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The Role of Tax Evasion in The Risk of Corporate Bankruptcy

A Field Study in The Business Environment in The Kurdistan Region of Iraq

Khowanas Saeed Qader
Department of Accounting and Finance, College of Administrations and Economics, Lebanese French University, Kurdistan Region, Iraq.
Khowanas.qader@lfu.edu.krd

Sanarya Adnan Anwer
Department of Business Administration, College of Administrations and Economics Lebanese French University, Kurdistan Region, Iraq.
Sanarya.adnan@lfu.edu.krd

Hawkar Anwar Hamad
Department of Accounting and Finance, College of Administrations and Economics, Lebanese French University, Kurdistan Region, Iraq.
Hawkar@lfu.edu.krd

Hamin Khasrow Ibrahim
Department of Accounting and Finance, College of Administrations and Economics, Lebanese French University, Kurdistan Region, Iraq.
Hamin.khasrow@lfu.edu.krd

Bayar Gardi
Department of Accounting, College of Administration and Financial Sciences, Knowledge University, Kirkuk Road, 44001 Erbil, Kurdistan Region, Iraq.
Bayar.Gardi@knu.edu.krd

Pshdar Abdalla Hamza
Department of Business Administration, Kurdistan Technical Institute, Sulaymaniyah, Iraq.
Pshdar.hamza@kti.edu.krd

Rizhin Nuree Othman
Department of Computer Science and Engineering, Lebanese French University, Kurdistan Region, Iraq.
Rizhin.othman@lfu.edu.krd

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ABSTRACT

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Tax avoidance causes a high level of information opacity among businesses, lowering the accuracy of accounting data. To control audit risks that may occur from tax avoidance, auditors must undertake additional auditing procedures, resulting in increased audit fees. The current study applied quantitative research method through using academic questionnaire to examine the relationship between corporate tax avoidance and firms' bankruptcy risks. The population of the current study is firms in Kurdistan region of Iraq and particularly in Erbil. The study distrusted 120 questionnaires however only 109 questionnaires were obtained, all questionnaires distributed by using simple random method. Companies should be able to observe the effects/consequences of tax evasion on the firm's risk and future tax rate volatility in order to retain investors interested in making safe investments in the company. The findings demonstrated that all four research hypotheses are supported, means that controlling corporate tax avoidance by applying (tax management, tax planning, tax aggressiveness, and tax evasion) will have positive and significant influence on firms' risk bankruptcy.

1. Introduction

Business tax avoidance has been a hot topic in both theoretical and practical research for a long time (Durana et al. 2021). Corporate tax dodging was shown to be a major and worldwide occurrence in a survey of developing nations conducted (Mayovets et al. 2021). The proportion of businesses avoiding taxes was 21.3 percent in the sample. However, the percentage of KRG companies evading taxes increased to 41.9 percent, placing them 13th in the survey sample. According to anecdotal evidence from the World Bank and PwC, KRG's total tax rate averaged 68 percent. Prior research has found that multi-level factors influence the extent of corporate tax avoidance, including micro factors like firms' bankruptcy risk and structure (Hu, 2018), top management team characteristics (Sugeng et al. 2020), compensation contracts, and macro factors like market competition (Jihene & Moez, 2019). Corporate consumers, as key external stakeholders, have a significant impact on how a company behaves.

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According to data, a company's main clients account for more than a third of its sales, and customer concentration has been increasing (Lee et al. 2021). In terms of tax regulations, Nurfauzi & Firmansyah, (2018) show that because companies with large customer concentrations on tax evasion actions. The company's interest in tax avoidance stemmed from the fact that the activity does not violate or compromise the law and reduces the company's tax bill. Low tax liability is sought by businesses because it maximizes shareholder value, which gives investors a favourable impression; yet, tax avoidance methods may lead to inaccurate information being supplied to investors. The use of taxation laws gap, combined with tax payers' flexibility to offer their own tax computation report, has resulted in an unclear future. The tax officer's and the taxpayer's differing perspectives on whether a liability is deductible or not could result in future tax debts. When a corporation is very aggressive in tax evasion, the rate of future tax uncertainty rises (Asiri et al. 2020). This uncertainty may result in a greater tax bill in the future. Companies that engage in tax evasion are thought to be opaque since they do not provide accurate revenue and profit figures. This behavior allows managers to conceal undesirable facts about the company, thus misleading investors and devaluing the company's value (Vintilă et al. 2018). The ambiguity of the tax and the lack of transparency of the corporation would increase the company's risk. The firm's manager owns a share of the company's stock. As a result, she can shield money from taxes, benefiting all shareholders, while simultaneously diverting a portion of the sheltered revenue for her personal use. Since we believe that the manager's diversion is solely based on sheltered revenue and that bankruptcy is more costly to the manager, the manager wants to shelter more in order to be able to divert more, but she must only shelter to the degree where the risk of bankruptcy is not too great. The manager's ideal sheltering level is thus a trade-off between her gains in the form of tax savings (acquired through holding shares) and diverted income and the costs associated with higher bankruptcy risk. The ability of levered enterprises to deduct corporate interest expenses from borrowings has a beneficial impact on total after-tax cash flows and consequently increases company value (Ayotte & Morrison, 2018). Due to the fact that after-tax cash flow lowers the corporate marginal tax rate for enterprises without debt, corporations with high marginal tax rates favor debt in their capital structures more.

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In other words, when the marginal tax rate is high, company value increases in leverage. It is crucial to remember, however, that personal taxes can help to reduce this effect (Akbar et al. 2019).

1.1 Research problem and Research Questions:

The problem of this research can be summarized in the main question and other sub-questions raised, therefore the study aimed to answer below research questions:

RQ1: Does tax management as corporate tax avoidance practices have a positive and significant influence on firms' bankruptcy risk?

RQ2: Does tax planning as corporate tax avoidance practices have a positive and significant influence on firms' bankruptcy risk?

RQ3: Does tax aggressiveness as corporate tax avoidance practices have a positive and significant influence on firms' bankruptcy risk?

RQ4: Does evasion as corporate tax avoidance practices have a positive and significant influence on firms' bankruptcy risk?

1.2 The Aim of the Research

The goal of the current research is to find out how corporate tax avoidance affects the risk of a company going bankrupt. Tax management, tax planning, tax aggressiveness, and tax evasion were used to analyze the impact of corporate tax avoidance as well as its impact on the threat of firm bankruptcy.

1.5 Research Hypotheses

H1: Tax management as corporate tax avoidance practice has a positive and significant influence on firms' bankruptcy risk.

H2: Tax planning as corporate tax avoidance practice has a positive and significant influence on firms' bankruptcy risk.

H3: Tax aggressiveness as corporate tax avoidance practice has a positive and significant influence on firms' bankruptcy risk.

H4: Tax evasion as corporate tax avoidance practice has a positive and significant influence on firms' bankruptcy risk.

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2. Literature Review

2.1. Tax Avoidance

Pricing for auditing is based on the auditor's efforts as well as prospective losses like as litigation risk, reputational damage, and regulatory penalties (Riedel, 2018). In at least three ways, tax evasion benefits the auditor's efforts and possible losses. Bayar et al. (2018), there is an incrementally negative relationship between investment-related tax shields and debt tax shields for enterprises facing a considerable probability of losing immediate tax deductibility of tax shields. This data backs up DeAngelo and Masulis' prediction of a substitution impact between debt and non-debt tax (Didimo et al. 2020). Furthermore, the size of these tax shelters is frequently significant enough to have an impact on companies' debt strategies. They show that businesses that employ tax shelters have lower debt levels because the shelters yield big deductions, which wash out the tax benefits of borrowing. Tax shelters also save money on cash flow, lowering business debt demand even more. Excessive tax avoidance is one type of risk that lenders are concerned about. Scholars define tax evasion in a variety of ways.

Tax avoidance is the legal usage of the tax regime to one's own advantage, to lower the amount of tax that is payable by measures that are legal," according to Shibaeva et al. (2019). In the accounting literature, however, there is no commonly accepted definition of tax avoidance. Corporate tax avoidance is an important aspect of a company's capital management strategy (Kubick et al. 2020). In reality, the International Monetary Fund (IMF) notes in a study of tax income collected during financial crises that credit-strapped businesses may be motivated to use tax avoidance as a means of financing their operations (Uddin et al. 2020). Moreover, the amount of this tax shelter is frequently large enough to influence the debt strategy of firms. They demonstrate that enterprises that utilize tax shelters have lower debt levels because the shelters generate substantial tax deductions that offset the tax advantages of borrowing. Additionally, tax shelters save money on cash flow, which further reduces the demand for commercial financing. Lenders are concerned about excessive tax avoidance as one sort of risk. Numerous definitions of tax evasion exist among academics. Auditing fees are dependent on the auditor's work as well as potential losses such as lawsuit risk, reputational harm, and regulatory fines (Riedel, 2018). Tax evasion advantages the auditor's efforts and potential losses in at least three ways. According to Bayar et al. (2018), there is a negative association between investment-related tax shields and debt tax shields for businesses with a high likelihood of losing the immediate tax deductibility of tax shields. This evidence supports DeAngelo and Masulis's hypothesis of a substitution effect between debt and non-debt tax (Didimo et al. 2020).

2.2 Firm Bankruptcy Risk

Employees pay a high price for bankruptcy because it might result in the loss of income and firm-specific human capital. Chen et al. (2019) used administrative data from the United States to discover that high-tenure workers who leave failing enterprises incur long-term losses of 25% per year on average. They also discovered that the losses start building up before employees actually leave, and that the losses are equally significant for employees who find new positions in similar companies. Employees lose non-monetary benefits as well as monetary rewards from working for the company. Prusak, (2018) suggest in a theoretical article that the cost carried by employees is potentially the single most significant indirect cost of bankruptcy. Companies that care about their employees' well-being are less likely to go bankrupt than companies that care less about their employees' well-being. Because bankruptcy occurs when businesses are unable to make their debt obligations, lowering the firm's leverage is an obvious strategy to reduce the likelihood of financial trouble. Banks, financial institutions, clients, and other businesses are all concerned about the possibility of bankruptcy, as are investors and company executives. Due to the application of statistical methods in risk analysis at the time, the diagnosis of bankruptcy risk took off quickly. The scoring approach is one of them, and it seeks to create prediction models for analyzing a company's bankruptcy risk. The scoring approach is based on discriminant analysis statistical techniques and includes observing a set of organizations divided into two groups: one with financial troubles (bankruptcy) and the other with a more relaxed financial situation (non-bankrupt). As a result of the potential loss of income and firm-specific human capital, bankruptcy imposes a hefty cost on employees. Chen et al. (2019) use administrative data from the United States to determine that high-tenure employees who leave failing businesses incur average annual long-term losses of 25%. In addition, they discovered that the losses begin to accumulate prior to an employee's actual departure, and that the losses are as significant for people who move to similar organizations. Employees lose non-monetary benefits as well as monetary rewards from working for the company. In a theoretical study, Prusak (2018) suggests that the cost borne by employees is potentially the single most significant indirect cost of bankruptcy. Companies that prioritize the well-being of their employees are less likely to fail than those that do not. Given that bankruptcy occurs when a company is unable to meet its debt obligations, reducing the firm's leverage is an obvious method for reducing the chance of financial difficulties. Banks, financial institutions, clients, and other businesses, as well as investors and company leaders, are all anxious about the prospect of bankruptcy. As a result of the use of statistical approaches in risk analysis at the time, the diagnosis of bankruptcy risk grew rapidly. One of these is the scoring approach, which aims to develop prediction models for analyzing a company's bankruptcy risk. The scoring method is based on statistical techniques from discriminant analysis and comprises observing a set of firms classified into two groups: those with financial difficulties (bankruptcy) and those with a more stable financial state (non-bankrupt). The conclusion is based on the calculation of certain financial ratios for both types of organizations. However, we believe that the influence of governance varies per company and that governance initiatives that are one-size-fits-all might be ineffective (Hamad et al. 2021). The findings of prior research on nonbankrupt (healthy) corporations may not explain the use of various governance qualities in situations where businesses are on the edge of financial distress or bankruptcy. At least two variables can be linked to this disparity. In most cases, a corporation does not fail abruptly; rather, it undergoes a lengthy failing process. It has been demonstrated that large corporations have a lengthy failure process, whereas small to medium-sized businesses may have a shorter failure process (Durana et al. 2021). Additionally, bankruptcy is believed to be the final phase of the decline process. According to Mayovets et al. (2021), the company decline process involves five stages, with effective reorganization/turnaround only possible at the very end. However, the failure process for identical businesses might vary greatly based on their age, industry, size, and location (Hu, 2018). The observation is based on the computation of some financial ratios for both categories of businesses. However, we believe that the impact of governance varies per firm and that one-size-fits-all governance strategies can be ineffective (Hamad et al. 2021). The previous research' findings from nonbankrupt (healthy) firms may not explain the usefulness of specific governance characteristics in scenarios where enterprises are on the verge of becoming financially troubled or bankrupt. This discrepancy can be attributed to at least two factors. Normally, a company does not become bankrupt overnight; instead, it goes through a failure process that lasts a long time. Large corporate failures have been proven to have a long failure process, but small to medium firms might have a short failure process (Durana et al. 2021). Bankruptcy is also thought to be the last stage of the decline process. The firm decline process, according to Mayovets et al. (2021), has five stages, with effective reorganization/turnaround only conceivable at the very end. Nonetheless, the failure process for identical organizations can differ significantly depending on their age, industry, size, and national location (Hu, 2018).

3. Research Methodology

3.1 Research Strategy and Research Design

The current research used quantitative research method. Each methodological approach appears to be based on a theoretical basis, and these theoretical presuppositions direct social scientists to employ a variety of paradigms, techniques, and research methods throughout their studies. According to one spiritual viewpoint, the research process is based on a shared set of ideas, beliefs, and methodologies among academics. Social scientists and academics have engaged in lengthy epistemological discussions for decades regarding the most appropriate procedures for conducting research. Included in this plan are the ontological and epistemological theories, which deal with the nature of knowledge and potential, as well as assumptions regarding human relationships with other personal and environmental factors.

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3.2 Sample size

The population of the current study is firms in Kurdistan region of Iraq and particularly in Erbil. The study distrusted 120 questionnaires however only 109 questionnaires were obtained, all questionnaires distributed by using simple random method.

3.3 Development of the Research Instrument

The questionnaire, which was developed based to examine the current study. Except for those denoted by an asterisk, all questionnaire constructs were measured using scales that had been previously developed and evaluated. In the field of social research, questions that express two or more ideas at once are referred to as double-barreled items. During the questionnaire design process, great care must be taken to avoid including such questions. Similar distinctions are made for question items that may generate ambiguity. All measurements were based on self-reporting opinion, with respondents asked to quantify whether, how frequently, and how intensely they were exposed to the investigated facts. Some of the questionnaire items were developed by the researchers themselves. Before evaluating a new item's psychometric performance and ease of administration, its conceptual basis must be well-articulated if it is to be used in research. For this thesis, the researcher focused primarily on the face validity of questions in order to improve the wording of the items. Face validity is the extent to which respondents perceive things to be sensible and meaningful. The questionnaire for the present study was derived from a variety of scholarly articles published in reputable international journals.

4. Findings

The current study concentrated on evaluating the influence of corporate tax avoidance (tax management, tax planning, tax aggressiveness, and tax Evasion) to examine the impact on firms' bankruptcy risk in Kurdistan region of Iraq.

Table (1): KMO and Bartlett Sphericity Test of Self-rating Items

No	Factors	N of items	Sample	KMO	Bartlett test	
					Chi-Square	Sig
1	Tax Evasion	12	109			
2	Tax management	10	109		5392.2	.000
3	Tax planning	9	109	.812		

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4	Tax aggressiveness	11	109			
	Firms' bankruptcy risk	9	109			

Table (1) shows that the KMO value is 0.812; because this value is greater than.001, it shows that the sample size used for the current study was more than adequate. In addition, the Chi-Square result is 5392,2 and the significance level is.000.

Table (2): Factor Analysis

No	Components	Number of Items	N	Eigenvalue	Rotation Sums of Squared Loadings	
					% of Variance	Cumulative
1	Tax Evasion	12	109	1.912	11.771	10.989
2	Tax management	10	109	2.291	12.811	19.022
3	Tax planning	9	109	2.029	11.891	17.433
4	Tax aggressiveness	11	109	1.893	10.674	13.566
5	Firms' bankruptcy risk	9	109	1.782	13.227	12.801

Table 2 shows a dependent variable (firm insolvency risk) along with four independent variables. Tax evasion, the first element of corporate tax avoidance, clarified 11.771 % of the total variance; tax management, the second element of corporate tax avoidance, ten elements clarified 12.811 % of the total variance; tax planning, the third element of corporate tax avoidance, nine elements clarified 11.891 % of the total variance; and tax aggressiveness, the fourth element of corporate tax avoidance, nine elements clarified 11.891 % of the total variance.

Table (3): Reliability Test

Reliability Statistics		
Variables	Cronbach's Alpha	N of Items
Tax Evasion	.761	12
Tax management	.781	10
Tax planning	.723	9
Tax aggressiveness	.756	11
Firms' bankruptcy risk	.714	9

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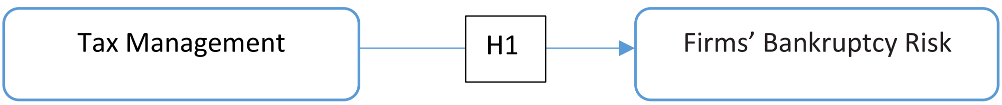
As illustrated in Table 3, the reliability analysis for 51 elements was conducted to assess the impact of corporate tax avoidance on the bankruptcy risk of firms in the Kurdistan region of Iraq. The above 51 elements were allocated as below; 12 questions for tax evasion, 10 questions for tax management, 9 questions for tax planning, 11 questions for tax aggressiveness, and 9 questions for firms' bankruptcy risk. The study used reliability tests to determine the dependability of each item; the results were as follows: The Alpha value for tax evasion was determined to be Due to the fact that the Alpha value for tax management was determined to be, ten of the twelve items applied to the investigation of tax evasion's reliability are reliable enough to be used in the current study. As the value of the Alpha for tax planning was discovered to be, this indicates that nine of the ten items used to investigate the reliability of tax management can be relied upon for the current investigation. As the value of the Alpha for tax aggressiveness was determined to be 756 for ten items, this indicates that eleven items used to investigate the reliability of tax planning can be relied upon for the current investigation. It was found that the Alpha value for firms' bankruptcy risk was, with a value of 723, for ten items used to investigate the dependability of tax aggressiveness items. 714 for the nine items used shows that the items used to check the reliability of firms' bankruptcy risk can be trusted for this analysis.

First Research Hypothesis



Hypothesis one: There is a significant relationship between tax management as element of corporate tax avoidance with tax firms’ bankruptcy risk.

Table (4): Correlation analysis

Correlations			
Variables	Pearson Correlation	Tax management	Firms’ Bankruptcy Risk
Tax management	Pearson Correlation	1	.723**
	Sig. (2-tailed)		.000
	N	109	109

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Firms' Bankruptcy Risk	Pearson Correlation	.723**	1
	Sig. (2-tailed)	.000	
	N	109	109
**. Correlation is significant at the 0.01 level (2-tailed).			

As shown in Table, the Pearson's correlation between tax management as a corporate tax avoidance method and its effect on firms' bankruptcy risk in the Kurdistan region of Iraq was calculated to establish the relationship between the two variables (4). This was performed to determine the nature of the relationship between the two variables. Due to the high Pearson correlation coefficient (r = 0.723**, p0.01), the findings suggest that there is a statistically significant and positive relationship between tax management as a form of corporate tax evasion and the probability of a corporation filing for bankruptcy. This conclusion was reached because it was found that there is a link between how well a company handles its taxes and how likely it is to go bankrupt.

Table (5): Simple Regression Analysis

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.118	.032		1.909	.000
	Tax Management	.581	.011	.574	19.231	.000
a. Dependent Variable: Firms' bankruptcy risk						

It is apparent that tax management has a good effect on firms' bankruptcy risk, as shown in Table (5). As a result, the first study hypothesis is confirmed. Tax management highly predicts firms' bankruptcy risk.

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Second Research Hypothesis

Tax Planning → H2 → Firms' Bankruptcy Risk

Hypothesis one: There is a significant relationship between tax planning as element of corporate tax avoidance with tax firms' bankruptcy risk.

Table (6): Correlation analysis

Correlations			
Variables	Pearson Correlation	Tax planning	Firms' Bankruptcy Risk
Tax planning	Pearson Correlation	1	.739**
	Sig. (2-tailed)		.000
	N	109	109
Firms' Bankruptcy Risk	Pearson Correlation	.739**	1
	Sig. (2-tailed)	.000	
	N	109	109
**. Correlation is significant at the 0.01 level (2-tailed).			

Pearson's correlation between tax planning and the effect of bankruptcy risk on enterprises in Iraq's Kurdistan area was used to identify a link between the two variables as shown in Table (8). Due to a strong Pearson correlation coefficient (r=0.739**, p 0.01), the results suggested that tax planning as a type of corporate tax evasion and bankruptcy risk are statistically significant and positive.

Table (9): Simple Regression Analysis

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.208	0.41		1.829	.000
	Tax planning	.602	.052	.593	3.966	.000
a. Dependent Variable: Firms' bankruptcy risk						

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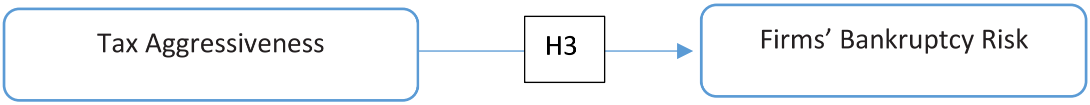
According to Table (9): Firms' bankruptcy risk (Beta is weight.602) substantially predicts tax planning (p.001), meaning that tax planning would have a clear favorable association with Firms' bankruptcy risk based on these data, the second study hypothesis is validated.

Third Research Hypothesis



Hypothesis one: There is a significant relationship between tax aggressiveness as element of corporate tax avoidance with tax firms' bankruptcy risk.

Table (10): Correlation Analysis

Correlations			
Variables	Pearson Correlation	Tax aggressiveness	Firms' Bankruptcy Risk
Tax Aggressiveness	Pearson Correlation	1	.717**
	Sig. (2-tailed)		.000
	N	109	109
Firms' Bankruptcy Risk	Pearson Correlation	.717**	1
	Sig. (2-tailed)	.000	
	N	109	109
**. Correlation is significant at the 0.01 level (2-tailed).			

As shown in Table (12), the Pearson's correlation between tax aggressiveness as a corporate tax avoidance method and the effect on firms' bankruptcy risk in the Kurdistan region of Iraq was conducted in order to determine the relationship between the two variables. Because of the high Pearson correlation coefficient (r=0.717**, p0.01), the results indicated that there is a statistically significant and positive link between tax aggressiveness as a form of corporate tax evasion and the likelihood of a corporation going into bankruptcy.

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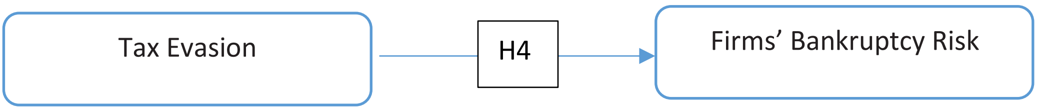
Table (13): Simple Regression Analysis

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.331	.036		1.717	.000
	Tax aggressiveness	.632	.028	.623	2.796	.000
a. Dependent Variable: Firms’ bankruptcy risk						

There is a substantial correlation between tax aggressiveness and firms' bankruptcy risk (Beta is weight.632, p.001), which suggests that tax aggressiveness is favorable to firms' bankruptcy risk (see Table 13). Third hypothesis supported by these results.

Fourth Research Hypothesis



Hypothesis one: There is a significant relationship between tax evasion as element of corporate tax avoidance with tax firms’ bankruptcy risk.

Table (14): Correlation Analysis

Correlations			
Variables	Pearson Correlation	Tax evasion	Firms’ Bankruptcy Risk
Tax evasion	Pearson Correlation	1	.722**
	Sig. (2-tailed)		.000
	N	109	109
Firms’ Bankruptcy Risk	Pearson Correlation	.722**	1
	Sig. (2-tailed)	.000	
	N	109	109
**. Correlation is significant at the 0.01 level (2-tailed).			

Using Pearson's correlative analysis, the effect of corporate tax evasion in Iraq's Kurdistan area on the likelihood of bankruptcy is illustrated in Table (14) for comparison purposes only. This study found a statistically significant and positive

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association between tax evasion and the risk of a company going bankrupt, which was supported by the high Pearson correlation coefficient (r=0.722**, p0.01).

Table (15): Simple Regression Analysis

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.229	.041		1.519	.000
	Tax evasion	.592	.037	.591	1.375	.000
a. Dependent Variable: Firms' bankruptcy risk						

According to the fourth hypothesis, Firms' bankruptcy risk is highly predicted by tax evasion (Beta is weighted.592, p.001), suggesting that tax evasion would have a clear favorable association with Firms' bankruptcy risk. The fourth research hypothesis is confirmed as a result of these findings.

Conclusion

The findings of this study can be used by businesses when considering whether or not to engage in tax evasion. Companies should be able to observe the effects/consequences of tax evasion on the firm's risk and future tax rate volatility in order to retain investors interested in making safe investments in the company. The current study applied simple regression analysis to test developed research hypotheses. The findings demonstrated that all four research hypotheses are supported, means that controlling corporate tax avoidance will have positive and significant influence on firms' risk bankruptcy.

According to our research, it appears that tax evasion increases one's likelihood of filing for bankruptcy. ABecause of their lack of money, small businesses are more susceptible to bankruptcy than their larger counterparts. There is no evidence to support the concept that a company's tax risk or tax rate volatility is linked to bankruptcy risk, despite the fact that previous research has shown this. We discovered that businesses with a high level of avoidance but low tax sensitivity are the ones most likely to be affected by the observed link between bankruptcy and tax avoidance.

In fact, tax-avoidance enterprises are more likely to fail than their non-tax-avoidance counterparts. The indirect costs and direct dangers of tax evasion help explain this outcome. As a result of managers' ability to employ complex tax arrangements to harvest rents and hide negative information from external stakeholders, tax avoidance drives up the cost of running an agency. First and foremost, tax evasion has been linked to a rise in the number of lawsuits, fines, and reputational harm.

The greater bankruptcy risk seen in the literature may be attributed to both of these charges (at least for businesses that already have high levels of tax evasion and low levels of tax risk).

It's important for regulators and companies to understand the implications of the results. Regulators may use these results to tighten oversight of loan provisions to enterprises that participate in tax evasion, and to improve transparency and monitoring of firms' tax activities in order to lower the prevalence of surreptitious management rent diversion. This study has implications for firms that desire to evade taxes, especially those that are in financial distress and for which this technique is a last resort. While it may be beneficial in the short term to dodge taxes during a financial crisis in order to prevent the firm from going bankrupt, this strategy is counter-productive over time.

On the other hand, the results are subject to some limitations. However, there is a lack of information on various tax-avoidance tactics. Due to the fact that taxes aren't stated, tax proxies have to be calculated based on financial accounts, which increases the likelihood of a measurement mistake. By looking at additional accounting practices that assist tax avoidance, such as transfer pricing, or studying particular routes via which a company's bankruptcy risk is affected by tax avoidance, further research might be done in the future.

Recommendations

According to the research, tax avoidance has been related to an increased likelihood of insolvency. This is still the case despite the use of an instrumental variable technique and propensity score matching to account for endogeneity and functional form misspecification. Tax evasion has been linked to greater borrowing costs and the possibility of bond rating downgrades in prior research, and our data supports these conclusions. According to these studies, the negative evaluations of tax evasion enterprises by external entities such as banks and rating agencies are not the product of these organizations' specific risk preferences but rather a combination of circumstances.

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پـوختـه:

خۆدزینەوە لە باج دەبێتە هۆی بەرزبوونەوەی ئاستی زانیاری لە نێوان بزنسەکان، کەمکردنەوەی وردی داتای ژمێریاری. بۆ کۆنترۆڵکردنی مەترسیەکانی وردبینی کە لەوانەیە لە خۆلادان لە باجەوە ڕوو بدات، پێویستە وردبینەکان ڕێکاری وردبینی زیادە ئەنجام بدەن، ئەمەش دەبێتە هۆی زیادکردنی کرێی

وردبینی. توێژینەوەکەی ئێستا شێوازی توێژینەوەی چەندێتی بەکارهێناوە لە ڕێگەی بەکارهێنانی پرسیاری ئەکادیمی بۆ پشکنینی پەیوەندی نێوان خۆدزینەوە لە باجی کۆمپانیا و مەترسیەکانی مایەپووچبوونی کۆمپانیاکان. دانیشتوانی ئەم توێژینەوەیەی ئێستا لە هەرێمی کوردستانی عێراق و بە تایبەتی لە هەولێر دامەزراوە توێژینەوەکە 120 ڕاپرسی کرد لەگەڵ ئەوەشدا تەنها 109 پرسیار بەدەستهاتوون، هەموو پرسیارنامەکان بە بەکارهێنانی شێوازی هەڕەمەکی سادە دابەش کراون. کۆمپانیاکان دەبێت بتوانن چاودێری کاریگەری/دەرئەنجامەکانی خۆدزینەوە لە باج بکەن لەسەر مەترسی کۆمپانیاکە و هەڵئاوسانی ڕێژەی باجی داهاتوو بۆ ئەوەی وەبەرهێنەکان بهێڵنەوە کە حەزیان لە دروستکردنی وەبەرهێنانی سەلامەت بێت لە کۆمپانیاکە. ئەنجامەکان دەریانخست کە هەر چوار گریمانەی توێژینەوەکە پشتگیری دەکرێن، واتە کۆنترۆڵکردنی خۆدزینەوە لە باجی کۆمپانیا بە جێبەجێ کردنی (بەڕێوەبردنی باج، پلاندانانی باج، شەڕانگێزی باج، و هەڵهاتنی باج) کاریگەری ئەرێنی و بەرچاوی دەبێت لەسەر مەترسی مایەپوچی.

خلاصة

يؤدي التهرب الضريبي إلى مستوى عالٍ من تعتيم المعلومات بين الشركات، مما يقلل من دقة البيانات المحاسبية. للتحكم في مخاطر التدقيق التي قد تنشأ عن التهرب الضريبي ، يجب على المدققين اتخاذ إجراءات تدقيق إضافية ، مما سيزيد من رسوم التدقيق. استخدم البحث الحالي أساليب البحث الكمي باستخدام الأسئلة الأكاديمية للتحقق من العلاقة بين تجنب ضرائب الشركات ومخاطر إفلاس الشركات. أجرى سكان الدراسة الحالية في إقليم كردستان العراق، وخاصة في أربيل، 120 استطلاعا، على الرغم من أنه تم الحصول على 109 أسئلة فقط، وتم توزيع جميع الاستبيانات باستخدام طرق عشوائية بسيطة. يجب أن تكون الشركات قادرة على مراقبة آثار التهرب الضريبي على مخاطر الشركة وتضخم معدلات الضرائب المستقبلية للحفاظ على المستثمرين الذين يرغبون في القيام باستثمارات آمنة في الشركة وأظهرت النتائج أن جميع فرضيات الدراسة الأربع مدعومة، مما يعني أن السيطرة على التهرب الضريبي للشركات من خلال تنفيذ (الإدارة الضريبية، والتخطيط الضريبي، والعدوانية الضريبية، والتهرب الضريبي) سيكون له تأثير إيجابي وكبير على مخاطر الإفلاس.