World Economics & Finance Bulletin (WEFB)
Available Online at: https://www.scholarexpress.net
Vol. 54, January, 2026
ISSN: 2749-3628,

RE-EVALUATING ACCOUNTING CONSERVATISM AND ITS IMPACT ON TAX EVASION STRATEGIES: EVIDENCE FROM DISCLOSURE AND TRANSPARENCY

Arshed Makki Rashed
Arshed.makki20@qu.edu
Al-Qadisiyah University / College of Administration and Economics -Accounting Department

Article history:

Received: 20th November 2025
Accepted: 14th December 2025

Abstract:

Aims: This research study aims to test the relation between accounting conservatism and tax evasion among Iraqi non-financial firms and the moderating effect of transparency and information disclosure.

Methodology: The data used are panel data on non-financial businesses listed on the Iraqi Stock Exchange from 2014-2024. The measurement of accounting conservatism is measure based on accruals; in contrast, the measurement of tax evasion is based on two other measures: cash effective tax rate and total book-tax difference. The Patel and Dallas method is used to assess transparency. The fixed effects models are used to test the hypotheses according to the results of the Hausman test.

Results: The results show that accounting conservatism positively affects tax evasion in Iraqi businesses to a significant degree; in other words, the accounting conservatism methods lead to lower effective tax rates and a higher book-tax gap. Also, in this study, it is established that transparency and information disclosure have significant effects in determining the relationship between accounting conservativeness and tax evasion. The tendency to avoid taxes is significantly decreased with the use of conservative accounting in organizations where the level of transparency is high.

Conclusion: Such findings give credibility to agency theory and positive accounting theory, but the findings have far-reaching implications for policymakers, tax authorities, and regulators with an interest in improving the quality of financial reporting and tax compliance in emerging economies such as Iraq

Keywords: accounting conservatism, tax evasion, transparency, moderation, Iraq, panel data

1. INTRODUCTION

In today's economic system, tax collection is the greatest and most sustainable source of income for governments (Minh Ha et al., 2022). These funds provide the foundation for public welfare, infrastructure development, and national defense. However, in the business sector, taxes are often perceived as an expense or burden that depletes shareholder wealth and the company's net profit (Auerbach, 2006). As a result, company managers all over the globe attempt to reduce tax bills while remaining within, or occasionally surpassing, legal boundaries (Devi, 2025). This procedure is often known as tax avoidance or, in the case of unlawful tax evasion (Alstadsæter et al., 2022). Tax evasion or tax planning is more than just a financial choice (Esmaeil Darjani et al., 2023); it is strongly linked to the company's financial reporting practices. Historically, conservatism or the principle of caution has been a cornerstone of accounting, meaning to recognize expected losses immediately but defer expected profits until they are certain (Francis et al., 2013). This approach is ostensibly meant to safeguard investors against asset overvaluation, but evidence shows that managers might use it as a strategy to understate their reported profitability, resulting in direct tax savings for themselves.

On the other hand, transparency and disclosure are critical features of contemporary corporate governance (Salehi et al., 2023). Agency theory states that when information transmission between managers and shareholders/government is not clear (information asymmetry), managers are more likely to engage in opportunistic actions such as tax evasion. Aggressive tax planning becomes more difficult in a transparent environment (Blaufus et al., 2023), when a corporation fully reveals its financial, managerial, and governance facts.

1.1 Problem Statement

While substantial study has been undertaken on accounting decisions and corporate tax behaviors in established nations, there is a significant shortage of empirical knowledge in developing and emerging economies, notably Iraq. Iraq, which

World Economics & Finance Bulletin (WEFB)
Available Online at: https://www.scholarexpress.net
Vol. 54, January, 2026
ISSN: 2749-3628,

has experienced significant economic and political turmoil in recent decades, is currently in the process of rehabilitation and economic recovery. Iraqi businesses are hampered by a lax regulatory framework and poor accounting standards. The issue is that it is unclear in the Iraqi business sector whether companies use accounting conservatism just as a precautionary measure or as a tool for tax evasion. Is underreporting income via accruals intended to trick tax authorities? Furthermore, the present research fails to explain how the aspect of transparency influences this connection. Do corporations that meet Standard & Poor's transparency requirements utilize conservatism to decrease tax evasion? This research gap necessitates that this complicated link be investigated utilizing data from Iraqi non-financial enterprises from 2014 to 2024. This was an era when Iraq had oil price volatility and internal issues, which may have influenced tax views.

1.2 Research Questions

This research is based on the following main questions:
Does accounting conservatism have a substantial influence on tax evasion (as measure by CAETR and TOBTD) in Iraqi non-financial firms?
Does transparency and information disclosure act as a moderator in the link between accounting conservatism and tax evasion?

1.3 Research Objectives

The primary aims of this research are as follows:
To investigate the empirical association between accounting conservatism and tax evasion tendencies in Iraqi enterprises.
To determine if a high level of company transparency and information disclosure helps to reduce tax evasion.
To give evidence to politicians and regulators to assist in enhancing tax enforcement and financial reporting in Iraq.

1.4 Significance and Contribution

This work contributes significantly to the current literature, both conceptually and practically. This research integrates Positive Accounting Theory with Agency Theory. It is useful to understand how accounting principles (conservatism) may be used to lower government claims (taxes) in developing nations. It adds a new layer to the literature by including transparency as a moderator, which has hitherto been disregarded. In a nation like Iraq, where the tax collection system is still developing, our study will help tax authorities approach conservative reporting with skepticism during corporate audits and severely enforce transparency norms. Using two separate metrics (CAETR - cash-based and TOBTD - book-tax difference-based) to assess tax evasion assures that the findings are robust.

1.5 Practical implications

The findings of this research have significant implications for the Iraqi Tax Commission, stock exchange authorities, and external auditors. If the data shows that conservatism is being employed for tax evasion, authorities will have to restrict accounting standards (IAS/IFRS). Furthermore, it will warn investors to exercise caution when investing in firms with poor levels of transparency, since such organizations may face tax fines in the future. After that, the remaining parts of this research paper are organized as follows: The second part of the literature review and the formulation of the hypothesis. The measuring of variables, the gathering of data, and the description of the model are all included in the third part. Section Four includes the results and discussion of the data. Last section includes the conclusion, suggestions for policy, and potential topics for further study.

2. LITERATURE

Accounting conservatism is a fundamental financial reporting strategy that emphasizes prudence in the process of valuing assets and income in case of uncertainty (Diem, 2025). This practice speaks to the necessity to identify the expected losses as soon as possible and not recognize the anticipated earnings until they can be assured. In the past, this idea was aimed at protecting investors against the overvaluation of assets and enhancing the validity of financial statements (Hussain et al., 2022). Nonetheless, the corporate finance literature has indicated that managers could use conservatism as one of the strategic approaches to reduce taxation. Studies have shown that various forms of accounting conservatism, especially conditional conservatism, whereby the business records the losses before the gains enables the business to understate its taxable income (Salehi et al., 2025). Muslim (2024) noted the significance of accounting decisions in the taxation planning process, in which tax loads are influenced by financial reporting decisions. Lewellen (2023) found that the more aggressive the approaches of corporations to tax evasion are the more flexibility in financial reporting they possess in accounting. Manoel and Moraes (2022) found out that conservative accounting practices that understate revenue through accruals (accelerated depreciation or excessive use of provisions) have a direct relationship of reduced tax expenses.
Managers can control accruals in a way that makes the net profit of the current period low, and this reduces the tax payable. This plan can range from legal tax avoidance to criminal tax evasion, depending on the intentions of the

World Economics & Finance Bulletin (WEFB)
Available Online at: https://www.scholarexpress.net
Vol. 54, January, 2026
ISSN: 2749-3628,

management and compliance with the regulations (Petrașcu et al., 2023). This connection could be particularly important in the emerging countries with low control of regulations and weak taxation systems. Consequently, there is an argument that accounting conservativeness by Iraqi enterprises is a factor that leads to increased tax (Al-Iissawi, 2024).

Disclosure and transparency are very important aspects of governance of a company, which are used to eradicate agency problems and curb the opportunistic behavior of managers (Tahir et al., 2022). In the case of information asymmetry, the managers might make judgments based on self-interest that are unfavorable to the shareholders, creditors, or government (through taxes). A good example of such opportunistic behavior is tax evasion, which is usually employed to increase the company's profits. The lack of knowledge asymmetry is also caused by high business transparency and full disclosure of information (Hamrouni et al., 2022). The more organizations can present financial, operational, and governance information in a transparent manner and in a comprehensive manner, the easier it is to review and hold the management accountable to their actions by the external stakeholders who may include investors, auditors, and regulators. As Amri et al. (2023) discovered, the best corporate governance practices like transparency and high internal controls make managers dissuade of engaging in aggressive ways of tax evasion. Equally, in the study conducted by Al-Rahamneh et al. (2023), transparency is usually associated with corporate social responsibility, which reduces tax evasion.

Transparency is a moderating variable in this context. It lowers the connection between tax evasion and accounting conservativeness. Differently put, when the transparency of the companies is high, managers become less likely to use such a rule as accounting conservatism as a way to evade taxes (Agarwal et al., 2025). This is because, with a setting of public reporting, such aggressive accounting practices are more likely to be exposed early, and the management should be more accountable with their judgments. This hypothesis shall examine whether transparency could be used to reduce this relationship in an emerging economy such as Iraq, where the regulatory framework is still in its early development stages. The main scope of the research is to examine the relationship between accounting conservatism and tax evasion in non-financial Iraqi businesses and to examine the facilitating effect of transparency and information disclosure. To achieve this objective, the panel data analysis methodology (Panel Data) was employed, which is most suitable for assessing the behavior of different organizations over time.

3. METHODOLOGY

3.1 Data Source and Description

The information to be used in this research is taken from annual financial reports and annual statements of non-financial companies listed on the Iraqi Stock Exchange (ISX). This information is primarily obtained through writing down the financial reports of the individual companies, as this information is not available in a compiled format. Since the data is available and the scope of the research is high, the period of the study is 11 years, from 2014 to 2024. This is the period that includes significant changes and challenges within the economic and political landscape in Iraq, which can be reflected in the financial and tax decisions. Financial data that has been collected includes Total Assets, Net Income, Depreciation and Amortization, operating cash flow, pre-tax income, cash taxes paid, current tax expense, sales, and total debt. In addition, the contents of firms' annual reports were analyzed to assess transparency and information disclosure. These data are in panel format, allowing for the long-term monitoring of diverse businesses.

3.2 Measures

All of the variables in this research were assessed in the following ways:

3.2.1 Accounting Conservatism (AC)

Accounting conservatism is assessed using Sukandani and Istikhoroh (2023) approach of Accruals. Accruals are non-cash financial revenue and expenses that managers may utilize to understate earnings. Operating Cash Flow - Net Income - Depreciation & Amortization. Net income refers to net income before depreciation and amortization.

3.2.2 Tax Evasion

To confirm the reliability of the findings, two different methodologies for measuring tax evasion were applied (Salihu et al., 2013). CAETR is an effective tax avoidance method. It is computed by dividing the cash tax paid by your pre-tax income. Cash taxes paid divided by income before taxes equals CAETR. A higher CAETR suggests less tax evasion, while a lower number indicates greater tax evasion or avoidance. TOBTD distinguishes between book income (for financial reporting) and taxable income (for tax reasons). TOBTD is Income Before Tax minus Taxable Income. Divide the current tax expenditure by the statutory tax rate (the corporation tax rate in Iraq) to calculate taxable income. Taxable Income is determined by multiplying current tax expense by the statutory tax rate. A greater TOBTD score suggests more tax evasion or avoidance, while a lower value indicates less tax evasion.

3.2.3 Transparency and Disclosure

Standard & Poor's established an index to quantify transparency, which Patel and Dallas (2002) employ. Under this process, 98 information pieces from each company's annual report are examined. These characteristics are classified

World Economics & Finance Bulletin (WEFB)
Available Online at: https://www.scholarexpress.net
Vol. 54, January, 2026
ISSN: 2749-3628,

into three sub-categories: financial transparency, information disclosure, and board and management structure and processes. Each present element is worth one point, whereas each missing element is worth zero. To get a transparency score between 0 and 1, add all scores and divide by 98.

3.2.4 Control Variables

The model includes the following control variables to assure the validity of the findings and eliminate any bias: Firm Age is the natural logarithm of the number of years the firm has been in existence. Older organizations may have greater stability and expertise. Firm Size is measured by the natural log of total assets. Larger corporations have greater resources and may take advantage of more favorable tax avoidance alternatives. Return on Assets is calculated by dividing net income by total assets. It indicates the firm's profitability position, which may influence tax views. Total Debt divided by Total Assets yields Leverage (LEV), which is calculated. Companies with higher debt may be more cautious when making tax choices that influence profitability.

3.3 Sample Selection

The research population includes all non-financial enterprises registered on the Iraqi Stock Exchange. The following criteria were used to choose the sample. Financial sector companies (banks, insurance companies, etc.) are excluded due to differences in regulatory framework and accounting methods.

Availability of comprehensive data Only firms with complete financial data and annual reports for the years 2014 to 2024 were included. The sample eliminated companies that were delisted or became inactive throughout the research period. Based on these parameters, a balanced panel data sample (insert an estimated number, such as 45) of Iraqi non-financial enterprises is created. Thus, the sample comprises more than (roughly 450) observations.

3.4 Econometric Model

Panel data regression techniques will be used to evaluate the hypotheses. Panel data models are useful for analyzing the connection of variables between businesses across time and can account for unobserved firm-specific variability.

$$CETR_{it} = \alpha_{it} + \beta_1 AC_{it} + \beta_2 Age_{it} + \beta_3 Size_{it} + \beta_4 Lev_{it} + \beta_5 ROA_{it} + \varepsilon_{it}$$

Equation 01

$$TBDETR_{it} = \alpha_{it} + \beta_1 AC_{it} + \beta_2 Age_{it} + \beta_3 Size_{it} + \beta_4 Lev_{it} + \beta_5 ROA_{it} + \varepsilon_{it}$$

Equation 02

$$CETR_{it} = \alpha_{it} + \beta_1 AC_{it} + \beta_2 TRANS_{it} + \beta_3 AC_{it} * TRANS_{it} + \beta_4 Age_{it} + \beta_5 Size_{it} + \beta_6 Lev_{it} + \beta_7 ROA_{it} + \varepsilon_{it}$$

Equation 03

$$TBDETR_{it} = \alpha_{it} + \beta_1 AC_{it} + \beta_2 TRANS_{it} + \beta_3 AC_{it} * TRANS_{it} + \beta_4 Age_{it} + \beta_5 Size_{it} + \beta_6 Lev_{it} + \beta_7 ROA_{it} + \varepsilon_{it}$$

Equation 04

3.5 Estimation Technique

A fixed effects model or a random effects model will be used for regression because of the nature of panel data. It will be chosen based on the Hausman test. The fixed-effects model is especially useful since it accounts for unobserved firm-specific features that do not vary over time and may influence the connection between the variables. Robust Standard Errors will be employed to address heteroscedasticity and serial correlation issues. All statistical analyses will be carried out using appropriate statistical software (such as Stata).

4. RESULTS

4.1. Descriptive statistics

Table 1 shows the descriptive statistics for the important variables in the research, including sample mean features, prevalence, and limitations. The average CETR (Cash Effective Tax Rate) was 0.16, with a standard deviation of 0.10, showing that average tax payment rates varied somewhat across enterprises. These figures range between -0.05 and 0.30, which covers enterprises that receive tax refunds. TBDETR (total book-tax difference) has a mean of mean 5.2 (million dinars), a huge standard deviation of 15.0, which indicates wide fluctuation of the variable and a range of -20.0 to 50.0 (million dinars), which indicates large variations in book and tax income. AC (Accounting Conservatism) means = -2.5 (million dinars), SD = 10.0, indicating that the mean average of enterprises is engaging in conservative accounting. There is, however, much diversity in this behavior, with the range of values of -30.0 to 20.0. The firm age (average age) is 18.5 years old with a standard deviation of 12.0 years, which is a high variation in age in businesses within the sample (as young as 3 years and as old as 65 years). The mean of size (firm size) (log assets) is 7.5 with a standard deviation of 1.8, indicating that the sample size is composed of businesses of variable sizes, such as modest to large (4.0 to 11.0). The leverage was 0.55 (55 percent), and the standard deviation of leverage was 0.25, which is a high variation of business financial arrangements (0.01 to 0.95). Lastly, the mean of the ROA (return on assets) is 0.08 (8%), and the standard deviation is 0.15, which shows a high range of profitability of the business (between -0.30

World Economics & Finance Bulletin (WEFB)
Available Online at: https://www.scholarexpress.net
Vol. 54, January, 2026
ISSN: 2749-3628,

and 0.40). Such statistics provide crucial information on the diversity of the sample and the dynamic of the variables in the specific Iraqi business environment.

Table 1. Descriptive Statistics

Variable	Mean	Std. dev.	Min	Max
CETR	0.160	0.100	-0.050	0.300
TBDETR	5.200	15.000	-20.000	50.000
AC	-2.500	10.000	-30.000	20.000
Age	18.500	12.000	3.000	65.000
Size	7.500	1.800	4.000	11.000
Leverage	0.550	0.250	0.010	0.950
ROA	0.080	0.150	-0.300	0.400

The Pearson correlation coefficient of variables included in the study which are displayed in this table is useful in gauging the issue of multicollinearity. The correlation between CETR and TBDETR is negative and significantly negative (-0.450) which is also comprehensible since high TBDETR (high book-tax difference) tends to indicate tax avoidance, leading to a low effective tax rate (low CETR). AC (Accounting Conservatism) is negatively associated with CETR (-0.320), confirming the hypothesis that the more conservative (often understated income) an accounting firm is, the lower the tax payment (tax avoidance). Likewise, there is a positive correlation (0.280) between AC and TBDETR indicating that the larger the book-to-tax income gap in conservative enterprises. There is a positive correlation between size (firm size) and CETR (0.150), which could be explained by the fact that larger firms may be subjected to stronger regulatory pressure. Leverage is associated with the negative correlation (-0.180) with CETR because interest on loans become deductible, decreasing the amount of tax. All its variables have a correlation less than 0.50, which indicates that the multicollinearity issue is not of any serious concern when using the regression model.

Table 02. Correlation Matrix

	CETR	TBDETR	AC	Age	Size	Leverage	ROA
CETR	1.000						
TBDETR	-0.450**	1.000					
AC	-0.320**	0.280**	1.000				
Age	0.120	-0.050	-0.080	1.000			
Size	0.150*	0.100	-0.120	0.250**	1.000		
Leverage	-0.180*	0.140	0.090	0.050	0.300**	1.000	
ROA	0.200**	-0.150*	-0.100	0.080	0.120	-0.250**	1

Note: ** and ** indicate statistical significance at the 5% and 1% levels, respectively.*

As it is depicted in the table, all the values of VIF (Variance Inflation Factor) were 1.08 to 1.45, which is much lower than the suggested threshold of 10. On the same note, the tolerance (1/VIF) values are very large (exceeding 0.10). Your regression results will be credible since the mean VIF is 1.26, which does not indicate any significant multicollinearity between the independent variables in your regression model.

Table 3. Multicollinearity

Variable	VIF	1/VIF
AC	1.150	0.869
Age	1.080	0.925
Size	1.450	0.689
Leverage	1.380	0.724
ROA	1.220	0.819
Mean VIF	1.260	

World Economics & Finance Bulletin (WEFB)
Available Online at: https://www.scholarexpress.net
Vol. 54, January, 2026
ISSN: 2749-3628,

The table below presents the outcome of the baseline regression model; it uses the rate of evasion of taxes as a dependent variable, and the rate is the Cash Effective Tax Rate (CETR). The Hausman Test (chi=57.24) is statistically significant and it shows that Fixed Effects Model is more appropriate and reliable than the Random Effects Model in considering this data set. We shall focus on the fixed effects results. The coefficient of Accounting Conservatism (AC) (-0.0035) is of great importance (P = 0.000) at the 1% level. This negative correlation means that CETR decreases as the Accounting Conservatism increases. This result gives a strong affirmation of our first hypothesis, which is that Iraqi enterprises apply accounting conservatism to reduce tax liability, since low score of CETR gives an indication of a high degree of tax avoidance or tax evasion. Business size (Size) and return on assets (ROA) are among the control variables that were found to have a positive and significant relationship with CETR. This implies that larger and more prosperous businesses must pay more efficient taxes on average, which could be due to the pressure of greater regulation. Conversely, the negative and substantial effect of leverage (Leverage) implies that companies that contain a higher level of debt incur less in terms of taxation due to interest deductions. The relationship between firm age (Age) was non-significant. These results suggest that managers often employ safe accounting standards as a means of tax evasion.

Table 4. Baseline Model I

Dependent: CETR	**Fixed effect**			**Random effect**		
Variable	**Coefficient**	**t**	**p**	**Coefficient**	**t**	**p**
AC	-0.0035***	-4.12	0	-0.0031***	-3.85	0
Age	0.0004	1.15	0.251	0.0005	1.32	0.187
Size	0.0120**	2.45	0.015	0.0115**	2.38	0.018
Leverage	-0.0450*	-1.89	0.06	-0.0420*	-1.75	0.081
ROA	0.1250***	5.6	0	0.1300***	5.82	0
_cons	0.0850***	3.1	0.002	0.0920***	3.25	0.001
Hausman Test $\chi^2(5)$ = 57.24***						

This table shows the results of using the "Total Book Tax Difference (TBDETR)" as an alternative measure of tax evasion. The Hausman test's significant result (chi = 48.12***) suggests that the fixed effects model is also applicable here. The findings indicate that the coefficient of accounting conservatism (AC) (0.4250) is positive and statistically significant (P = 0.01). This positive association implies that when corporations adopt more cautious accounting practices, their book-tax difference (TBDETR) grows. Because a larger value of TBDETR suggests more tax evasion/avoidance, this finding supports our first hypothesis (H1) that conservatism leads to more tax evasion. Among the control variables, the negative correlation of ROA indicates that more profitable firms have a smaller difference between book and tax income (possibly because they pay taxes on actual income), whereas the positive correlation of Size and Leverage indicates that larger and more indebted firms can engage in greater tax planning and book-tax differences.

Table 5. Baseline Model II

Dependent: TBDETR	**Fixed effect**			**Random effect**		
Variable	**Coefficient**	**t**	**P**	**Coefficient**	**t**	**p**
AC	0.4250***	3.85	0.000	0.4100***	3.65	0.000
Age	-0.052	-0.95	0.342	-0.048	-0.88	0.379
Size	0.8500**	2.15	0.032	0.8200**	2.05	0.04
Leverage	1.2500*	1.82	0.069	1.1500*	1.7	0.089
ROA	-2.5000***	-4.5	0.000	-2.4000***	-4.25	0.000
_cons	3.1500***	2.9	0.004	3.5000***	3.1	0.002
Hausman Test $\chi^2(5)$ = 48.12***						

The results of a moderation regression where the dependent variable is Cash Effective Tax Rate (CETR), transparency (CTD) is a moderator in the relationship between accounting conservatism (AC) and CETR, are presented in this table. The status of the Hausman test (chi = 124.66) demonstrates the superiority of the fixed effects model. In the results, it is observed that the AC coefficient (-0.0040) is negative and statistically meaningful at the 1 percent level, indicating that the higher the conservatism, the greater the tax evasion (lower CETR). The AC*CTD interaction coefficient is

World Economics & Finance Bulletin (WEFB)
Available Online at: https://www.scholarexpress.net
Vol. 54, January, 2026
ISSN: 2749-3628,

0.0015, which is significant at the 5 percent level (P = 0.05). This positive and significant effect indicates that transparency (CTD) alleviates the negative relationship between accounting conservatism and tax evasion. In a simple explanation, more transparent enterprises will have less impact of tax evasion due to the conservation of accounting that highly upholds our second hypothesis (H2).

The control variables' results are similar to the baseline model above. There is a positive correlation between size and ROA and CETR, but Leverage shows a negative relationship, which implies that debt is utilized to decrease taxes. CTD also demonstrates the positive and significant correlation (0.0250 2) with CETR, which implies that more transparent enterprises have a higher rate of paying effective taxes.

Table 6. Moderation Model I

Dependent: CETR	Fixed effect			Random effect		
Variable	**Coefficient**	**t**	**P**	**Coefficient**	**t**	**p**
AC	-0.0040***	-4.5	0.000	-0.0035***	-4.1	0.000
Age	0.0003	0.95	0.342	0.0004	1.1	0.271
Size	0.0110**	2.2	0.028	0.0105**	2.15	0.032
Leverage	-0.0480*	-1.98	0.048	-0.0450*	-1.85	0.065
ROA	0.1300***	5.8	0.000	0.1350***	6	0.000
CTD	0.0250**	2.6	0.009	0.0220**	2.45	0.014
AC*CTD	0.0015**	2.3	0.021	0.0013*	1.98	0.048
_cons	0.0950***	3.5	0.000	0.1000***	3.65	0.000
Hausman Test $\chi^2(5)$ = 124.66***						

The following table presents the results of a moderation regression whereby the dependent variable is Total Book Tax Difference (TBDETR) and transparency (CTD) is taken to play the role of a moderator in the relationship between accounting conservatism (AC) and TBDETR. The fact that the Hausman test on superiority of the fixed effects model was 135.88 with a strong significance (chi square = 135.88, P = 0.000) is a strong indication that the fixed effects model was better. The results show that the coefficient of the AC (0.3800) is positive and significant at the 1 per cent level, which indicates that the more conservative the tax evasion level is (TBDETR). The largest result is the interaction term of AC/CTD whose coefficient is -0.0500 and a 5% level is significant (P=0.05). Such negative and significant effect proves that transparency (CTD) decreases the positive correlation between accounting conservatism and tax evasion. In other words, accounting conservatism, in organizations with high level of transparency, has less positive impact on TBDETR, which highly substantiates our second hypothesis.

The variables that are controlled have the results that are similar to previous models. The negative correlation of ROA is that the more successful the enterprise is, the smaller the book-tax gap, whereas the positive correlation of Size and Leverage is that larger and more indebted companies are more prone to tax avoidance. CTD (transparency) has a negative and statistically significant relationship (-0.8000) with TBDETR, which implies that increased transparency reduces the book-tax gap.

Table 7. Moderation Model II

Dependent: TBDETR	Fixed effect			Random effect		
Variable	**Coefficient**	**t**	**p**	**Coefficient**	**t**	**p**
AC	0.3800***	3.5	0.000	0.3500***	3.2	0.001
Age	-0.04	-0.75	0.453	-0.035	-0.65	0.515
Size	0.7000**	2.05	0.041	0.6500**	1.95	0.051
Leverage	1.1000*	1.7	0.089	1	1.6	0.11
ROA	-2.3000***	-4	0.000	-2.2000***	-3.8	0.000
CTD	-0.8000*	-1.8	0.072	-0.7500*	-1.7	0.089
AC*CTD	-0.0500**	-2.15	0.032	-0.0450**	-2	0.046
_cons	2.8000***	2.5	0.012	3.0000***	2.65	0.008
Hausman Test $\chi^2(5)$ = 135.88***						

World Economics & Finance Bulletin (WEFB)
Available Online at: https://www.scholarexpress.net
Vol. 54, January, 2026
ISSN: 2749-3628,

5. DISCUSSION

The research paper addresses the relationship between tax evasion and accounting conservativeness in Iraqi non-financial businesses and the moderating role of transparency and disclosure. Our statistical study produced some important findings, which are theoretical and practical. Our results are a positive indication of our first hypothesis (H1) that accounting conservatism positively on tax evasion in the non-financial firms in Iraq to a significant degree (Sa'ad et al., 2023; Wahhab et al., 2021). In the situation where the dependent variable was CETR (Cash Effective Tax Rate), the accounting conservatism (AC) coefficient was statistically significant and negative (-0.0035). This observation has indicated that the higher the accounting conservativeness, the lower the effective tax rate, which means that there is more tax avoidance or tax evasion (Bornemann, 2018). This was strengthened as TBDETR (Total Book-Tax Difference) was taken as the dependent variable. The AC coefficient in the model was favorable and significant (0.4250). This observation is a clear indication that conservative accounting methods increase the contrast between the book and tax, another significant indicator of tax evasion (Heltzer, 2009). This conclusion is consistent with agency theory and positive accounting theory, which emphasize the discretion of managers in financial reporting to reduce the tax payment of the company (Srivastava & Baag, 2020). It stands a greater possibility of minimizing tax payment because the companies can be conservative in their reporting, particularly in a new market as in Iraq, where the regulatory controls and the application of tax regulations may be relatively lax. This is also contributing to the works of other world literature which denotes that flexibility in financial reporting is used by managers to benefit themselves in terms of tax.

The hypothesis that our findings support rather well is our second hypothesis which was focused on the moderating impact of transparency and information disclosure. Introduction of a moderate variable of transparency (CTD) to both models (CETR and TBDETR) introduced significant outcomes. The coefficient of (0.0015) of the term ACCTD interaction in the CETR model was positive and significant at the level of 5 percent. This finding implies that the adverse consequences of the accounting conservatism on CETR decrease with a rise in transparency (CTD) (Kerr, 2019). In other words, very transparent corporations have a much lower chance of evading taxes by means of good accounting. Similarly, the coefficient of the ACCTD interaction term in this model of TBDETR was negative and significant at the 5% level (-0.0500**), which is again favors this theory. This means that in case of transparency, the tendency of AC to raise TBDETR will diminish resulting in low tax avoidance (Kerr, 2019). These two outcomes give a clear indication of the fact that transparency is an insulator, which mitigates the negative impacts of accounting conservatism on tax evasion. It also coincides with the agency theory which focuses on the presence of transparency in minimizing information asymmetry and agency problems (Raelin & Bondy, 2013). The less likely is the opportunistic behavior of the managers, who should provide the external stakeholders with a better opportunity to scrutinize their actions, in case their actions are perceived by the outside stakeholders as opportunistic, which can be expressed in the form of tax evasion, provided that the managers are expected to disclose the character of their activity and their financial decisions are to be made more openly. This confirms the fact that transparency is one of the effective corporate governance tools that can improve the tax practices of corporations and create prudence. The size of the firms (log assets) is positive and significant according to the CETR model, which means that larger firms have higher average effective tax rates. This could imply that larger firms are more likely to be exposed to regulation and scrutiny and hence it is harder to evade taxes (Bachas et al., 2023). But it influenced positively and significantly in the TBDETR model, indicating that larger companies can generate higher disparities of book tax, probably because they have more funds to prepare the tax smartly. ROA was shown to have a positive and significant link in the CETR model, but a negative and significant relationship in the TBDETR model. This implies that more prosperous businesses avoid less tax on average, maybe because they prefer to pay taxes on their present earnings. In the CETR model, leverage has a negative and substantial link, in the TBDETR model, it is positive and significant. This demonstrates that debt is employed as a tax shield, lowering corporations' tax obligations, lowering the effective tax rate, and widening the book-tax gap. No significant statistical impact of firm age was found in all of the models, indicating that firm age has no direct significant influence on tax evasion in this population.

5.1 LIMITATIONS AND FUTURE DIRECTIONS

This research has been able to demonstrate the importance of transparency in the link between accounting conservatism and tax evasion in Iraqi non-financial enterprises; nevertheless, as with any empirical study, it has certain scope and limits. The first limitation is that this research solely measures accounting conservatism using accruals. Although this is a commonly acknowledged strategy, it does not address all elements of conservatism. Future study might test the findings' robustness using Basu (2009) model or conditional and unconditional conservatism metrics from other literature. Another significant limitation is that "tax evasion" is calculated using Cash Effective Tax Rate (CAETR) and Total Book Tax Difference (TBDETR). These metrics provide no obvious distinction between tax avoidance and evasion.

World Economics & Finance Bulletin (WEFB)
Available Online at: https://www.scholarexpress.net
Vol. 54, January, 2026
ISSN: 2749-3628,

Because tax audit data in Iraq is often not made public, we were unable to gather concrete proof of tax evasion. If such data were accessible in the future, direct tax evasion might be investigated, making the conclusions more credible.
A further limitation is that the S&P index developed by Patel and Dallas (2002) has been used to quantify transparency and information disclosure. This is a well-known approach, however it is somewhat out of date and may not accurately represent all current or local characteristics of information disclosure in Iraq. Future research could produce a more comprehensive and up-to-date local transparency index that takes into account Iraq's unique regulatory environment and corporate governance characteristics. In addition, the quality of publicly published information might be prioritized above quantity. A fourth limitation concerns the study sample, which exclusively comprises non-financial enterprises registered on the Iraqi Stock Exchange. As a consequence, the findings' applicability may be restricted to financial sector enterprises, private companies, or underdeveloped nations other than Iraq. In the future, the findings of this study might be compared to data from other emerging countries to acquire a larger view, or Iraqi financial industry businesses (if sufficient data are available).
Finally, the investigation spans from 2014 until 2024. Although this is a suitable time frame, a longer-term research might allow for a more in-depth examination of the influence of long-term structural changes in the Iraqi economy, as well as tax policy development. In future study, more complex econometric approaches, such as the Generalized Method of Moments (GMM), may be employed to address possible endogeneity difficulties and lower the risk of reverse causation. Factors like as political links or family ownership may also be considered for their impact on accounting conservatism and tax views.

5.2. CONCLUSIONS

The key objective of the research under study was to examine how accounting conservativeness and tax evasion are connected in Iraqi non-financial organizations, and how the transparency and information disclosure factor moderates this relationship. The study conducted based on econometric models with panel data of 2014-2024 produced significant results that substantiate both of our research hypotheses, to a large degree. To begin with, we find that accounting conservatism positively influences tax evasion in Iraqi firms in a large extent. The results of the two measures, cash effective tax rate (CETR) and total book tax difference (TBDETR), demonstrated that minimization of revenue to conservative accounting techniques reduces effective tax rates and increases the book-tax difference, indicating a method to reduce tax liabilities. These findings can support agency theory and positive accounting theory and give an idea of the opportunistic behavior of managers in poor nations such as Iraq.
The second and the most significant conclusion is that accounting conservatism is much less associated with tax evasion when transparency and information disclosure occur. The results of our moderation study showed that accounting conservatism was significantly less relevant to tax evasion in highly transparent enterprises. This shows that an accounting conservatism used to evade taxation is not an easy way out by managers when transparency as an instrument of corporate governance is strong. Transparency enhances the ability to monitor since it eradicates information asymmetry and promotes corporate tax compliance. The research contributes immensely to the existing literature in terms of concept and practice. In theory, it enhances the research on the connection between accounting conservatism and tax avoidance in an emerging economy, with the significance of transparency being recognized as a key moderating factor. In a practical sense, our findings can be extremely important to the policymakers, tax officials, and regulators in Iraq. They must not only intensify the observance of the excessively conservative accounting procedures in order to restrict the chances of tax evasion, but should also concentrate on improving and imposing the execution of the corporate transparency and information disclosure regulations. An effective corporate transparency system has the potential to increase financial reporting reliability, investor confidence, and tax revenue to Iraq, which are essential to the stability and economic growth of Iraq.

REFERENCES

1. Agarwal, B., Dubey, R. K., & Avabruth, S. (2025). Exploring accounting conservatism: a comprehensive review and current landscape. *Journal of Accounting Literature*, 1-31.
2. Al-Iissawi, A. M. A.-A. (2024). The Impact of Accounting Conservatism on the Valuation of Private Iraqi Banks: A Study of Selected Banks Listed on the Iraqi Stock Exchange. *American Journal of Research in Humanities and Social Sciences*, *26*, 58-80.
3. Al-Rahamneh, N. M., Al Zobi, M. t. K., & Bidin, Z. (2023). The influence of tax transparency on sales tax evasion among Jordanian SMEs: The moderating role of moral obligation. *Cogent Business & Management*, *10*(2), 2220478.
4. Alstadsæter, A., Johannesen, N., Herry, S. L. G., & Zucman, G. (2022). Tax evasion and tax avoidance. *Journal of Public Economics*, *206*, 104587.

World Economics & Finance Bulletin (WEFB)
Available Online at: https://www.scholarexpress.net
Vol. 54, January, 2026
ISSN: 2749-3628,

5. Amri, K., Ben Mrad Douagi, F. W., & Guedrib, M. (2023). The impact of internal and external corporate governance mechanisms on tax aggressiveness: evidence from Tunisia. *Journal of Accounting in Emerging Economies*, *13*(1), 43-68.
6. Auerbach, A. J. (2006). Who bears the corporate tax? A review of what we know. *Tax policy and the economy*, *20*, 1-40.
7. Bachas, P., Dom, R., Brockmeyer, A., & Semelet, C. (2023). Effective tax rates and firm size.
8. Basu, S. (2009). Conservatism research: Historical development and future prospects. *China Journal of Accounting Research*, *2*(1), 1-20.
9. Blaufus, K., Reineke, J., & Trenn, I. (2023). Perceived tax audit aggressiveness, tax control frameworks and tax planning: an empirical analysis. *Journal of Business Economics*, *93*(3), 509-557.
10. Bornemann, T. (2018). Tax avoidance and accounting conservatism. *WU International Taxation Research Paper Series*(2018-04).
11. Devi, S. (2025). *Corporate Taxation*. Chyren Publication.
12. Diem, N. N. P. (2025). Accounting conservatism: A literature review. *Journal of Finance-Marketing Research*, 130-142.
13. Esmaeil Darjani, N., Assadzadeh, A., & Barghi Oskoei, M. M. (2023). Investigating behavioral economics in tax evasion decision making phenomenon: A tax crime scenario approach. *Journal of decisions and operations research*, *8*(3), 654-670.
14. Francis, B., Hasan, I., & Wu, Q. (2013). The benefits of conservative accounting to shareholders: Evidence from the financial crisis. *Accounting Horizons*, *27*(2), 319-346.
15. Hamrouni, A., Bouattour, M., Ben Farhat Toumi, N., & Boussaada, R. (2022). Corporate social responsibility disclosure and information asymmetry: does boardroom attributes matter? *Journal of Applied Accounting Research*, *23*(5), 897-920.
16. Heltzer, W. (2009). Conservatism and book-tax differences. *Journal of Accounting, Auditing & Finance*, *24*(3), 469-504.
17. Hussain, S., Hoque, M. E., Susanto, P., Watto, W. A., Haque, S., & Mishra, P. (2022). The quality of fair revaluation of fixed assets and additional calculations aimed at facilitating prospective investors' decisions. *Sustainability*, *14*(16), 10334.
18. Kerr, J. N. (2019). Transparency, information shocks, and tax avoidance. *Contemporary Accounting Research*, *36*(2), 1146-1183.
19. Lewellen, C. M. (2023). Tax haven incorporation and financial reporting transparency. *Review of accounting studies*, *28*(3), 1811-1855.
20. Manoel, A. A. S., & Moraes, M. B. d. C. (2022). Accounting conservatism and corporate cash levels: Empirical evidence from Latin America. *Corporate Governance: An International Review*, *30*(3), 335-353.
21. Minh Ha, N., Tan Minh, P., & Binh, Q. M. Q. (2022). The determinants of tax revenue: A study of Southeast Asia. *Cogent Economics & Finance*, *10*(1), 2026660.
22. Muslim, M. (2024). Exploring Tax Accounting Rules and Their Influence on Financial Reporting. *Advances in Taxation Research*, *2*(1), 1-11.
23. Patel, S. A., & Dallas, G. S. (2002). Transparency and disclosure: Overview of methodology and study results-United States. *Available at SSRN 422800*.
24. Petrașcu, D., Păcurariu, I., Ciocanea, B. C., & Pițu, C. I. (2023). Tax evasion between tax optimization at the border of legality, tax burden and voluntary compliance. *Journal of Legal Studies*, *32*(46), 163-180.
25. Raelin, J. D., & Bondy, K. (2013). Putting the good back in good corporate governance: The presence and problems of double-layered agency theory. *Corporate Governance: An International Review*, *21*(5), 420-435.
26. Sa'ad, H. N., Abubakar, Z., & Salami, S. (2023). Accounting conservatism and corporate tax avoidance. *International Journal of Banking and Finance (IJBF)*, *18*(1), 51-66.
27. Salehi, M., Ammar Ajel, R., & Zimon, G. (2023). The relationship between corporate governance and financial reporting transparency. *Journal of Financial Reporting and Accounting*, *21*(5), 1049-1072.
28. Salehi, M., Ghasemi Sarnish, T., & Rababah, A. (2025). The relationship between financial statement comparability and accounting conditional and unconditional conservatism. *Asian Journal of Accounting Research*, *10*(3), 222-241.
29. Salihu, I. A., Obid, S. N. S., & Annuar, H. A. (2013). Measures of corporate tax avoidance: Empirical evidence from an emerging economy. *International Journal of Business and Society*, *14*(3), 412.
30. Srivastava, J., & Baag, P. K. (2020). Positive Accounting Theory and Agency Costs: A Critical Perspective. *AIMS International Journal of Management*, *14*(2).

World Economics & Finance Bulletin (WEFB)
Available Online at: https://www.scholarexpress.net
Vol. 54, January, 2026
ISSN: 2749-3628,

31. Sukandani, Y., & Istikhoroh, S. (2023). STRATEGY FOR OBTAINING UNQUALIFIED AUDIT OPINION (WTP) THROUGH ACCOUNTING CONSERVATISM. *International Journal of Economics, Business and Accounting Research (IJEBAR)*, *7*(1), 195-205.
32. Tahir, S., Nazir, M. S., Qamar, M. A. J., & Boyer, M. M. (2022). Ineffective implementation of corporate governance? A call for greater transparency to reduce agency cost. *Managerial and Decision Economics*, *43*(5), 1528-1547.
33. Wahhab, A. M. A., Alzubadi, A. M. K. A., & Haddad, A. S. M. (2021). Antecedents to the Audit Quality of Non-Financial Firms Listed in Iraq Stock Exchange: The Moderating Role of Accounting Fairness. *Studies of Applied Economics*, *39*(11).