on the national economy—particularly in conditions of declining oil revenues and the necessity of reliance on tax resources—the provision of consequential punishments for this category of crimes could be necessary and deterrent (1).

Aggravating Institutions

Multiplicity of Offenses

In one classification, aggravating grounds are divided into general (common) aggravating circumstances and specific (special) aggravating circumstances. General aggravating circumstances refer to factors that are not confined to particular crimes; rather, whenever they occur in any offense, they lead to an aggravation of punishment. Multiplicity and recidivism are the two exclusive instances of general aggravating circumstances in criminal laws (16).

By contrast, specific aggravating circumstances consist of factors that aggravate punishment only in particular crimes. Specific aggravating circumstances are regarded as the counterpart of statutory excuses and are categorized into objective, personal, and mixed aggravating circumstances (20).

Objective aggravating circumstances, which relate to the material element of the offense, are factors accompanying the commission of the crime that render it particularly dangerous—for example, breaking into a protected enclosure or climbing over a wall, or carrying a weapon. Where such circumstances accompany the commission of theft, the offense becomes more dangerous and creates greater risk for society (21).

Personal aggravating circumstances are factors that exist in the offender and lead to aggravated punishment—for instance, where a person entrusted with safeguarding an official seal breaks it, or where a thief is a household employee, or where an offender meets certain statutory conditions that elevate criminal liability. In these situations, the punishment is aggravated due to the offender's personal characteristics.

Mixed aggravating circumstances are factors that both accompany the commission of the offense and also pertain to the offender personally, such as certain forms of sexual offenses involving coercion or prohibited relations. The practical effect of distinguishing specific aggravating circumstances into objective, personal, and mixed categories is that, where aggravation is objective—because punishment is intensified due to the nature and type of the offense—the aggravated punishment also extends to co-perpetrators and accomplices. Conversely, where aggravation is personal—because punishment is intensified due to the offender's personal attribute—it does not extend to co-perpetrators and accomplices and does not aggravate their punishments. Mixed aggravating circumstances, in this respect, are treated similarly to objective aggravating circumstances and result in aggravation extending to co-perpetrators and accomplices as well.

With respect to tax evasion, there are very limited sources addressing its aggravating circumstances. Where a specific offense is governed by a specific rule under a special statute, that rule must be applied; and where the statute is silent, the general provisions of the Islamic Penal Code (2013) apply. Since the Direct Taxation Act does not contain specific provisions on multiplicity and recidivism, the rules of Articles 131 to 139 of the Islamic Penal Code (2013) apply to multiplicity and recidivism in tax offenses (22). Moreover, the broad wording of Articles 131 to 139 extends their scope to all discretionary punishments.

Accordingly, given that the amended Direct Taxation Act does not establish a specific rule concerning multiplicity and recidivism, Articles 131 to 139 of the Islamic Penal Code (2013), by virtue of their mandatory character, also govern tax crimes. Therefore, in sentencing for such crimes, where there is multiplicity of committed offenses, these provisions must be observed. In analogous situations, the jurisprudence of the Supreme Court has also affirmed the obligation to apply the Islamic Penal Code's general rules in cases where a special law does not provide a specific rule on the matter.

Recidivism

The next aggravating factor is recidivism. Recidivism refers to a situation in which an individual, after a final conviction by a competent court, commits another offense. Individuals who reoffend not only endanger social order and security by persisting in unlawful activity, but also impose substantial costs on the public economy and the budget of the criminal justice system, as a large proportion of repeat participants in the criminal justice apparatus are recidivists.

In tax crimes, recidivism becomes particularly significant because each taxpayer is annually obligated to perform legal duties, and Article 274 of the Direct Taxation Act provides punishments for noncompliance. Given the annual—and in some instances quarterly—nature of obligations related to value-added tax, if a taxpayer is prosecuted and convicted in one year for failing to perform statutory obligations, in subsequent years they face an increased risk of recidivism and aggravated punishment.

It should also be noted that tax crimes fall within the category of sixth-degree offenses and therefore, independently of Article 25 of the Islamic Penal Code (2013), do not produce consequential effects associated with deprivation of social rights for rehabilitation purposes. In addition, under clause (t) of Article 107 of the Islamic Penal Code (2013), the statute of limitations for the execution of punishments in tax crimes applies after seven years from the date the judgment becomes final; however, tax crimes involving amounts exceeding one billion rials are not subject to limitation periods, and limitation rules do not apply to them.

Leniency Institutions

Legislative developments in recent years, particularly in criminal law and criminology, have led to the emergence of leniency institutions that operate in favor of defendants. The Islamic Penal Code (2013) and the new Code of Criminal Procedure reflect the legislator's relatively positive orientation toward defendants throughout criminal proceedings, from detection of the offense to execution of judgment. Such institutions include postponement of sentencing, conditional release, mitigation of punishment, repentance, pardon, and suspension of punishment, each of which has its own conditions and characteristics.

Mitigating Circumstances

The application of mitigation, in addition to encouraging offenders to cease criminal activity, serves as a mechanism for aligning punishments with the offender's personality. Grounds for mitigation appear in two forms: first, judicial grounds, where the law grants the judge discretion—without reference to specific crimes—to reduce punishment upon satisfaction of certain conditions, without making this discretion mandatory; and second, statutory grounds, where the legislator identifies specific mitigating factors for particular crimes.

Repentance refers to remorse for a past offense and a serious decision to refrain from committing it in the future. Article 115 of the Islamic Penal Code (2013) provides that, in discretionary offenses of degrees six to eight, if the offender repents and the judge is satisfied of their remorse and reform, the punishment is waived. Articles 37 and 38 of the Islamic Penal Code (2013) specify the conditions and extent of mitigation, including factors such as the complainant's forgiveness, effective cooperation in detecting the offense or restitution of property, special circumstances influencing the commission of the offense, effective disclosure or confession by the defendant, remorse and good prior record, efforts to reduce the effects of the offense, minor harm caused, and the limited role of a participant or accomplice.

Conversely, there are exceptions: mitigation is applicable only to discretionary offenses; persons with three final convictions cannot benefit from mitigation; and certain crimes are excluded from mitigation. Where mitigating circumstances are established, the degree of reduction varies by punishment type—for example, reduction of imprisonment by one to three degrees, conversion of confiscation into monetary fines of degrees one to four, conversion of permanent dismissal into temporary dismissal for five to fifteen years, and reduction of other discretionary punishments by one to two degrees or their conversion into another punishment (16).

Postponement of Sentencing

Postponement of sentencing means delaying the issuance of judgment. Under Article 40 of the Islamic Penal Code (2013), in discretionary offenses of degrees six to eight, the court may postpone issuing the judgment for six months to two years where conditions such as the existence of mitigating grounds, the prospect of the offender's reform, compensation for harm, and the absence of an effective criminal record are met. An effective conviction entails deprivation of social rights under Article 25 of the Islamic Penal Code (2013). Since the Direct Taxation Act does not establish a specific rule on postponement of sentencing, tax crimes may also fall within the scope of this institution.

Suspension of Punishment

Suspension of punishment refers to suspending the execution of all or part of the punishment. Under Articles 46 to 54 of the Islamic Penal Code (2013), the court may suspend execution of punishment for one to five years in discretionary offenses of degrees three to eight; and after serving one-third of the sentence, a convicted person may, if meeting legal conditions, request suspension (23). Suspension applies to discretionary offenses and does not extend to hadd or qisas crimes. Tax crimes, which are typically sixth-degree offenses, may be eligible for suspension subject to statutory conditions, unless barred by Article 47 of the Islamic Penal Code (2013).

Conditional Release (Parole)

Under the Islamic Penal Code (2013), conditional release is contingent upon serving half of the prison term for sentences exceeding ten years and one-third for other cases. The convicted person must have good conduct, assurance of non-reoffending, compensation for harm, and no prior use of conditional release (Article 58 of the Islamic Penal Code). In tax crimes, given the absence of a specific rule in the Direct Taxation Act and subject to satisfaction of these conditions, convicted persons may benefit from conditional release.

Critique of Tax Criminal Policy

In principle, criminal policy should reflect, like a mirror, the genuine values of society; otherwise, it will yield nothing other than crime-producing effects and the erosion of the perceived moral significance of conduct in the public mind. The realization of the goals and ideals of the criminal justice system requires the formulation and application of a clear and purpose-oriented criminal policy in combating criminality—one capable of crime prevention, general and special deterrence, offender reform, and social reintegration. Although tax crimes unfortunately lack such a fully articulated legislative criminal policy, a careful reading of the Direct Taxation Act makes it possible to analyze the implicit criminal policy of this law from several perspectives. Legislative criminal policy comprises both substantive and procedural dimensions. In this article, by examining the substantive and procedural tax laws within the aforementioned statute, deficiencies in the legislative criminal policy are critically assessed and, ultimately, reform proposals are presented.

Critique of Substantive Tax Laws

Criminalization and the determination and application of criminal enforcement mechanisms constitute core tools of the substantive dimension of legislative criminal policy for achieving its objectives. In what follows, these components will be examined in order to critique and analyze legislative tax criminal policy.

1. Criminalization of Tax Crimes and Related Deficiencies

Tax criminalization is a positive, constructive, and simultaneously deterrent measure that is widely used in tax collection and in the tax systems of most countries. It may be said that one of the largest and most important transformations introduced in the new Direct Taxation Act is precisely the emphasis on this matter. Nevertheless, this positive step contains several deficiencies, which will be addressed below.

1-1. Failure to Define Tax Crime and the Non-Comprehensiveness of Enumerated Cases

The legislator has not provided a definition of tax crimes in the Direct Taxation Act and has merely enumerated seven clauses under Article 274. Yet these clauses are not comprehensive and do not cover all acts that lead to non-payment of taxes. It would have been preferable for the legislator to define tax crime and to present enumerated cases illustratively rather than exhaustively. Although the tax legislator in Article 274 of the Direct Taxation Act has referred to reliance on false documents, failure to submit tax returns, and similar acts as the material element of tax evasion, the material element of this offense should not be regarded as limited to these seven clauses; rather, other material acts may also constitute tax evasion where the relevant conditions are met (24).

1-2. Maximum Criminalization Regardless of the Magnitude of Tax Evasion

Article 274 of the Direct Taxation Act applies to all tax offenders irrespective of the amount of tax evasion. This results in a very large number of taxpayers being classified as criminal offenders without accounting for the scale of the evasion, which conflicts with judicial policies such as decriminalization and reduction of imprisonment. It would have been preferable for the legislator to adopt differentiation and grading, assign judicial and criminal adjudication of tax evasion above a certain threshold to the judiciary, and initially provide administrative and tax adjudication for all tax offenses, referring high-value evasion cases—after determining the evasion amount—to judicial authorities. This approach would have reduced delays arising from the high volume of tax cases, including cases involving relatively low amounts, and would have made the allocation of institutional time and resources more efficient.

1-3. Treating Tax Crimes as Non-Absolute and the Lack of Application of Attempt Rules to Tax Crimes

Another point requiring careful reflection is that, in criminalization, the legislator has not treated tax crimes as absolute offenses and apparently, in some clauses of Article 274, has conditioned the realization of the crime upon the occurrence of financial damage to the government, even potentially. The legislator has expressly treated the tax crimes under clauses 3 and 7 as result-based offenses, and despite prescribing sixth-degree punishments for these crimes regardless of the amount of tax evasion and the financial loss inflicted on the government, this structure has led to these crimes lacking a criminal “attempt” dimension and, consequently, lacking punishment for attempt. This is because, under Article 122 of the Islamic Penal Code (2013), only crimes punishable by discretionary imprisonment up to degree five are subject to attempt liability. In addition, the legislator has set the punishment for the commission of tax crimes as degree six; pursuant to Article 19 of the Islamic Penal Code (2013), sixth-degree punishments include discretionary imprisonment of more than six months to two years, monetary fines of more than twenty million rials (20,000,000) up to eighty million rials (80,000,000), and other measures including deprivation of

social rights for more than six months up to five years, publication of the final judgment in the media, and professional or social activity bans for legal persons for up to five years, among others.

1-4. Defect in the Offense Under Clause (6) of Article 274 of the Direct Taxation Act

The tax legislator, in clause (6) of Article 274 of the Direct Taxation Act, has criminalized the omission of statutory duties relating to the preparation and submission of a tax return containing income and expense information, but has conditioned criminal liability on repetition of this omission over **three consecutive years**. Under this clause, the same omission—failure to submit the required return—has **no criminal character** if it occurs over **two consecutive years** or over **non-consecutive years**, yet it becomes a crime if repeated in **three consecutive years**. This legislative design raises a fundamental doctrinal concern: how can the same act (or omission) lack criminality in the first and second years, but—without any change in the essential nature of the conduct—become criminal merely because it occurs again in the third year? From the standpoint of criminal policy, such a threshold structure undermines the preventive function of criminalization. It effectively postpones the activation of criminal liability until a pattern is completed, thereby weakening early deterrence and reducing the law's capacity to intervene at the first or second instance of noncompliance. In practice, this may inadvertently signal to some taxpayers that non-submission is "tolerated" up to a point, which contradicts the logic of immediate preventive signaling that criminal norms are expected to provide. Unfortunately, the legislator appears to have overlooked the preventive implications of designing criminal liability in this delayed, cumulative manner.

1-5. Multiple and Complex Tax Laws

One of the key drivers of the underground economy and tax evasion is the **complexity** of tax laws and regulations. The Direct Taxation Act is a technical and highly bureaucratized instrument; mastery of its concepts and rules typically requires specialized expertise. The legislator has enumerated tax crimes in Article 274 through seven clauses, but each clause, in turn, connects to numerous sub-rules, examples, and applications scattered across tax legislation and administrative regulations. For many taxpayers, comprehensive awareness and understanding of these provisions—some of which are intrinsically complex—may not be realistically attainable. This gap in comprehension becomes, in itself, a factor contributing either to unintentional noncompliance or to deliberate avoidance framed as "ambiguity exploitation."

The complexity of tax laws can produce significant adverse effects, including: the proliferation of methods for concealing income from the tax base; reduced levels of tax compliance; increased probability of inadvertent computational mistakes in determining payable tax; overpayment or underpayment due to non-intentional errors; increased public perception that the tax system is unfair; higher administrative and compliance costs; lower quality of tax administration and service delivery; and diminished effectiveness of the enforcement tools available to the tax system, including tax penalties. In addition, because tax matters are highly technical, there is often a large volume of tax circulars and interpretive directives, which further complicate compliance. Minimizing such circulars and simplifying tax rules would make the system substantially easier to understand for taxpayers and could meaningfully reduce tax evasion while improving the effectiveness and efficiency of tax administration.

Criminal Tax Enforcement Mechanisms and Related Critiques

A central component in evaluating an effective criminal policy is the establishment of appropriate and proportionate enforcement mechanisms and the accurate, consistent execution of those mechanisms in response to legal violations. Through such design and implementation, one of the most important goals of criminal policy—

namely crime prevention (including primary, secondary, and tertiary prevention)—can be realized. With this significance in view, in assessing Iran's legislative criminal policy from the enforcement perspective, the following issues can be identified as major deficiencies in the domain of tax crime.

1. Lack of Deterrence in Existing Punishments

In reality, the principle of proportionality between punishment and the nature and severity of tax crimes has not been adequately observed. This failure is not only non-preventive, but can become crime-generative by increasing the risk associated with repeated tax offending. The legislator's decision to prescribe uniform sixth-degree punishments for all tax crimes regardless of the volume of tax evasion is insufficiently deterrent for major offenders and may facilitate systematic abuse, thereby increasing the likelihood of multiplicity and recurrence of tax crimes. Tax offenders may be both natural persons and legal persons; however, the legislator has not calibrated punishments in a way that reflects the economic logic of tax crime across these categories, and this imbalance becomes especially visible when comparing sanctions for small taxpayers versus large-scale evaders.

(a) Punishment of Natural Persons

Tax crimes are economic crimes whose principal motive is the acquisition of material benefit. For deterrence to be effective in this category, the punishment—especially monetary penalties—should ordinarily exceed the expected gains from the offense. Under an "economic approach," the potential offender weighs the expected profit from committing the crime against the expected loss arising from enforcement and punishment, and then decides whether to proceed or desist (7). Therefore, where the expected costs of offending—considering factors such as severity and certainty of punishment, and the capacity and decisiveness of authorities in detection and prosecution—are higher than the expected gains, a rational offender is likely to abandon the intention to offend. Conversely, where profit and loss are perceived as equal, or where the expected gains outweigh the expected sanction, the preventive function of punishment fails and deterrence collapses.

However, the legislator in the Direct Taxation Act has prescribed a general sixth-degree punishment structure—among other things, a monetary fine in the range of approximately 20 to 80 million rials—without tailoring sanctions to the magnitude of evasion. This means that a minor taxpayer with negligible evasion may be treated, in sanction terms, similarly to a major taxpayer who has engaged in evasion involving hundreds of millions of rials (or more). Such non-differentiation undermines distributive justice in sentencing, weakens deterrence across taxpayer groups, and may even create a perverse incentive for some predisposed individuals by signaling that the sanction is economically "affordable" relative to the gains. In short, the predicted fines and imprisonment within the sixth-degree framework are not necessarily proportionate for all categories of tax offenders and may lack the intimidation and deterrent effect required for high-impact tax evasion; under such mild sanctions, increased recurrence and growth in the rate of these crimes would not be unexpected.

(b) Punishment of Legal Persons

Although recognizing criminal liability for legal persons in the Direct Taxation Act is, in principle, a commendable legislative step, it is not clear why—despite the fact that Articles 19 and 20 of the Islamic Penal Code provide sixth-degree sanctions applicable to legal persons—the legislator in Article 275 of the Direct Taxation Act has prescribed a separate set of **more limited and, in terms of duration, lighter** sanctions for legal-person offenders. This is particularly problematic because a significant portion of large-scale tax evasion is typically committed by major taxpayers operating through corporate structures and legal entities. Such actors often have access to sophisticated accountants and tax specialists and may be more capable of exploiting legal loopholes and regulatory gaps.

Consequently, a relatively weak sanctioning regime for legal persons is unlikely to be meaningfully deterrent and may fail to disrupt organizational strategies of avoidance and evasion.

Critique of Procedural Tax Laws

Pursuant to Article 274 of the Direct Taxation Act, tax crimes are classified as sixth-degree discretionary offenses. Accordingly, based on the relevant provisions of the Islamic Penal Code, the statute of limitations for prosecution of certain tax crimes is **five years**, and the statute of limitations for execution of final judgments is **seven years**. Moreover, under Article 109 and the note to Article 36 of the Islamic Penal Code, where the monetary amount involved in a tax crime is **one billion rials or more**, limitation periods for prosecution, adjudication, and execution do **not** apply. In addition, under Article 113 of the Islamic Penal Code, the suspension of prosecution, the issuance of judgment, or execution of punishment does not prevent the injured party from pursuing a private claim before the competent authority.

Given that limitation periods apply to some tax crimes, accelerating the processes of tax assessment, review, and the initiation of criminal proceedings in defective tax files becomes critically important. However, achieving such acceleration requires adequate financial resources, sufficient numbers of trained specialists, robust ICT infrastructure, and effective coordination and information exchange among relevant agencies (including customs, industry and mining authorities, chambers of commerce, and other linked bodies). From a revenue-maximization standpoint, and pending the establishment of necessary infrastructural conditions for prompt detection and adjudication, it may be preferable for the legislator to exclude tax crimes—regardless of the evasion amount—from limitation periods, in order to prevent offenders from benefiting from procedural delays.

Explaining Preventive Strategies Regarding Tax Crimes

In a criminological analysis of tax crimes, a key step is to propose and explain strategies that have practical utility in preventing such offenses. “Prevention” is a criminological concept referring to identifying and eliminating the causes of offending, and it requires scientific and research-based organization (5). Prevention can be examined in two dimensions: situational prevention and individual prevention. Individual prevention itself includes two forms: early prevention and social prevention. On this basis, the following discussion first explains situational preventive strategies and then addresses social preventive strategies.

Proposed Strategies for Situational Prevention

Situational prevention of tax crimes requires deliberate change or intervention in the tax environment and its specific risk conditions. In essence, situational prevention consists of a set of non-penal measures and administrative safeguards designed to modify the circumstances surrounding the offense, reduce the availability of criminal opportunities, and render the commission of tax crimes less feasible, less attractive, and more detectable. Within Iranian tax legislation—most notably the Direct Taxation Act and the Value Added Tax (VAT) Act—the legislator has incorporated a number of preventive provisions that operate through systematic interaction between taxpayers, tax offices, and cooperating institutions. The most important measures can be summarized as follows.

The first and most basic situational instrument is the mandatory provision of financial information by natural-person taxpayers. In tax compliance architecture, reliable information exchange is the primary condition for accurate assessment and equitable collection. Where tax authorities have timely access to verifiable taxpayer documents,

the space for concealment, fabrication, and strategic omission narrows substantially; simultaneously, the assessment process becomes more equitable because it can be grounded in documented income and expense records. In this framework, Article 26 of the VAT Act obliges taxpayers to provide their financial documents and information to competent officers, thereby strengthening auditability and reducing opportunities for evasion (11).

A second measure is the requirement that legal persons and traders systematize their economic activity, especially through standardized identifiers and traceable transactional documentation. Under Article 169 of the Direct Taxation Act, legal entities are required to include their economic code in transactions. Functionally, this requirement advances transparency by improving transaction traceability, reducing identity substitution, and curbing the practice of conducting economic activity "off-record." From a situational-prevention standpoint, the economic-code mechanism transforms anonymous or weakly documented exchanges into auditable data points, thereby diminishing the opportunity structure for tax evasion.

Third, situational prevention is reinforced through the obligation of institutions and persons connected to the taxpayer to provide information. Preventing noncompliance depends not only on taxpayer disclosure but also on the tax authority's ability to access independent third-party data concerning assets, cash flows, and financial relations. Multiple provisions in tax laws impose cooperation duties on other public and private bodies. For example, Articles 30 and 31 of the VAT Act and Articles 230 and 231 of the Direct Taxation Act require institutions such as banks, credit institutions, municipalities, and ministries to submit relevant financial documents and collaborate with tax offices. The preventive logic here is direct: when third-party information channels are open, opportunities for concealment and misrepresentation contract, and risk of detection increases.

Fourth, the law provides the ability to inspect taxpayer books and records. Pursuant to Article 229 of the Direct Taxation Act, tax administrations are authorized—where necessary for confirming or rejecting tax returns—to review taxpayer books, accounting records, and supporting documentation. This power is central to situational prevention because it increases perceived certainty of detection and raises the expected cost of evasion by expanding the audit capacity of the administration.

Fifth, the legislator has moved toward data-driven prevention through the creation of a comprehensive taxpayer identity and information database. Under Article 169 repeated (169 مکرر) of the Direct Taxation Act, a centralized database is established to institutionalize the tax information system and enhance transparency in economic activity. Such a base typically includes identity, performance, and asset-related data. In situational terms, this reduces "information asymmetry" between the taxpayer and the state, supports cross-checking, and facilitates risk-based auditing—thereby reducing opportunities for persistent underreporting.

Sixth, the Direct Taxation Act explicitly provides for the establishment of a tax inspection unit. Article 181 introduces the "tax inspection unit" as an institutional mechanism for monitoring implementation of tax rules, controlling accounting books, and preventing disruptions in compliance obligations. The preventive significance of such a unit lies in its capacity to conduct targeted inspections, respond rapidly to risk signals, and increase institutional presence in the compliance field, which in turn raises the perceived certainty of detection and reduces the comfort of operating in opaque environments.

Seventh, situational prevention is supported through identification and recovery of concealed income. Where hidden income is established, the Tax Administration may, under Articles 227 and 156 of the Direct Taxation Act, proceed to assess and claim the corresponding tax. This measure reduces the long-term payoff of evasion by signalling that concealment may be discovered retroactively and converted into enforceable tax liability.

Eighth, a critical element of compliance-driven prevention is guaranteeing protection of taxpayer information. Trust is a compliance asset: if taxpayers believe their financial data will be disclosed or misused, they may be incentivized to resist disclosure, shift into informality, or avoid cooperation. To address this, the Direct Taxation Act criminalizes the unlawful disclosure of taxpayer information and subjects offenders to prosecution under the Islamic Penal Code. The situational effect is twofold: it promotes taxpayer cooperation by strengthening perceived confidentiality and it reduces incentives for corrupt “leakage” and opportunistic misuse of sensitive data.

Ninth, the law provides for prepayment tax bills as an incentive mechanism. Under Article 166 of the Direct Taxation Act, the Tax Administration may issue prepayment bills and grant discounts for early payment, thereby encouraging voluntary compliance. While not coercive, this is still situationally preventive because it modifies the decision environment: it introduces a tangible benefit for timely payment and reduces the likelihood that taxpayers defer obligations and drift toward noncompliance.

Finally, situational prevention includes measures to prevent asset dissipation and flight-risk behavior through tax security orders. Where there is a risk that the taxpayer may evade payment—through transferring assets, hiding property, or otherwise frustrating enforcement—the tax office may, under Article 161 of the Direct Taxation Act, request a “tax security order” to restrict transfers and preserve recoverability. If the taxpayer violates the restrictions, in addition to settling the claims, they may face sixth-degree discretionary imprisonment. This mechanism is situationally powerful because it limits the operational space for enforcement avoidance and reduces opportunities to render tax debts practically uncollectible.

Explaining Strategies Proposed for Social Prevention

Social prevention is generally conceptualized in two dimensions: individual-focused prevention and developmental (early) prevention, with education operating as the central axis of both. The objective is to strengthen individuals’ educational, cultural, and social foundations so that the motivational and normative drivers of criminal conduct—such as tax evasion—do not consolidate in the first place.

Developmental (early) prevention refers to psychological and social interventions within the child development process, aimed at preventing the emergence of risk factors that increase the probability of persistent delinquency in later life. Applied to tax crime, the core strategy is to cultivate tax culture during childhood and adolescence so that future noncompliance tendencies are neutralized before they become behavioral patterns. Delivering tax education through schools, mass media, books, and educational games can contribute meaningfully to internalizing the norm of tax compliance and framing taxation as a legitimate instrument of public finance rather than an avoidable burden.

Individual-focused prevention encompasses measures that improve living conditions, sanitize the social environment, and strengthen ethical values so as to reduce crime-producing causes. This form of prevention, using training, encouragement, upbringing, and even corrective discipline, seeks to enhance the individual’s capacity to distinguish right from wrong and to develop stable pro-social judgment. In this logic, increasing awareness, educational opportunities, employment prospects, and welfare provision can reduce criminogenic pressures and thereby prevent inclinations toward crimes including tax offenses (25). Within this framework, tax education becomes a primary instrument for aligning individuals with tax rules and normalizing compliance behaviors.

A further pillar of social prevention is education and promotion of taxpayer tax culture. Awareness-raising helps taxpayers recognize the importance of tax and increases compliance. The legislator has acknowledged the

preventive role of education and has adopted related measures, including: promoting tax culture through media and appropriate national mechanisms (Article 35 of the VAT Act); allocating a portion of tax revenues to taxpayer education and compliance encouragement (Article 37 of the same Act); and providing tax consultation and information services to improve awareness and prevent violations (Article 28 of the VAT Act).

Finally, social prevention depends heavily on training and professionalizing tax personnel. The integrity and competence of tax offices materially influence compliance: tax officials, as organizational representatives, may unintentionally amplify taxpayer noncompliance if they are poorly trained, inconsistent, or error-prone; and they may actively foster tax crime if administrative corruption emerges. For this reason, the legislator has treated staff training as a legal necessity, including through provisions on developing, equipping, and training tax personnel (Article 35 of the VAT Act), as well as educating and incentivizing personnel toward maximum tax collection (Article 217 of the Direct Taxation Act).

Additional Preventive Strategies Regarding Tax Crimes

Beyond the measures already embedded in tax legislation, a broader preventive agenda can be articulated. Since the tax system, as a core pillar of national fiscal policy, is composed of tax laws, organizational structure, and taxpayers, preventive strategies can likewise be categorized into legal strategies, organizational strategies, and taxpayer-oriented strategies.

From a legal standpoint, one of the most foundational preventive methods is drafting clear, simple, and non-ambiguous tax norms. Reforming vague rules, reducing contradictory circulars and administrative instructions, and clarifying the rights and obligations of taxpayers and tax staff can prevent both inadvertent violations and deliberate evasion. Moreover, tax punishments should be calibrated to the severity of the conduct to achieve authentic deterrence; diversified and proportionate sanctions are generally more preventive than fixed and generalized penalties (11, 23).

From an organizational standpoint, tax institutions play a decisive role in correct implementation and corruption-reduction. The stronger the coordination among tax-related institutions and the more rigorous the supervision of administrative performance, the lower the probability of crime. Effective monitoring of staff, transparent administrative processes, and clear internal organizational rules are key preventive measures. Additionally, delegating certain collection functions to the private sector may increase taxpayer satisfaction, improve collection processes, and reduce tax-related crimes such as bribery; consequently, it can operate as a preventive mechanism against tax violations (25).

Conclusion

Following the 2015 amendment to the Direct Taxation Act and the enactment of Articles 274 to 277, Iran's legislative criminal policy framework in the field of tax crimes has taken a significant step toward combating tax evasion. The criminalization of conduct such as the preparation of false documents and records, the use of other persons' commercial cards to evade tax, and the failure to submit tax returns reflects the legislator's stringent approach to this category of offenses. This approach indicates that tax evasion is regarded not merely as an administrative violation, but as a crime against public interests.

Nevertheless, the effectiveness of the prescribed criminal sanctions—such as imprisonment under Article 274 and social and administrative deprivations under Article 276—remains subject to doubt. Practical experience has

shown that severe punishments alone have not been effective in reducing tax evasion and, in many cases, are either not enforced or rendered ineffective through mitigation and suspension mechanisms. From this perspective, Iran's criminal policy appears more declaratory and formal than grounded in genuine deterrence.

Moreover, non-criminal sanctions such as financial penalties and occupational prohibitions under Article 275 have also faced challenges in achieving their objectives due to weak institutional oversight and the absence of efficient information mechanisms. When the likelihood of detecting and proving tax violations is low, even the harshest sanctions cannot fulfill a deterrent function. Consequently, institutional and enforcement deficiencies result in sanctions being less effective in practice than anticipated.

A comparison between Iran's criminal policy and that of certain countries that prioritize administrative and preventive instruments—such as financial transaction transparency, the use of intelligent data systems, and incentives for voluntary compliance—demonstrates that reliance solely on criminal punishment is an inadequate approach. These countries have successfully reduced tax evasion by combining punitive and incentive-based mechanisms, whereas in Iran a proper balance between criminal sanctions and preventive measures has yet to be achieved.

Accordingly, reforming Iran's tax criminal policy requires reassessing the effectiveness of existing sanctions and complementing them with institutional and cultural tools. Redefining tax crimes, clarifying legal provisions—particularly those relating to penalties—strengthening monitoring and detection systems, and simultaneously enhancing tax culture and trust between the state and taxpayers can lead to increased compliance and reduced enforcement costs. Only under such conditions can legislative criminal policy contribute meaningfully to the goals of tax justice and economic development.

The prevention of tax crimes can be pursued along two principal dimensions: situational (opportunity-based) prevention and individual-oriented (educational) prevention. At the situational level, reforming environmental conditions and controlling opportunities for criminal conduct can reduce the likelihood of violations. At the individual level, education and awareness-raising among tax officials, individual and corporate taxpayers, and the general public can internalize the social stigma of criminal conduct and underscore the importance of adherence to tax laws.

Tax legislation has attempted to address both dimensions by providing for effective oversight, obligating taxpayers and third parties to disclose financial information, encouraging cooperation among relevant institutions, and promoting public and staff education. However, shortcomings in educating children and citizens, limited use of modern technologies, constraints in mechanized systems, and the inefficiency of certain oversight mechanisms have prevented individual-oriented and situational prevention from achieving full effectiveness.

In addition, a weak tax culture and the perception among some taxpayers that tax nonpayment is acceptable necessitate sustained educational initiatives and continuous legal enforcement. Therefore, integrating situational and individual-oriented measures, alongside strengthening tax culture and improving oversight mechanisms, constitutes a prerequisite for reducing tax crimes and increasing taxpayer compliance.

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All authors equally contributed to this study.

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