

Assessing tax differences caused by the mismatch of tax evasion and tax policies, inventory and financing

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Abstract

Tax, inventory and financing policies through correcting and stabilizing economic activities in different sectors not only help to provide financial resources for the government but also for economic growth and development. Therefore, the correct application of tax, inventory and financing policies can be considered as a means to increase mobility, and economic dynamism and go forward in economic and social development. The purpose of this research is to assess the tax differences caused by the mismatch of tax evasion and tax, inventory and financing policies. The research sample includes 149 companies accepted in the Tehran Stock Exchange, which covers a period of seven years from March 2013 to March 2020. The results show that match of the tax policy, inventory policy, financing policy and tax evasion is effective in a decrease of the permanent tax gap. In Addition, a match of the tax policy, financing policy and tax evasion is effective in the decrease of the temporary tax difference, too.

Keywords: Permanent tax difference, temporary tax difference, tax evasion, tax policy, inventory, financing
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1 Introduction

In all nations, the governments are responsible towards the people to fulfill some of their needs and desires such as creating employment opportunities, creating domestic and national security, stabilizing prices, providing efficient social security, getting political, economic and cultural stability, improving the balance of payments and so on and to achieve this important, they will need sufficient financial resources. For this reason, since the formation of government societies, tax and its collection have been a matter of governance and receiving it under different titles and forms has become common and it has gradually taken on a scientific aspect. Rationalizing the allocating and collecting taxes in any society according to its characteristics is one of the necessities, and in this regard, one of the ways to increase the volume of tax revenues is to identify and root out tax evasion and then prevent and reduce tax evasion [22]. Tax evasion is a general term for the efforts of natural people, companies and organizations, unions, etc. to not pay taxes illegally. Tax evasion means that a taxpayer intentionally hides financial statements and correct information or

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submits false financial reports to the tax authority to reduce tax liability. Any illegal method that reduces tax liability is considered as tax evasion. Hiding amounts and violating laws are among the ways for tax evasion [8].

In Iran, despite the existence of high potential, insufficient collection of taxes has always been one of the problems of the government and the tax administration for various reasons including tax evasion. The low tax revenues and the increasing deficits of the government every year are the most important problems of the country, which have two main reasons: tax evasion and long deferment in the collection of tax revenues, both factors cause a tax gap and tax inefficiency. The above two factors can lead a country's economy to a crisis because when the government faces increasing deficits, it prints banknotes and borrows from the central bank. These cases will increase the amount of liquidity in the country and will cause severe inflation and unbridled reins, which will paralyze the economy of a country. Therefore, it is necessary to correct the weaknesses of the tax system by obtaining expert policies. When tax revenues are collected over intervals of several months, they lose some of their nominal value due to monthly inflation, and the longer the intervals of tax collection are, the more opportunities for tax evasion increases. Therefore, in both cases, the amount of real government revenues decreases and the budget deficit increases [13]. With the separation of ownership and management, managers manage the company as representatives of shareholders [6]. With the formation of an agency relationship, a conflict of interest between managers, shareholders and other stakeholders (including the government) is created, and it is potentially possible that managers take actions for their own interests and do not consider it necessary to take actions taken for the interests of other stakeholders, which is called the agency problem [21]. One of the main beneficiaries of companies is the government, which provides a major part of its income sources through tax collection. Tax revenue plays a significant role in financing the government's expenses, and this provides the possibility for the government to invest in the direction of prosperity, growth and economic prosperity. The major part of the taxes collected by the government comes from the performance tax of legal entities. In this regard, the government, which is one of the beneficiaries of companies, relies on the tax declarations that taxpayers prepare and submit to determine taxes [14]. Despite the government's reliance on taxpayers' declarations, in all countries, the declared tax is often not the same as the diagnostic tax, which is called the tax gap. The difference between the principles and rules governing accounting and financial and tax reporting causes this difference between express tax (based on accounting profit) and diagnostic tax (based on profit as a source of tax calculation) [7].

One of the most important factors of this difference is the lack of necessary efficiency in the administration of the companies and the lack of transparency of the information provided by the companies, which causes the violation of some of the rights of other beneficiaries. In other words, managers may take actions that are only for the benefit of the company's shareholders and the interests of other interest groups are ignored [5]. Due to the differences in tax laws and accounting standards, there are differences between taxpayers and tax-claiming institutions, which cause a tax gap. This gap has two components including temporary and permanent tax differences. In the past, little research have been done regarding the factors affecting tax differences in the company, and the tax gap has been discussed more. What has been discussed in the present research is the discussion of accounting policies and tax evasion. According to a tax gap classification, it is divided into two main parts: tax evasion and tax avoidance. Tax evasion occurs when a taxpayer refuses to report taxable income and commits an illegal act that exposes him to legal action from the tax authorities. On the other hand, tax avoidance is done within the framework of tax laws and a taxpayer has no reason to worry about the possible discovery of his actions [5]. In another classification, the tax gap is classified into two components: temporary tax differences and permanent tax differences. In this research, the impact of the tax evasion component, which belongs to one of the first classes of the tax gap, on the second class components, i.e. temporary and permanent tax differences, is emphasized. Inside the company, the managers should be aware of the economic conditions, and take procedures and policies to create the most value and wealth for the company in most cases accounting policies support the interests of members of those institutions, customers and famous and distinguished people of the society instead of interests of the public. If financial advisors and managers believe that the long-term economic benefits for their clients or employers are provided by gaining a reputation through ethical and responsible behavior, they are less likely to be involved in tax evasion plans and programs because such plans and programs increase the risk of causing damage to the reputation of the business unit. On the other hand, the lack of any belief in the importance of ethics and social responsibility and accounting policies can easily lead to the justification of tax evasion, especially when faced with pressure from clients or employers to reduce taxes [1]. The company's belief in this regard is that all its actions, including accounting policies related to the payment of company taxes, affect all stakeholders, including shareholders, employees, society, the government, customers, etc. [4]. Because of the role and importance of accounting standards, which creates differences between taxpayers and tax-demanding bodies due to the differences in tax laws and accounting standards, the application of accounting policies is proposed. Accounting policies can be considered as a framework in which a company expects to work. However, the framework is somewhat flexible and the company's management team can choose specific accounting policies that are beneficial to the company's financial reporting. Accounting policies may change for short periods. In this research, we will check

that the match caused by changing the conditions of applying accounting policies and tax evasion can reduce the existing tax differences in each company. And if this is the case, it can be concluded that the mismatch in accounting policies and tax evasion leads to more and more tax differences.

2 Theoretical foundations

One of the biggest problems in Iran's tax system is tax evasion. This term refers to any activity that ultimately causes non-payment of taxes by natural and juridical persons. Hiding income or job, declaring low income, using some legal documents or notes to avoid paying taxes, making apparently benevolent actions to pay less tax than the required tax, and finally, activity in the hidden economy or the underground economy, which is basically outside the government's regulatory umbrella, are the most important ways of tax evasion. Tax evasion exists in almost all countries of the world, but its intensity and weakness are different according to the advancement of the country's tax system. According to experts, information and the mechanization of information systems are the most important challenge in to fight against tax evasion, and therefore in countries like Iran, where most of the process of identifying taxpayers, calculating and collecting taxes is done manually by tax auditors, tax evasion is also more [18].

Accounting standards are rules and guidelines that must be provided by economic units in the process of recognizing and measuring the elements of financial statements and transferring financial information to users, in order to provide a basis for measuring the quality of financial statements from the perspective of reporting and content. Although the existence of these standards may limit the quality of accountants' work due to differences in the content of economic activities and environmental conditions, using them provides many advantages such as helping to comply with the principle of uniformity within the industry and the stability of procedures in economic units, providing a set of practical rules and regulations useful for the accounting profession, ensuring the comparability of financial statements, providing clear, transparent and reliable information, providing a suitable basis for preparing financial statements for general purposes. The flow of information resulting from the application of these items at the level of the economic unit leads to the preparation of basic financial statements, the main basis of which is the accounting profit. Accountants consider accounting profit as a criterion for interpreting real-world events or economic profit, but accountants claim that accounting profit is rational and harmonious due to the underlying rules and principles and assumptions, and provides the possibility for users to make decisions. Currently, the accounting model based on historical cost is still considered the main framework of financial reporting, and the main axis of this model is the rules governing the recognition of sales revenue and the comparison of costs with sales revenue. On the other hand, the process of policymaking and formulation of accounting standards is certainly mandatory, and according to the accounting standards and rules, many costs such as depreciation costs are identified and allocated in different accounting periods, and because there is no single allocation method can be preferred over other allocation methods, it creates problems in the number of expenses allocated to different periods. In other words, these issues have caused the accounting profit to be a contractual concept that generally does not correspond to the realities of the real world and because of its contractual nature; it does not provide the possibility of any historical review and comparison.

Due to the difference in the rules related to the calculation of taxable profit and accounting profit, there has been a difference between these two amounts, and for this reason, accounting profit is converted into taxable profit with adjustments, and these differences are mainly classified under two main headings from the perspective of accounting theories [12]. The permanent difference is caused by the implementation of special regulations or privileges and restrictions that are considered for economic or political or administrative reasons and it is a reflection of the calculation of the total tax that the profit-making unit pays during its life. In accounting, there are cases that are considered in calculation of profits but not considered in tax payment due to the legal exemption based on the direct tax law. The temporary difference includes two groups of differences caused by timing and differences caused by valuation bases: the difference caused by timing is the difference in the timing of debtor and creditor items in the profit and loss statement and is usually stated under the title of "inter-period tax differences" while the difference in valuation is related to the difference in measurement bases in financial accounting and tax accounting.

3 Literature review

Today, many studies have been done in the field of taxation [17, 19]. In their study, Mirzaei and Farsadamanollahi [16] identified the factors affecting the optimal tax governance in Iran. The results of their analysis showed that transparency, accountability, political stability, efficiency and effectiveness of the government, quality of laws and regulations, rule of law and corruption control, participation, justice and impartiality, behavior ethical and professional, identifying tax risks, reducing the tax gap, reducing tax evasion, accountability, central consensus, comprehensiveness,

independence, legitimacy, improving efficiency, economic growth and social and human development have an effect on tax governance.

In their research, Karami et al. [10] investigated the innovation and creativity in separating the components of the tax gap and their impact on changes in future profits. The results show that there is a significant inverse relationship between the tax gap and changes in future profits. Also, the results confirm that the two components of temporary and permanent tax differences have a significant effect on changes in future profits so that it can be claimed that the increase in the difference between accounting and tax profit can be associated with a decrease in profit in the next year and less stability of profit. The findings of this research show that the components of the tax gap in Iran include temporary differences in addition to permanent differences, and by separating permanent and temporary differences, a more accurate taxable income can be calculated increasing the satisfaction of taxpayers while reducing the challenges of provincial taxation, tax evasion and avoidance. Therefore, it is expected that with this innovation, the efficient tax system and tax justice will increase.

In a study, Chiarini et al. [2] investigated tax evasion and financial acceleration: a corporate sector analysis for the US business cycle. In this research, they simulated a risk shock that propagates its effects in the credit channel through the financial accelerator mechanism. Their research presents a dual result that creates unavoidable consequences for business cycle analysis in addition to emphasizing the role of tax evasion as a self-financing mechanism. First, subject to risk shock, tax evasion strengthens the effects of financial acceleration and strengthens macroeconomic fluctuations to a significant extent. Second, the dynamics of endogenous tax evasion causes the reallocation of resources from production to consumption in the business cycle.

In their research, Marjit et al. [15] investigated tax evasion with tax deferment: informal litigation with the informal credit market. Companies lie against tax claims that they continuously invest in the informal sector for higher returns. There is a calculable relationship to determine the informal rate of return. In their research, they experimentally showed how tax evasion is facilitated by the informal credit market through tax reduction. In this study, they used a mock lawsuit to show that taxpayers get a higher rate than the specified penalty rate for tax evasion, while the government loses its tax revenue. They suggested the payment of part of the disputed tax amount as a solution to tax evasion.

In a research done by Waseem [23] during a six-year period in Pakistan, it was concluded that the inefficiency of the tax system in such countries causes the formation of various types of tax evasion, which seems impossible in developed countries. The final finding of the research indicates that with the increase in the profit tax rate, companies will tend to a type of corporate structure in which the possibility of tax evasion is provided more and more. Another finding of the research is that the increase in the profit tax rate can have a negative effect on the government's tax revenue from value added tax.

4 Research hypotheses

1. Matching tax policy and tax evasion is effective in reducing permanent tax differences.
2. Matching policy of inventory and tax evasion is effective in reducing the permanent tax difference.
3. Matching financing policy and tax evasion is effective in reducing permanent tax differences.
4. Matching tax policy and tax evasion is effective in reducing temporary tax differences.
5. Matching the policy of inventory and tax evasion is effective in reducing the temporary tax difference.
6. Matching the financing policy and tax evasion is effective in reducing the temporary tax difference.

5 Research methodology

The study is a correlational descriptive research and regression of mixed data was used to test the hypotheses, and it is practical in terms of purpose because it is done with the purpose of applying these results in the capital market. The geographical scope of the research is the companies admitted to the Tehran Stock Exchange and the time scope is the March 2013 to 2020 March. In this research, 149 companies were considered as a statistical sample of the systematic elimination method, and to collect the required data, the information of the financial statements and the RAHAVARD NOVIN software were used. Finally, the research hypotheses were tested using EViews software.

6 Research model

The statistical model of each research hypothesis is as follows:

$$TEMP_{i,t} = \alpha_0 + \beta_1 Taxev_{i,t} + \beta_2 AP1_{i,t} + \beta_3 Taxev * AP1_{i,t} + \beta_4 Size_{i,t} + \beta_5 Lev_{i,t} + \beta_6 ROE_{I,t} + \beta_7 Growth_{I,t} + \varepsilon_{i,t} \quad (6.1)$$

$$TEMP_{i,t} = \alpha_0 + \beta_1 Taxev_{i,t} + \beta_2 AP2_{i,t} + \beta_3 Taxev * AP2_{i,t} + \beta_4 Size_{i,t} + \beta_5 Lev_{i,t} + \beta_6 ROE_{I,t} + \beta_7 Growth_{I,t} + \varepsilon_{i,t} \quad (6.2)$$

$$TEMP_{i,t} = \alpha_0 + \beta_1 Taxev_{i,t} + \beta_2 AP3_{i,t} + \beta_3 Taxev * AP3_{i,t} + \beta_4 Size_{i,t} + \beta_5 Lev_{i,t} + \beta_6 ROE_{I,t} + \beta_7 Growth_{I,t} + \varepsilon_{i,t} \quad (6.3)$$

$$PERM_{i,t} = \alpha_0 + \beta_1 Taxev_{i,t} + \beta_2 AP1_{i,t} + \beta_3 Taxev * AP1_{i,t} + \beta_4 Size_{i,t} + \beta_5 Lev_{i,t} + \beta_6 ROE_{I,t} + \beta_7 Growth_{I,t} + \varepsilon_{i,t} \quad (6.4)$$

$$PERM_{i,t} = \alpha_0 + \beta_1 Taxev_{i,t} + \beta_2 AP2_{i,t} + \beta_3 Taxev * AP2_{i,t} + \beta_4 Size_{i,t} + \beta_5 Lev_{i,t} + \beta_6 ROE_{I,t} + \beta_7 Growth_{I,t} + \varepsilon_{i,t} \quad (6.5)$$

$$PERM_{i,t} = \alpha_0 + \beta_1 Taxev_{i,t} + \beta_2 AP3_{i,t} + \beta_3 Taxev * AP3_{i,t} + \beta_4 Size_{i,t} + \beta_5 Lev_{i,t} + \beta_6 ROE_{I,t} + \beta_7 Growth_{I,t} + \varepsilon_{i,t} \quad (6.6)$$

where:

TEMP: indicates permanent tax differences and is used as a dependent variable in the first to third models. These differences are generally caused by special privileges and regulations that are determined due to political, economic or administrative conditions (such as the exemptions of articles 132, 143 and 133 of the Iranian Civil Code). To calculate permanent differences, the difference between diagnostic tax (obtained in the tax section of financial statements) and legal tax has been used [11].

PERM: shows the temporary tax differences that are used as a dependent variable in the 4th to 6th models. Temporary differences are caused by the timing of debtor and creditor items and valuation differences [11]. Temporary differences will be calculated by subtracting permanent differences from total differences (tax gap). It is worth mentioning that the tax gap is the difference between declared tax (declared) and determined tax (diagnostic, definitive or final opinions of the Supreme Tax Council) based on the information contained in the income tax related to the explanatory notes of the basic financial statements. The priority in choosing the determined tax is the definitive tax, and if the tax is not yet determined, the diagnostic tax will be used [5].

Taxev is the independent variable called tax evasion, which is calculated by dividing the income tax paid by the cash flow of operational activities [3].

AP1: represents tax policy. It is a virtual variable that will take the value of one if the tax avoidance is higher than the industry average otherwise it is zero. Tax avoidance is obtained from the ratio of tax expense to pre-tax income of company i^{th} in year t^{th} [9].

AP2: represents the inventory policy. It is a virtual variable that will take the value of one if the product pricing policy is the FIFO method otherwise it is zero.

AP3: represents the financing policy. It is a virtual variable that will take the value of one if the financing policy is higher than the industry average otherwise it is zero. The financing policy is obtained from the ratio of profitable financial resources to total assets.

The control variables of the research are as follows:

Size: represents the size of the company, which is calculated from the natural logarithm of the total assets of company i^{th} at the end of financial year t^{th} .

Lev: represents financial leverage, which is calculated from the ratio of total debt to total assets of company i^{th} at the end of financial year t^{th} .

ROE: represents the return on equity, which is calculated from the ratio of net profit to equity at the end of the financial period of company i^{th} in year t^{th} .

Growth: represents the growth opportunity, which is calculated from the difference between the sales revenue of the current year and the previous year, divided by the previous year's sales revenue of company i^{th} in financial year t^{th} .

7 Research findings

7.1 Descriptive statistics

Table 1 indicates descriptive statistics related to the measurement of research variables.

Table 1 shows the variables of the research, which shows the descriptive parameters for each variable separately. Considering that the mean value of the TEMP variable is -0.0001 from the highest and the lowest value, the permanent tax difference in the investigated companies is proportional. The mean value of the PERM variable is equal to 0.43 and is closer to the lowest value, which indicates the low upward trend of temporary tax differences in the investigated companies, and the mean value of the Taxev variable is 0.11, which is the highest value. It is close and shows that tax evasion is high in the majority of the investigated companies. The variable Size has an average of 14.63, which is

Table 1: Descriptive statistics of variables

Variable	Abbreviation	Mean	Median	Standard deviation	Maximum	Minimum	Skewness	Kurtosis
Permanent tax disputes	TEMP	-0.0001	0.0005	0.68	1.93	-1.96	-0.24	3.45
Temporary tax differences	PERM	0.43	0.50	1.03	4.71	-1.98	-0.43	2.70
Tax evasion	Taxev	0.11	0.07	0.21	0.91	-0.97	-0.23	8.61
Size of the company	Size	14.63	14.38	1.52	20.18	11.03	0.98	4.23

close to the highest value and indicates the large amount of assets of the majority of the investigated companies. The mean of the variable Lev is 0.57, which is close to the lowest value and shows that the amount of debt compared to the company's assets, which indicates the use of various financial instruments or debt to increase the potential return rate of investment. In the majority of the investigated companies, it is a small amount. The mean value of ROE is 0.25, which is close to the highest value and indicates the profitability of the majority of the investigated companies. The mean of the Growth variable is 0.26, which is close to the lowest value, indicating the low upward trend of sales in the investigated companies.

8 Results of testing hypotheses

8.1 Estimation of the model by the mixed data method

In this research, the hypotheses related to assessment of tax differences caused by the mismatch of tax evasion and tax policies, inventory and financing have been tested with the help of a regression model based on mixed data after the initial test and the elimination of the factors that do not have a significant relationship with the tax gap. F-Leimer test is used to determine the type of estimation method (mixed or panel data method) and Hausman test is used to determine the type of model (random or fixed effects). The results of these two tests are included in Table 2.

Table 2: F-Leimer test and Hausman test

Model number corresponding to each hypothesis	F-Limer test			Hausman Test		
	Statistic	Probability Value	Model	Statistic	Probability Value	Pattern Type
1	3.29	0.00	Panel	9.32	0.23	Random Effects
2	3.42	0.00	Panel	6.52	0.47	Random Effects
3	3.52	0.00	Panel	9.07	0.24	Random Effects
4	2.26	0.00	Panel	4.32	0.74	Random Effects
5	2.32	0.00	Panel	5.95	0.54	Random Effects
6	2.28	0.00	Panel	7.87	0.34	Random Effects

8.2 The result of the testing research models

The results of the model test are presented in Table 3.

As the Table 3 shows, the probability of F statistic is significant at the error level of 5% and the assumption of linearity of the model and its significance is accepted. In the above table, the coefficients of determination show that the changes in the dependent variable can be explained by the independent and control variables included in the model. To test the non-correlation of unexpressed variances in different periods, which is one of the hypotheses of regression analysis and is called autocorrelation, the assumption is that the errors are independent from each other. If the assumption of independence of errors is rejected and errors are correlated with each other, it is not possible to use regression. Durbin-Watson's test was used to check the independence of errors. If the Durbin-Watson statistic is in the range of 1.5 to 2.5, the null hypothesis of the test (no autocorrelation between errors) is accepted, and otherwise the null hypothesis is rejected. In examining the compatibility of tax policies, inventory and financing policy and tax evasion in reducing the permanent tax gap, the results of the first to third research models show that each of the two variables of tax policy and tax evasion, policy Inventory of goods and tax evasion, financing policy and tax

evasion have matched each other and this matching has caused a negative and significant impact on the permanent tax discrepancy. Therefore, the first to third hypotheses are accepted. In examining the compatibility of tax policies, inventory and financing policy and tax evasion in the temporary reduction of taxes, the results of the fourth to sixth research models show that each of the two variables of tax policy and tax evasion, financing policy and tax evasion have matched each other and this matching has caused a negative and significant impact on the temporary tax difference. Therefore, the fourth and sixth hypotheses are accepted.

Table 3: Results of testing hypotheses

Variable	Significance level	1	2	3	4	5	6
AP1	The coefficient value	0.09			-0.13		
	Significance level	(0.01)			(0.02)		
AP2	The coefficient value		-0.03			-0.05	
	Significance level		(0.35)			(0.35)	
AP3	The coefficient value			-0.09			-0.23
	Significance level			(0.02)			(0.00)
Taxev	The coefficient value	-0.10	-0.06	0.005	0.07	0.03	-0.01
	Significance level	(0.00)	(0.00)	(0.68)	(0.07)	(0.30)	(0.00)
Taxev * AP1	The coefficient value	-0.11			-0.11		
	Significance level	(0.00)			(0.04)		
Taxev * AP2	The coefficient value		-0.06			-0.06	
	Significance level		(0.00)			(0.26)	
Taxev * AP3	The coefficient value			-0.08			-0.56
	Significance level			(0.01)			(0.01)
Size	The coefficient value	-0.03	-0.04	-0.03	0.05	0.05	0.05
	Significance level	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Lev	The coefficient value	0.92	0.90	1.005	-1.15	-1.16	-1.15
	Significance level	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
ROE	The coefficient value	-0.93	-0.89	-0.91	1.03	0.96	0.97
	Significance level	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Growth	The coefficient value	-0.03	-0.03	-0.03	0.08	0.08	0.08
	Significance level	(0.35)	(0.36)	(0.35)	(0.21)	(0.20)	(0.21)
C	The coefficient value	0.26	0.36	0.23	0.07	0.03	-0.02
	Significance level	(0.20)	(0.08)	(0.26)	(0.82)	(0.90)	(0.94)
F-Statistic	The coefficient value	55.55	52.05	53.74	27.58	26.20	25.98
	Significance level	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Adjusted Coefficient of Determination		0.46	0.46	0.45	0.46	0.45	0.44
Durbin Watson Statistic		1.53	1.52	1.53	1.58	1.57	1.56

9 Discussion and conclusion

Tax laws have not created any requirement for accountants and owners of commercial and profit-making units to prepare their financial statements in accordance with tax laws. Rather, it has created the requirement that financial statements must be prepared based on accepted accounting standards for general purposes. Another point is that, in tax audit, as one of the important examples of audit, the first priority is with tax laws and regulations, and compliance with other laws and regulations such as accounting standards and professional judgment of tax experts is in the next priorities. Therefore, with this belief, accounting theories have raised the issue of tax allocation between periods in order to resolve these differences. In fact, permanent differences only affect the amount of tax paid and generally do not require inter-period tax allocations. However, these differences do not cause controversial issues in terms of accounting theories. This is because in accounting theories, it is assumed that taxpayers adjust the accounting profit before raising temporary differences for permanent differences at the time of submitting the tax return. And to eliminate the effects caused by the temporary difference, they also use the inter-period allocation of taxes in which an account is created under the title of transfer tax to the future period to record the difference in tax figures. However, with the strict compliance of national accounting standards with the law of direct taxes, it is possible to deal with cases of temporary differences, such as different tax values and accounting profits to calculate the profit from the transfer of real estate and goodwill, or the non-observance of depreciation regulations for financial purposes in against being required for

tax purposes. Although the inter-period allocation of tax has caused a discussion among accounting experts, and its supporters support it because of the concept of confronting expenses with sales income and the concept of continuity of activity and management methods, and opponents for reasons such as lack of understanding and cost, the lack of tax and the lack of relevance and ambiguity demand the elimination of the allocation between tax rounds, the opinion of the proponents has been used in practice and accepted as a basic solution. According to the above, it is suggested to the managers of the business units should pay attention to tax policies, inventory policy and financing policy because these policies are special solutions specified in the accounting standards that the management of the business entity chooses to prepare and present financial statements. The management of the business unit must choose and apply these policies in such a way that the financial statements comply with all the requirements of the relevant accounting standards. In the absence of specific standards, management should determine policies to ensure that financial statements provide information that is relevant to the decision-making needs of users, financial condition, financial performance and it honestly expresses the financial flexibility of the business entity, reflects the economic content and not just the legal form of transactions and other events, in all important aspects. These policies include a wide range of financial, tax and reporting capabilities. Considering the exclusive privileges in dealing with tax regulations, companies generally try to limit the distribution of company resources towards the tax organization. In this regard, delaying policies or obtaining incentives, apportionment or using tax law articles are considered as a set of permitted tax avoidance policies [20].

On the other hand, since in the country accountants prepare only one type of financial statement for tax and accounting purposes and present it to all users and they inevitably make decisions based on it, therefore it is suggested that accountants prepare financial statements for tax purposes in addition to preparing financial statements for the purpose of financial reporting. Reporting for tax purposes adjusts the accounting profit according to the limitations and issues related to tax laws and finally determine the taxable profit and its tax problems are also solved by the inter-period allocation of tax, that is, the accounting profit for permanent differences is adjusted and the discussion of temporary differences is also confirmed and declared with the inter-period allocation of high tax and the official accountant or tax accountant is solely based on the tax laws that the financial statements are valid for tax purposes. Carrying out this action by accountants will have the advantage that owners of shares and businesses who are mostly not familiar with financial and tax issues will easily comply with the tax calculated by knowledgeable accountants, which will result in accepting the existing realities of tax laws and accounting standards. The reason for the missing link of these problems is "financial reporting for tax purposes" in Iran, and accountants should prepare financial statements for tax purposes in addition to preparing financial statements for financial reporting purposes.

In order to expand the results of the research, it is also suggested that in the future researches, they should investigate the adaptation of economic policies and accounting policies and examine the issue of which policies can reduce the tax differences. Since the economy of our country is a political economy and there is government intervention in carrying out the strategies and policies of the companies, it is suggested to investigate the role of political economy and political communication on the amount of tax difference.

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