
| RESEARCH ARTICLE

Analysis of the Effect of Voluntary Disclosure on Tax Evasion: An Applied Study on the Private Shareholding Companies Listed in the Iraq Stock Exchange

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| ABSTRACT

The present study aims to measure and analyze the impact of voluntary disclosure of private joint-stock companies on tax evasion for the period from 2016 to 2020. To obtain this objective, the researcher relied on a special model to measure voluntary disclosure using the Miller index to measure tax evasion. The present study relied on the inductive approach in its theoretical part and the descriptive analytical approach to reveal the causal relationships and test the hypothesis. The study population includes the General Commission for Taxes. The study sample consists of companies within the private sector, namely (Al-Mamoura Investments Company, Baghdad Hotel, the Iraqi Company for Seed Production, and Elaf Islamic Bank). The present study concludes that there is no influence of voluntary disclosure on tax evasion as well as the discrepancy and difference in voluntary disclosure rates for companies between sectors. There is no specific or close level, which means that each company has its own policy, culture, and awareness of adopting and practicing voluntary disclosure regardless of the sector in which it operates. The Iraqi private shareholding companies practice tax evasion at different rates. The present study recommends activating the supervisory role of the competent authorities, foremost of which is the tax administration represented by the General Authority for Taxes, to reduce the chances and size of manipulation in financial reports and to impose strict and deterrent penalties on those who transgress the tax law and attempt to present misleading financial statements by enacting Numerous court rulings and imposing large fines.

| KEYWORDS

Voluntary Disclosure, Tax Evasion, Private Joint Stock Companies, the General Authority for Taxes

| ARTICLE INFORMATION

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1. Introduction

The tax payment process represents the basis and the objective framework that reflects the participation and contribution of companies in society on a large scale because tax revenues are the lifeblood of many countries that depend on them to finance public needs, services, and utilities. Companies operate within the protection system of the country in which they operate; they exploit its resources and share them with its individuals, they perform their work under the umbrella of its legislation, and they have rights and obligations represented in paying taxes and not evading them. However, since taxes were imposed on them, companies try to avoid them as much as possible due to the direct impact of taxes on the financing, investment, and accounting decisions of the company. The collapses suffered by major companies due to the lack of transparency of the published information and their failure to show the real information that reflects the financial situation assert the utmost importance of disclosure. Therefore, companies are expanding the scope of accountability and providing information on a wider range of activities related to their financial and non-financial performance, their social and environmental responsibility, and their risks. The disclosure of such matters leads to the enhancement of transparency and credibility. The application of voluntary disclosure gives more transparency. The focus of international non-governmental organizations, the media, and civil society organizations in the last decade has been on the irresponsible practices of companies, specifically practices that aim at tax evasion, which constituted a

black point in the tax systems in exploiting legal texts to the point of circumventing the law and exploiting the loopholes in it, or exploiting the flexibility available between alternatives to reduce the tax burden, which the majority considered illegal and immoral practices.

2. The Methodology

2.1 The Problem Statement.

Tax revenues are among the important necessities of many countries in financing public needs. Companies work within the protection system of the country in which they operate; they exploit its resources and share them with its individuals, they carry out their work under the umbrella of its legislation, and they have rights and obligations represented in paying taxes and not evading them. Yet, since the taxes were imposed on them, companies try to avoid them as much as possible and then evade paying them as much as possible in illegal ways through fraud and forgery. The practices used to reduce the tax due are illegal and considered a crime that is punishable by law. The problem statement can be presented through the question of whether the company's adoption of voluntary disclosure reduces the practices of tax evasion, which is irresponsible and immoral behavior.

2.2 The Significance of the Present Study.

The significance of the study is embodied in the importance of the subject of voluntary disclosure because companies that make disclosures that are not required by accounting standards and regulatory laws contribute to reducing the information gap between management and users. Thus, this contributes to achieving the objectives of tax administration. Countries seek to formulate programs to expand the tax base and mitigate tax evasion practices, especially in developing countries, by drawing the attention and focus of government authorities to review tax laws and legislation to ensure the generation of tax revenues that are necessary to finance public expenditures. Corporate tax constitutes the largest share Of the total tax revenues in most countries of the world in general and Iraq in particular.

2.3. Objectives of the Present Study.

Identifying the extent to which the study sample companies practice voluntary disclosure in their annual reports.

Measuring the extent to which the study sample companies practice tax planning by analyzing the numbers included in the financial reports.

Identifying the effect of voluntary disclosure of companies on tax planning in the study sample companies.

Identifying the determinants Influencing voluntary disclosure and affecting the effective tax rate.

Measuring the extent to which the study sample companies practice tax evasion by analyzing the numbers included in the financial reports.

Identifying the effect of voluntary disclosure of companies on tax evasion in light of the Iraqi environment.

2.4 The Study Hypothesis.

The present study is based on the hypothesis that there is a statistically significant effect of the voluntary disclosure of private joint-stock companies on tax evasion.

2.5 The Methodology.

The present study adopts the inductive approach in its theoretical part, while the descriptive analytical approach is used in the applied part to reveal the causal relationships and test the hypothesis in order to identify the effect of voluntary disclosure of private shareholding companies on tax evasion.

2.6 The Limits.

The Spatial Limits; The private shareholding companies listed in the Iraq Stock Exchange.

The Temporal Limits; The duration of the study was set for five years (2016-2020).

2.7 The Study Population.

The study was applied in the General Authority for Taxes.

2.8 The Study Sample.

It consists of Iraqi private shareholding companies in various sectors, namely Al-Mamoura Investments Company, the services sector, Baghdad Hotel, the hotels and tourism sector, the Iraqi Company for Seed Production, the agricultural sector, Elaf Islamic Bank, and the banking sector.

2.9 The Study Tool:-

2.9.1 Measurement of Voluntary Disclosure.

The study adopted a special model for measuring voluntary disclosure based on (Kim et al., 2020: pp. 337-358; and Chen et al., 2022: pp. 703-723). These models vary in terms of the nature of the information adopted to measure the level of voluntary disclosure due to the different regulations and laws that make information voluntary in one country and compulsory in another. The measurement model consists of three main groups, including company strategy, non-financial information, and financial information, represented by a total of (82) elements. The study relied on a (1,0) scale to measure the level of voluntary disclosure by giving (1) for information that is disclosed and (0) for information that is not disclosed. The percentage of voluntary disclosure is extracted by dividing the number of elements disclosed by the company by the number of elements included in the measurement form.

2.9.2 Measurement of Tax Evasion.

The study relied on the (Miller Ratio) scale to measure income smoothing as a new model for discovering companies whose managements deliberately interfere in the process of measuring periodic income. This scale is based on the following equation:

$$\text{Miller Ratio} = \Delta(\text{AWC}/\text{CFO})$$

It means that the change in the net working capital is measured through (current assets - current liabilities) as an element subject to manipulation divided by the cash flows from operating activities, which is one of the elements not subject to manipulation by comparing the current ratios for the year with the ratios for the previous year.

2.10 The Statistical Methods.

The SPSS statistical program was used to calculate the weighted arithmetic mean, regression analysis, T-test, F-test, and coefficient of determination R².

3. The Concept of Voluntary Disclosure.

Voluntary disclosure is the voluntary publication of financial and non-financial information through annual reports in addition to the mandatory requirements (Van derlaan, 2016: p. 16). It represents the administration's keenness to provide the information provided by the institution in excess of the legal requirements and to provide that information at the desire of the institution. It also represents the administration's keenness to provide financial and non-financial information related to decision makers (Kanagaretnam et al., 2015: p. 502). (Cotter et al., 2018: pp. 78-96) state that voluntary disclosure is that disclosure of excessive requirements. It represents free choices by the organization's departments to provide accounting information and other information related to the decisions of users of the annual reports. Voluntary disclosure is also defined as providing additional information than the legal requirements. It takes place at the initiative of the institution to provide additional information. Based upon this, it can be said that voluntary disclosure is the addition of information and data by the institution to inform decision-makers about financial and non-financial information in addition to the compulsory disclosure requirements.

3.1 The Importance of Voluntary Disclosure.

1. Voluntary disclosure helps build trust between the company, investors, and the public in general. It can reduce the uncertainty and potential risks a company faces (Brown and Dworkin, 2019: pp. 44-50).
2. Voluntary disclosure helps achieve greater transparency in the company and facilitates the monitoring process by shareholders, managers, employees, customers, and others (Cho et al., 2018: pp. 290-320).
3. Voluntary disclosure helps provide reliable and accurate information to interested parties. This protects investors and the public from the potential risks of concealing information or disclosing it too late (Crawford and Webb, 2018: pp. 75-98).
4. Voluntary disclosure helps maintain the company's reputation and emphasize its social, environmental, and economic responsibility. This reflects the company's awareness of the importance of maintaining good relations with various parties (Haniffa, 2019: pp. 377-389).
5. Voluntary disclosure helps enhance transparency in the economic sector and stimulate healthy competition. This process helps improve services and products and promote innovation in business (Li and Shen, 2019: pp. 610-620).

3.2 Objectives of Voluntary Disclosure.

1. The primary objective of voluntary disclosure is to provide current and prospective investors and other users of financial reports with information that enables them to predict the amount and likelihood of achieving a return on their investment (Murray and Gao, 2018: pp. 326-359).

2. Voluntary disclosure is done with the aim of achieving information asymmetry between the current investors and the company's management. It is also used as a means of control by these investors over the company (Gadenne et al., 2018: pp. 544-569).

3. Voluntary disclosure aims to effectively achieve the disclosure objectives put forward by Recommendation No. (105) of (1995) issued by the Financial Accounting Standards Board (Dwyer, 2017: pp. 769-788), which states the following (Verrecchia, 2011: pp. 99-190):

3.3.1 Describing the items that are not recognized in the financial statements, providing important and valid measures for these items other than the standards published in the financial statements, in addition to providing information to help external parties assess risks.

3.3.2 Providing important information in the interim reports that help users of the financial statements to compare numbers with similar figures for other companies, as well as the comparison for the same company over different years.

3.3.3 Providing information about future cash inflows and outflows, providing the necessary information to predict those flows, and assisting investors in evaluating the return on investment in the company and predicting it (Marston and Shives, 2009: pp. 239-260).

3.3 The Relationship Between Voluntary Disclosure and Compulsory Disclosure

In its optional form, the disclosure generally began as part of accounting thought within the framework of a free economy that rejects the state's interference in the company's activity. Therefore, it lost control and direction, and companies became in control of the nature of information until the collapse of the New York Stock Exchange in (1929), to move towards compulsory disclosure through the establishment of the Securities Commission, which undertook the issuance of standards and instructions as a new stage of disclosure (Richardson and Lanis, 2018). Compulsory disclosure increased as a result of the emergence of economic developments and expansion claims, which led to an increase in the demand for information from various stakeholders to include information that exceeds that Disclosed in accordance with the instructions and laws. Reliance on what compulsory disclosure provides is not sufficient for decision-making. Voluntary and compulsory disclosure is considered two means of disseminating information (liu et al., 2016: p. 39). Compulsory disclosure is the information disclosed according to laws, legislation, and standards (Alves et al., 2015: pp. 20-29). While voluntary disclosure means information that exceeds the requirements of compulsory disclosure (Shehata, 2016: pp. 19-36)). Based upon this, it can be said that voluntary disclosure is the addition of information and data by the institution to inform decision-makers about financial and non-financial information in addition to the requirements of compulsory disclosure.

Table (1) A Comparison Between Characteristics of Voluntary and Compulsory Disclosure

In terms of	Voluntary Disclosure	Compulsory Disclosure
Concepts	Information that the company monopolizes and there is no obligation to disclose it	Information that must be disclosed under the law, the securities law, and the companies law
Objectives	A self-motivation that aims at achieving economic benefits	Accounting Criteria
Content	It provides information on future strategies, research and development plans, and future forecasts, in addition to analyzing financial information.	It aims to implement laws and regulations, as well as to control the process of transferring information between companies listed on the stock exchange and stakeholders.
Mechanisms of Transferring Information	Press conferences, the Internet, short messages addressed to stakeholders	It provides basic financial information as per legal requirements and accounting criteria.
Timing	As the company's management deems appropriate	Annual financial reports, periodic reports, and general assembly meetings
Nature of Information	Financial and Non-Financial Information	It takes place within specific dates according to laws and legislation
Auditor	The auditor is exempted from any special responsibility for disclosure	Financial Information Only

Source, based on: (Leventis and Weetman, 2015: pp. 229-258).

It is clear that the relationship between compulsory disclosure and voluntary disclosure is complementary, given that voluntary disclosure provides more information needed by users of financial statements and other decision makers that is not available to

them in the financial statements through compulsory disclosure. Thus, it provides additional information that may be financial or non-financial, in addition to the specific and necessary information provided by compulsory disclosure. Voluntary disclosure is considered a necessary complement to compulsory disclosure, which leads to serving the various parties interested in the financial statements and defining various decisions.

3.5 Measuring the Level of Voluntary Disclosure.

The indicators for measuring the voluntary disclosure of companies are diverse. Researchers often resort to building self-measures that are prepared in advance by government agencies because they include specific elements that the researcher wants to measure (Wang et al., 2018: pp. 10-36). Numerous research dealt with how to measure the level of voluntary disclosure and relied on a form that contains optional information. These models varied in terms of the nature of the information adopted to measure voluntary disclosure and the different nature of the financial markets for each research, and the nature of the regulations and laws that govern the disclosure process (Allegrini and Greco, 2017). The level of voluntary disclosure indicates the extent to which companies are committed to disclosing additional information that is not covered by the required legal disclosures (Barako et al., 2016: pp. 109-149). The level of voluntary disclosure can be measured using several indicators, including:

3.5.1 Voluntary Disclosure Index.

It reflects the availability of voluntary information in the company's financial reports, such as information about future risks and challenges, sustainable performance, and the company's social and environmental obligations (Moneva et al., 2019: pp. 213-240).

3.5.2 Social Disclosure Index.

It reflects the availability of additional information related to the company's social responsibility, such as information about employment and training policies, diversity and parity, and contribution to society (Hahn and Kühnen, 2016: pp. 2-25).

3.5.3 Environmental Disclosure Index.

It reflects the availability of additional information related to the company's environmental obligations, such as information about carbon emissions, resource use, waste disposal, and the company's commitment to preserving the environment. These indicators are used to measure companies' commitment to voluntary disclosure. They can also be used to compare voluntary levels of disclosure between different companies (Hajiheydari et al., 2021: pp. 760-775). There are many models that are used to measure the level of voluntary disclosure, including:

1. Global Reporting Integrity Model

This model uses a general indicator to measure the level of voluntary disclosure. The indicator consists of 133 standards related to environment, society, human rights, governance and ethics (<https://www.globalreporting.org/standards>).

2. Carbon Disclosure Project Template

This template is used to measure the level of voluntary disclosure related to carbon emissions. It consists of six main categories related to strategy, objectives, performance, sustainability planning, customization and innovation (<https://www.cdp.net/en/guidance/guidance-for-companies>).

3. The SGI Sustainable Company Model

This model is used to measure the level of voluntary disclosure related to social and environmental responsibility. It consists of standards related to governance, society, the environment, and the market (<https://www.sasb.org/standards>).

4. Voluntary Disclosure Form for the Annual Report Award

This form is used to measure the level of voluntary disclosure in corporate annual reports. It consists of 21 standards related to content, quality, transparency, and interaction with beneficiaries (<https://www.sasb.org/standards/>).

These models are used to assess the level of voluntary disclosure of companies. The results can be used to determine the extent to which companies comply with international standards for voluntary disclosure and improve their sustainable practices.

4. The Concept of Tax Evasion.

Tax evasion is the exploitation of the opportunities available in tax legislation with the aim of avoiding or reducing the taxes due, including the use of tax tricks or illegal methods to reduce the taxes due (Slemrod, 2019: pp. 709-739). It also indicates non-disclosure about profits or assets due to taxes or transferring money to countries with low taxes or no income taxes (Loeprick and Spengel, 2021: pp. 348-379). It is also defined as the exploitation of loopholes in tax legislation by legal or illegal means with the aim of reducing taxes due on profits or assets by using tax transfer techniques, tax deductions, investing in places with low taxes, and other methods (Leibrecht et al., 2020). Tax evasion is used by individuals, companies, and institutions to reduce due taxes, which they see as a kind of undesired financial burden. It is worth noting that tax evasion techniques can be used in legal ways, but they can also be used in illegal and immoral ways, which leads to loss of tax income and damage to the national economy and society (Durst and Gurtner, 2021: pp. 78-90). Therefore, the researcher believes that governments and tax authorities should work

to combat tax evasion and apply tax laws strictly to ensure the collection of taxes due and the preservation of the financial and economic system.

4.1 Methods of Tax Evasion.

There are multiple ways of tax evasion, including (Hoepner et al., 2019: pp. 1001-1028)

4.1.1 Evasion Through Loopholes in the Law.

Loopholes in the tax law are exploited to avoid paying taxes by defining rules and the legal system to take advantage of loopholes in the tax law. This may be done indirectly by transferring funds to another country where the rate of tax is lower than in the country of origin.

4.1.2 Document Evasion.

This method includes falsifying accounting documents. Fake invoices are also used to hide something, such as evading income tax payments by manipulating revenue. Once a tax certificate is obtained, fake invoices are placed as proof of paid salaries and realized revenue.

4.1.3 Evasion in financial transactions.

This type of tax evasion is concentrated in manipulating financial transactions to avoid taxes. This can be by hiding revenues or by announcing excess expenses. There are many different practices in this field, the most prominent of which is the purchase from a subsidiary or a low-tax partner without having to make the company's earnings on the income statement.

4.1.4 International tax evasion.

This method exploits the differences in tax systems between countries and includes manipulation of financial transactions, such as transferring funds between different countries or taking advantage of the tax benefits provided by excellent countries in this regard (Hanlon and Heitzman, 2019: pp. 5-45).

The most important methods of tax evasion: will be presented as mentioned by (Crivelli et al., 2021):

1. Tax evasion by minimizing profits

This type of evasion includes manipulating expenses and revenues to reduce the profits achieved and thus reduce the taxes due. Manipulation can be done by dropping some real expenses on the company, increasing some personal expenses, or exaggerating some losses.

2. Tax evasion by fraud

This type of evasion is the use of illegal methods to reduce the taxes owed, such as falsifying financial documents, concealing actual income, or transferring money illegally.

3. Tax evasion by concealment

This type of evasion includes concealing part of the income, profits, or assets that are subject to tax, which reduces the value of the tax due. Concealment can be done by not recording the actual income, dropping some personal expenses on the company, or not disclosing the profits made in some deals (Johannesen and Zucman, 2018: pp. 155-189).

4. Tax evasion by transfer

This type of evasion is the transfer of funds or assets from one place to another in a way that can make it difficult to determine their source or determine who is subject to tax. The transfer can be done by establishing fictitious companies or branches in countries subject to a lower tax system or by transferring funds to offshore accounts or companies that are not subject to tax (Kolk and Levy, 2016: pp. 296-319).

4.3 Forms of Tax Evasion.

There are many forms used by individuals and companies, including:

4.3.1 Legal evasion

This relates to the reservation of financial information and the failure to fully record income and revenues or to rely on legal loopholes in the tax system to avoid taxes (Larsen, 2010: pp. 559-568).

4.3.2 Administrative evasion

This type of evasion consists of several illegal practices, such as changing the volume of revenues and expenses through manipulation of transactions or assigning commercial operations to another person (Mascagni, 2018: pp. 819-838).

4.3.3 Fiscal evasion

Fiscal evasion is related to not paying taxes completely or avoiding taxes by relying on loopholes in the tax system or traveling to another country where tax concessions are available (Kirsch, 2019: pp. 420-429).

4.3.4 Automated evasion

It is related to the manipulation of the financial performance of companies, mixed with tax, accounting and banking management, using hardware and software (Slemrod, 2009: pp. 29-50).

4.3.5 International tax evasion

This phenomenon arises when companies cooperate with foreign governments to avoid taxes. This is done by taking advantage of the various legislations of countries and establishing companies abroad (Braithwaite, 2016: pp. 19-36).

4.3.6 Failure to submit a tax return

Failure to submit a tax return or delaying its submission is considered a form of tax evasion. Individuals and companies can evade taxes by not submitting a tax return, ignoring the deadline for submitting the declaration or not deliberately submitting it (Torgler, 2010: pp. 529- 538). Therefore, tax evasion is a serious phenomenon that affects the tax system and destroys financial justice in society. Thus, governments and institutions are working hard to develop strategies and mechanisms to combat tax evasion.

4.4 Forms of Tax Evasion.

Forms of tax evasion constitute a global problem and affect the incomes of countries. In contrast, the trend towards combating this phenomenon is increasing on an international level (Yoon, 2021: pp. 1109-1130). The negative impact of this phenomenon on societies cannot be denied. Countries lose their due tax revenues, which results in negative repercussions on the public services provided by governments to citizens (Frey, 2019: pp. 459-466). Combating the problem of tax evasion requires providing a healthy and effective tax environment, intensifying efforts to detect illegal practices, prosecute evaders, and develop legislation and tax procedures to modernize and adapt them to modern economic and technological transformations (Kleven, 2019: pp. 655-698). Studies indicate that tax evasion particularly affects developing countries, which suffer from Weak infrastructure and lack of tax revenue. International Transparency Organization estimates that developing countries lose about \$200 billion a year due to tax evasion (Melina and Yang, 2020: pp. 1245-1279). Forms of tax evasion fall under several forms, including (Kirchler, 2019: pp. 218-228):

1. Providing inaccurate information in tax returns.
2. Concealing the income generated by transferring funds to bank accounts abroad or using companies associated with them.
3. Showing false losses to reduce the amount of taxes due.
4. The use of a false tax deduction by proving that the expenses of their real existence are doubtful or non-existent.
5. Failure to submit tax returns for a long period of time.

The researcher believes that countries are trying with all efforts to combat tax evasion by tightening tax laws, developing tax systems, and exchanging tax information among them. Some countries rely on penal sanctions and fines to motivate individuals to comply with taxes. The correct tax authorities and cooperation with them in the application of laws and individuals and companies can benefit from the fair and equitable tax system to achieve economic and social stability.

5. Presentation, Analysis, and Discussion of Results

5.1 Discussion and Analysis of the Voluntary Disclosure Measurement Model.

In order to measure voluntary disclosure, which is the independent variable in the present study, a voluntary disclosure model was adopted based on (Kim et al., 2020; Chen et al., 2022). The information received in the measurement form was compared with local laws, regulations, and instructions for the purpose of ensuring that it is optional. It was represented by the Iraqi Accounting Rule No. (6) for the disclosure of information in the financial reports of companies, and Accounting Rule No. (10) for the disclosure of information in the financial reports of banks in addition to the regulations, laws, and instructions. The other measurement is made by reference to the information disclosed in the annual reports of the study sample to reach the extent to which the sample adopts voluntary disclosure by analyzing the content of its annual financial reports and by carefully reading the annual financial reports of the study sample, (1) is given for each information disclosed by the company (Disclosure = 1) A (0) is given for each information that the company does not disclose (Non-Disclosure = 0). The percentage of voluntary disclosure is calculated by adding the number of information disclosed voluntarily and dividing it by the total number of items of the form amounting to (82) elements distributed into three main groups, namely: Company strategy, non-financial information, and financial information:

1. The company's strategy

The form that was prepared contains (28) elements. It constitutes (34%) of the total elements. It consists of (10) general information, (4) information about the company's strategy, (4) information about research and development, and (10) information about future information.

2. Non-financial information

The form that was prepared contains (33) information, with a percentage of (40%) of the total information. It consists of (9) management information, (3) governance information, and (10) information about social and environmental responsibility.

3. Financial information

The form that was prepared contains (21) information, constituting (26%) of the total information. It is divided into (5) information on performance indicators, (8) information on financial ratios, and (8) future financial information.

5.2 Presentation and indication of how to calculate the voluntary disclosure form and the determinants

The data extracted from the annual reports of the study sample for the period from 2016 to 2020 were extracted. Then, the average percentage of voluntary disclosure was calculated. The average percentage of the company's strategy, non-financial information, and financial information for each company were extracted. The EXCEL program was used to extract the values.

Table (2) The results of calculating the voluntary disclosure form for Al-Mamoura Investments Company

Details	2016	2017	2018	2019	2020	Average	Percentage %
Strategic Information	21	21	22	23	24	22.2	79%
Non-Financial Information	6	7	9	10	11	8.6	26%
Financial Information	13	14	14	15	15	14.2	68%
Voluntary Disclosure	40	42	45	48	50	45	55%

Source; Annual Report Using EXCEL

5.2.1 Al-Mamoura Investments Company.

The results of calculating the voluntary disclosure form adopted in the study indicate that the highest percentage was for Al-Mamoura Investments Company. The average rate of voluntary disclosure reached (55%), with an average of (45) voluntary information, meaning that it is the company that discloses the most. This explains its adoption of voluntary disclosure. The percentage of the company's strategy reached (79%), with an average of (22.2) information; non-financial information by (26%), with an average of (8.6) information; and financial information by (68%), with an average of (14.2) .

Table (3) Calculation results of the voluntary disclosure form for Baghdad Hotel

Details	2016	2017	2018	2019	2020	Average	Percentage%
Strategic Information	11	12	13	14	16	13.2	47%
Non-Financial Information	2	2	2	2	2	2	6%
Financial Information	9	9	9	9	9	9	43%
Voluntary Disclosure	22	23	24	25	27	24.2	30%

Source; Annual Report Using EXCEL

5.2.2 Baghdad Hotel.

The results of calculating the voluntary disclosure form used in the study for the Baghdad Hotel indicate that the average rate of voluntary disclosure was (30%), with an average of (24.2) voluntary information, the percentage of the hotel strategy was (47%), with an average of (13.2) information, non-financial information at a rate of (6%), with an average of (2), information, and financial information, at a rate of (43%), with an average of (9) .

Table (4) The results of calculating the voluntary disclosure form of the Iraqi Company for Seed Production

Details	2016	2017	2018	2019	2020	Average	Percentage%
Strategic Information	28	10	12	13	14	12.4	%44
Non-Financial Information	33	1	1	1	1	1	%3
Financial Information	21	6	8	10	12	8.8	%42
Voluntary Disclosure	82	17	22	24	27	22.2	%27

Source; Annual Report Using EXCEL

5.2.3 The Iraqi Company for Seed Production.

The results of calculating the voluntary disclosure form used in the study indicate that the percentage of voluntary disclosure reached (27%), with an average of (22.2) of voluntary information. The percentage of the company's strategy reached (44%), with an average of (12.4) information; non-financial information At a rate of (3%), with an average of (1) information, and financial information at a rate of (42%), with an average of (8.8) information.

Table (5) Results of calculating the voluntary disclosure form Elaf Islamic Bank

Details	2016	2017	2018	2019	2020	Average	Percentage%
Strategic Information	11	11	12	15	15	12.8	%46
Non-Financial Information	5	5	5	6	7	5.6	%17
Financial Information	8	9	10	10	10	9.4	%45
Voluntary Disclosure	24	25	27	31	32	27.8	%34

Source; Annual Report Using EXCEL

5.2.4 Elaf Islamic Bank.

The results of calculating the voluntary disclosure form used in the study indicate that the percentage of voluntary disclosure in Elaf Islamic Bank during the research period is (46%), with an average of (27.8) of voluntary information. The percentage of the bank's strategy is (46%), with an average of (12.8) information; non-financial information at a rate of (17%) with an average of (5.6) information, and financial information at a rate of (45%) with an average of (9.4) information.

5.3 Results, discussion, and analysis of tax evasion.

The study relied on the (Miller, 2007) index to infer tax evasion. As an element subject to manipulation by the management and between the cash flow from operating activities, which includes the revenue of the ongoing activity, it can be used to discover manipulation in the declared profits. It manages profits and tax evasion. The Miller model is designed to monitor short-term receivables. If the change increases by the Miller ratio, this indicates that the company practices earnings management. For manipulation, divided by cash flows from operating activities, which is one of the elements not subject to manipulation, and by comparing the current ratio for the year with the ratio for the previous year.

$$EM = (\Delta WC/CFO)_{t.0} - (\Delta WC/CFO)_{t.1}$$

ΔWC is the change in net working capital.

ΔFO net cash flow from operating activities.

t .0 current year.

t .1 the previous year.

ΔWC is the change in net working capital.

CFO means flows from operating activities.

To indicate the extent to which private joint-stock companies practice the process of reducing income by looking at the statement of cash flows for the study sample and for the purpose of extracting cash flows from operating activities as one of the most

important elements that are subject to manipulation based on Miller's model to measure smoothing cases in income. If the smoothing is positive, it means that the company's Profit management is practiced and it seeks to maximize income. If the preamble is negative, the management uses income smoothing in the sense of reducing income in order to evade taxes. If the indicator is (0), it means that there is no preamble and that the company operates in light of regulations, laws, and accounting policies.

Table (6) Miller Index for measuring tax evasion, Al Mamoura Investments Company (2016-2020)

Year	Change in operating capital	Cash flow from operating activities	Miller's Indicator	The difference between the two indicators	Result
2015	6,435,919,686	10,917,855,264	0.589	-	-
2016	1,376,373,884	46,586,529,722	0.030	0.560-	Negative preamble
2017	82,246,841,992	20,027,124,988-	4.107-	4.136-	Negative Preamble
2018	33,616,043,756	134,552,452,310	0.250	4.357	Positive preamble
2019	55,571,347,083	80,188,316,000	0.693	0.443	Positive Preamble
2020	1,152,582,000-	41,260,737,000	0.028-	0.721-	Negative Preamble
MEAN				-0.1676	Negative Preamble

Source; The Company's Annual Reports.

5.3.1 Al-Mamoura Investments Company.

The results of calculating the arithmetic average of the approved Miller index to measure tax evasion for Al-Mamoura Investments Company amounted to (-0.1676), which is a negative indicator indicating the management's practice of smoothing income. The accounting methods applied in the company are appropriate for its own objectives. The companies' managements resort to the method of smoothing the income in order to avoid the tax dues imposed on them.

Table (7) Miller Index for measuring tax evasion, Baghdad Hotel (2016-2020)

Year	Change in operating capital	/Cash flow from operating activities	Miller's Indicator	The difference between the two indicators	The result
2015	9,751,108-	13,948,055	0.699-	-	-
2016	678,846,032	212,767,884	3.191	3.890	Positive Preamble
2017	213,571,482	108,286,439-	1.972-	5.163-	Negative Preamble
2018	347,774,303	83,168,643	4.182	6.154	Positive Preamble
2019	2,390,229,025	822,882,010	2.905	1.277-	Negative Preamble
2020	137,302,085-	846,110,902-	0.162	2.742-	Negative Preamble
MEAN				0.1724	Positive Preamble

Source; The Company's Annual Reports.

5.3.2 Baghdad Hotel.

The results of calculating the arithmetic average of the approved Miller index to measure tax evasion during the 5-year study period for Baghdad Hotel is (0.1724), which is a positive indicator indicating that the company did not practice income smoothing and did not resort to the income smoothing method to avoid tax dues.

Table (8) Miller index for measuring tax evasion for the Iraqi Seed Production Company (2016-2020)

Year	Change in operating capital	/Cash flow from operating activities	Miller's Indicator	The difference between the two indicators	The result
2015	9,999,999,000	5820033107	1.72	-	-
2016	11,128,087,909	3434672410	3.24	1.52	Positive Preamble
2017	12,292,441,242	17054051459	0.72	2.52-	Negative Preamble
2018	10,213,765,367	-6397288289	1.60-	2.32-	Negative Preamble
2019	3,988,910,153	14055356435	0.28	1.88	Positive Preamble
2020	14,335,279,345	26264339979	0.55	0.26	Positive Preamble
MEAN				-0.236	Negative Preamble

Source; The Company's Annual Reports.

5.3.3 The Iraqi Company for Seed Production.

The results of calculating the average of the approved Miller index to measure tax evasion for the Iraqi Company for Seed Production amounted to (-0.236), which is a negative indicator indicating the administration's practice of smoothing income. Choosing the accounting policies and methods applied in the company that is appropriate for its own objectives, the company's management resorts to the income smoothing method to avoid tax dues.

Table (8) Miller Index for measuring tax evasion for Elaf Islamic Bank (2016-2020)

Year	Change in the operating capital	/Cash flow from operating activities	Miller's Indicator	The difference between the two indicators	The result
2015	2,195,230,000-	93,886,596,000-	0.023	-	-
2016	88,891,959,000-	10,410,846,000	-8.538	-8.562	Negative Preamble
2017	140,861,190,000	575,794,103,000-	-0.245	8.294	Positive Preamble
2018	43,345,277,000-	250,726,446,000-	0.173	0.418	Positive Preamble
2019	342,175,000,000-	260,027,000,000	-1.316	-1.489	Negative Preamble
2020	31,074,000,000-	87,424,000,000-	0.355	1.671	Positive Preamble
MEAN				0.0664	Positive Indicator

Source; The Company's Annual Reports.

5.3.4 Elaf Islamic Bank.

The results of calculating the arithmetic mean of the approved Miller index to measure tax evasion during the 5-year study period for Elaf Islamic Bank is (0.0664), which is a positive indicator, indicating that the bank did not practice income smoothing and did not resort to the income smoothing method to avoid tax dues.

5.4 The average results of the Miller model for measuring tax evasion

Table (9) The average results of the Miller model for measuring tax evasion for the study sample

The Study Sample	2016	2017	2018	2019	2020	MEAN
Al-Mamoura Company for Investments	-0.56	-4.357	4.357	0.443	-0.721	-0.1676
Baghdad Hotel	3.89	-5.163	6.154	-1.277	-2.742	0.1724
The Iraqi Company for Seed Production	1.52	-2.52	-2.32	1.88	0.26	-0.236
Elaf Islamic Bank	-8.562	8.294	0.418	-1.489	1.671	0.0664

Source; EXCEL

6. Presentation and discussion of the results of simple regression (impact test).

The research hypothesis states that the voluntary disclosure of the company has a significant effect on tax evasion. In order to test the validity of the hypothesis and its application to the study sample, it is based on the results of the analysis and test of the regression relationship in each company within the study sample. The process of testing and analysis is carried out by extracting the three simple linear regression parameters, which are the regression coefficient (β), the coefficient of determination (R^2), and the fixed limit value (\hat{a}). Before proceeding with the test, it is necessary to refer to the simple linear regression model of the relationship between the independent variable (DV) and the dependent variable (TP) as follows:

$$EM = \hat{a} + \beta DV() \dots\dots\dots$$

So,

EM = tax evasion

\hat{a} = Constant limit value

β = beta regression coefficient that shows the linear relationship between the two variables (the rate of change in tax evasion when the company's voluntary disclosure changes one unit)

DV = Voluntary Disclosure

Table (10) presents the results of the impact test analysis (simple regression) for the study sample companies and then discusses the results of the impact test analysis for each company as follows:

Table (10) Results of analyzing and testing the impact between voluntary disclosure and tax evasion

The Study Sample	Constant \hat{a}	Regression Coefficient	Calculated (T) value	Coefficient of Determination (R^2)	Calculated (F) value	Probable value
Al-Mamoura Company for Investments	-8.681	0.19	0.462	0.066	0.213	0.676
Baghdad Hotel	20.272	-0.831	-0.625	0.115	0.390	0.576
The Iraqi Company for Seed Production	-0.324	0.004	0.012	0.00005	0.00015	0.991
Elaf Islamic Bank	-6.080	0.221	0.227	0.017	0.051	0.835

*The (F) (tabular value is)10.13 (at a level of significance of)0.05 (and a degree of freedom of (1,3).

*The (T) (tabular value is)2.776 (at a level of significance of)0.05 (and a degree of freedom of (4).

Source; SPSS

6.1.1 Analysis of the impact test in Al-Mamoura Investments Company.

The value of the constant limit (\hat{a}) for the company is (8.681-). This means that when the voluntary disclosure is equal to zero, tax evasion will not exceed (8.681-). The positive coefficient of change (β) of (0.19) indicates that there is a direct relationship between voluntary disclosure and tax evasion. This means that an increase in DV by one unit leads to an increase in EM by (0.19). With reference to the (T-Test) to prove the significance of the regression coefficient, the calculated (T) value is (0.462), which is less than its tabular value of (2.776). Therefore, the direct relationship between the two variables is not significant. While the coefficient of determination (R^2) for the company is (0.066), which means that the level of change in the DV affects the change in the amount of tax evasion by (0.066). By referring to the F test to verify the significance of the coefficient of determination, the calculated (F) value is (0.213), which is less than its tabular value of (10.13) at a level of significance of (0.05) and a degree of freedom of (1.3). This is confirmed by the probability value of the test that reached (0.676), which is greater than the level of significance of (0.05). Hence, the result indicates that the coefficient of determination is not significant. According to the results of the impact test on the company, the hypothesis is rejected, and the alternative hypothesis, which denies the existence of a linear relationship between voluntary disclosure and tax evasion, is adopted.

6.1.2 Analysis of the impact test in the Baghdad Hotel.

The value of the constant limit in the company is (20.272). This means that tax evasion will not be less than (20.272) when the voluntary disclosure is equal to zero. The value of the negative (β) regression coefficient of (0.831-) indicates that there is an inverse relationship between voluntary disclosure and tax evasion; that is, tax evasion will decrease by (0.831) when voluntary disclosure increases by one unit. This means that as the DV increases, this leads to a decrease in EM, which is in the correct direction for the study hypothesis. Referring to the (T-Test) for the purpose of proving the significance of the coefficient of change (β), the calculated (T) value is (0.625-), which is less than its tabular value of (2.776) at the level of significance of (0.05) and a degree of freedom of (4). Therefore, the significance of the coefficient of change is not proven, i.e. The relationship between the two variables is not significant. The value of the coefficient of determination (R^2) in the company is (0.115). This means that the level of change in DV affects the change in tax evasion by only (0.115), which is a weak effect. The remaining ratio is due to other variables affecting tax evasion. Using the (F) test, the significance of this effect is not proven. The calculated (F) value is (0.39), which is less than its tabular value of (10.13) at a level of significance of (0.05) and a degree of freedom of (1.3). This is confirmed by the probability value for the test of (0.576), which is greater than the level of significance of (0.05). It is inferred from the results of the impact test in the company that the linear relationship between voluntary disclosure and tax evasion is not significant and that the effect of voluntary disclosure on tax evasion is weak. So, the null hypothesis is rejected, and the alternative hypothesis, which excludes the existence of an impact of voluntary disclosure on tax evasion, is adopted.

6.1.3 Analysis of the impact test in the Iraqi Company for Seed Production.

The value of the constant limit (\hat{a}) for the company is (0.324-) which means that tax evasion will not be less than (0.324-). When the voluntary disclosure of the company is equal to zero, the positive (β) coefficient of (0.004) indicates that there is a direct relationship between voluntary disclosure and tax evasion, which indicates that the increase in DV by one unit increases the EM by (0.004). However, the significance of the regression coefficient is not proven except after referring to the (T-Test), and by comparison between the calculated (T) value of (0.012) and its tabular value of (2.776). The direct relationship between the two variables has not been proven significant. For the purpose of showing the strength of the relationship and the severity of the effect between voluntary disclosure and tax evasion, reference is made to the coefficient of determination (R^2) for the company, which reached (0.00005), which means that the level of change in DV affects the change in tax evasion by (0.00005) only. In order to verify the significance of the coefficient of determination, reference is made to the (F-Test). This is done by comparing the calculated (F) value of (0.00015) with its tabular value of (10.13) at a level of significance of (0.05) and a degree of freedom of (1.3), which is less than its tabular value. Therefore, the result indicates that the coefficient of determination is not significant. This is confirmed by the probability value of the test, which reached (0.991), which is greater than the level of significance of (0.05). In light of the result of the impact test on the company, the null hypothesis, which states that there is no linear relationship between the variables of the study, is rejected.

6.1.4 Analysis of the impact test in Elaf Islamic Bank.

The value of the constant limit (\hat{a}) for the bank is (6.08-). This means that when the voluntary disclosure is equal to zero, tax evasion will not exceed (6.08-). The positive amount of (0.221) of the coefficient of change (β) indicates that there is a direct relationship between voluntary disclosure and tax evasion. This means that increasing the DV by one unit leads to increasing the EM by (0.221). By referring to the (T-Test) to prove the significance of the regression coefficient, the calculated (T) value is (0.227). It is less than its tabular value of (2.776). Therefore, the relationship between the two variables is positive. While the coefficient of determination (R^2) for the company is (0.017), which means that the level of change in the DV affects the change in the amount of tax evasion by (0.017). By referring to the (F-Test) to verify the significance of the determination coefficient, the calculated (F) value is (0.051), which is less than its tabular value of (10.13) at a level of significance of (0.05) and a degree of freedom of (1.3). Hence, the result indicates that the coefficient of determination is not significant. According to the results of the impact test on the company, the sub-hypothesis is rejected, and the alternative hypothesis, which denies the existence of a linear relationship between voluntary disclosure and tax evasion, is adopted.

7. Conclusions and Recommendations

7.1 Conclusions.

1. The percentages of voluntary disclosure of companies vary among sectors. There is no specific or close level of disclosure for one sector, but companies differ in the level of disclosure within the same sector, i.e. not with another sector. This means that each company has its own unique policy, culture, and awareness of adopting and practicing voluntary disclosure, regardless of the sector in which they operate.

2. Based on the results of the analysis of the financial reports of the study sample companies, the Iraqi private joint-stock companies practice tax evasion at different rates.

3. The Miller scale is considered one of the modern measures for measuring income-smoothing companies. Thus, it is possible to estimate the unpaid amounts of taxes that represent tax evasion to reduce the tax gap for cases of tax evasion.
4. The main hypothesis of the present study, which states that voluntary disclosure of companies affects tax evasion, has not been proven based on the analysis of the regression relationship. This means that the alternative hypothesis, which denies the existence of an effective relationship between voluntary disclosure of companies and tax evasion, is accepted. The lack of effect between the two variables stems from the perspective of the economic objective. The basis for the emergence of business organizations is the goal of maximizing value and minimizing costs. This means that companies work to achieve their own interest over the interest of society.
5. It is difficult to set boundaries between legal and ethical tax practices and illegal and unethical tax practices so far by researchers in the tax field as well as international organizations and governments. The legal and ethical standards approved by all relevant parties are not agreed upon, so they do not provide a solution to this problem so far.
6. Poor tax awareness and ethics of taxpayers lead to tax non-compliance with what they should contribute from the income tax and the real results of their actions because ethics are things that cannot be obligated to others but are personal gains stemming from social factors that are governed by personal behavior.
7. The Iraqi private joint-stock companies are not aware of adopting voluntary disclosure in general. They also lack a strategy, policies, programs, and mechanisms for adopting and implementing voluntary disclosure, especially as it is voluntary and not compulsory. The practices and methods that accompany tax evasion constitute a vague and unclear phenomenon, the results of which ultimately lead to the reduction of the tax burden for companies, which prevents the achievement of justice in its accounting concept and justice in its tax concept.

7.2 Recommendations.

1. The Iraqi private shareholding companies should display items in financial reports that relate to voluntary disclosure in general and tax elements in particular, provided that they are published in special lists annually, along with reports and disclosure of the true and correct financial position in their financial reports because of their importance in increasing the confidence of financial reports.
2. Strict and deterrent penalties should be imposed on those who violate the tax law and try to exploit the loopholes in it following many methods that aim at reducing the tax due or presenting misleading financial statements through the enactment of many judicial rulings and high fines to address such acts and activities.
3. The role of the regulatory and supervisory authorities, led by the tax administration represented by the General Authority for Taxes, should be activated to reduce the chances and size of manipulation in the financial statements and the adoption of illegal methods in reducing the tax burden of companies, i.e. encouraging and supporting them to adopt tax responsibility.
4. The role of the Media Department in the General Tax Authority should be activated to spread tax awareness among those charged with the need to commit to paying the due tax, given that taxes represent important and essential revenues for countries in financing public needs, as well as activating the role of the media, the press and all parties related to social and environmental aspects to educate companies regarding the application of social responsibility.
5. The necessary professional care required by the external auditors (auditors of the private sector companies) should be practiced to scrutinize all components of the financial statements when auditing the companies' accounts with the aim of detecting illegal tax practices that may be followed and reporting and disclosing them in their own reports.
6. The proposed voluntary disclosure measurement model in this study should be applied as a basis for measuring voluntary disclosure. It is a measure that covers many sectors.
7. The Iraqi private joint-stock companies should provide financial reports that contain sufficient disclosure by including clear guiding paragraphs in Rule No. (6) and (10) on the nature of optional information and the importance of disclosure.

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