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The discrepancy between accounting income and tax income and its impact on the quality of the financial statements (Applied research in the General Tax Authority)

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Abstract- The discrepancy between accounting income and tax income, due to several factors, including the dependence on the accrual basis for preparing corporate financial statements. While the cash basis is adopted in determining the taxable income, and the extent to which this discrepancy affects the quality of the financial statements. Therefore, the importance of the research lies in knowing the effect of this discrepancy on the amount of tax for the research sample company. The research problem concluded with the inconsistency between the accounting methods used when preparing the financial statements and the tax laws, which affects the quality of the financial statements. Thus it affects the amount of the tax, to prove the research problem, the research relied on the hypothesis that the discrepancy between accounting income and tax income affects the quality of the financial statements.The research aims to identify the accounting income and tax income, and the effect of the difference between the two incomes on the quality of the company's financial statements, to prove the research hypothesis, the study and analysis of the company's financial statements for the research sample for the year 2017 was relied on. The researchers reached a set of conclusions and recommendations. The most important of them is that the surplus according to the assignments statement (accounting income) appears in an amount that differs from the new surplus after adding the rejected expenses (tax income).Therefore, researchers recommend the necessity of creating a legal ground that contributes to reducing the discrepancy between the accounting and tax income, by making amendments to the applicable tax laws and instructions.

Keywords: accounting income, tax income, quality, financial statements.

I. INTRODUCTION

The quality of the financial statements is one of the most important issues that occupied the accounting thought, and reliance on the information shown by these lists is high in making a set of decisions. That relates to investment, finance and others, and the accounting information shown in the lists of high quality, but it was affected by some external and internal variables, among these variables is the variance between accounting income, which was determined by following the accounting methods and standards adopted by the company, and the tax income that is determined by following the tax rules and laws, which differ from one country to another. Based on the above, and to achieve the objectives of the research, the research is divided into five sections. The first was devoted to research methodology. While the second topic is devoted to presenting the concept of income. The third topic to present the financial statements. The fourth topic was the applied aspect of the research on the research sample company. And the fifth topic, conclusions and recommendations.

II. RESEARCH METHODOLOGY

2-1: The search problem:

The main research problem is the discrepancy between accounting income and tax income, as a result of the inconsistency between the accounting methods used when preparing the financial statements and the tax laws, which affects the quality of the financial statements. The research problem arises in the following question:
Does the discrepancy between accounting income and tax income affect the quality of the financial statements?

2-2: The importance of research:

The research derives the importance of reducing the discrepancy between accounting income and tax income. It increases the confidence of the users of the financial statements in the accounting information they contain, in order to help the company's management to make rational decisions and to enhance confidence in the accounting information provided to the tax authority.

2-3: Research objectives:

The research aims to identify the accounting income and tax income, and the effect of the difference between the two income on the quality of the company's financial statements and its effect on the amount of tax payable.

2-4: Research hypotheses:

The research is based on the basic assumption that "the discrepancy between accounting income and tax income affects the quality of the financial statements."

2-5: Research Limits:

√ Spatial boundaries: The research sample that was selected from the community of the private (industrial) sector in Iraq is the financial statements of a private joint stock company registered with the General Tax Authority.

√ Temporal boundaries: 2017 AD.

2-6: Research Methodology:

The descriptive approach will be adopted in dealing with the research problem and proving its hypotheses in the theoretical side to achieve the research objectives, and the adoption of the applied approach for analyzing the financial statements of the company in the practical aspect and through field visits to the General Authority for Taxes - Department of Senior Taxpayer, and relying on the inductive approach, by switching from the specific to the general, to circulate recommendations, and the analytical approach was used.

2-7: Information gathering sources and methods:

In order to enrich both sides of theoretical and practical research with information and the necessary data, several sources and agencies have been relied upon:

- Arabic books.
- Foreign books.
- Official books, documents and financial statements of companies. The research sample.
- Researches, letters and dissertations available in libraries, published and unpublished on the Internet.
- General Tax Authority in Iraq - Senior Taxpayer Section.

2-8: Community and Sample Research:

The private shareholding companies in the senior taxpayer section of the General Tax Authority in Iraq were selected as a community to conduct the research, and a private joint stock company from the (industrial) sector was selected as a random sample to conduct the study on its financial statements.

III. Accounting income and tax income

3-1: Initialization

Income is one of the most common expressions, what matters to us is taxable income, whether this income is achieved by a natural person or a legal person (legal entity).Income was linked to technical, economic and financial considerations. This explains the many definitions of the concept of income, and the usual measurement of income is more of a conceptual matter than a practical matter, because the income is used for various purposes, including imposing taxes on it, for distribution among shareholders, for determining the profitability of companies, for determining the efficiency of management and other purposes, (Ramadan, 2001: 129). Accordingly, the concept of income differs from an economic point of view from an accounting or tax aspect. Most tax laws avoid setting a specific income concept. Rather, it focused most of its attention on the sources of taxable income. (Nour et al. 2003: 29).

3-2: Accounting Income:

The different opinions of accountants on this issue, led to difficulty in generalizing one concept of accounting income. The accounting income is the income calculated on the basis of generally accepted accounting principles, and these principles indicate that income is measured on the basis of the achieved operations (Ramadan, 2001: 141). And that accounting did not attach much importance to the personal income of the individual, while focusing on the project income as an accounting unit. If this project was a sole proprietorship based on the imposition of the legal personality. Also, the accounting income was defined as the net profit resulting from the company's practice of a certain activity after charging the revenues with all the expenses that led to that profit. (Nour et al., 2003: 30).

Therefore, the traditional accounting income is defined as the difference between the revenues generated from operations during the accounting period and the corresponding expenses in the same period.Accounting income: The accounting authorities have issued a number of publications in accounting for income taxes that had important effects on the assets, liabilities and income of a number of companies (kieso&Weygandt, 2005: 898). As the accounting income is determined according to the assumptions and principles of accounting, while the tax income is determined through the application of the provisions and legislation stipulated in the tax laws. (Kadaoui, 2008: 25)

3-3: Income Tax:

The definition of tax income differs from one legislation to another and from one period to another according to political, economic and social considerations

Therefore, tax income is the accounting income from the perspective of tax laws

It is also known as the net income generated by the taxpayer from all revenues, whether those revenues are related to the operational production process, or it was periodic or non-recurring revenues that had nothing to do with the taxpayer's normal business minus all expenses during the financial period and in light of tax laws and instructions, (Al-Kaabi, 2008: 52). Income may be the tax base that is defined according to the theory used to measure it (Khattab, 2010: 43).It is also defined as "the accounting income viewed from the angle of tax laws" (Al-Kaabi, 2008: 50).

3-4: The position of the Iraqi tax legislation on the concept of income:

The Iraqi tax legislator did not give a specific definition of income, in order to ensure sufficient flexibility in the face of the new changes in the economic and social aspect. However, it was included in the first article, the second paragraph of the Income Tax Law No. 113 of 1982, as amended, as the net income of the taxpayer that he obtained from the following sources and shown in the second article of this law:

1. Profits from commercial or commercial businesses, industries and professions, including pledges and compensation due to non-fulfillment if it is not against a loss suffered by the taxpayer.
2. Interest, commission, cuts and profits resulting from the professional trading of stocks and bonds.
3. Agricultural land rent allowances.
4. Salaries, retirement salaries, bonuses and wages determined for work in a certain amount for a limited period, and allocations and allocations for non-employees in the state departments, public and mixed sectors, including monetary or estimated amounts, which was allocated to the taxpayer in return for his services such as housing, food and accommodation, noting what was mentioned in paragraph four of Article Sixty-one of this law.
5. Every other source is not exempt by law and is not subject to any tax in Iraq. Provided that the profit share in spite of what is mentioned in this article is not taxable income, if any company has descended, or it has the right to deduct the tax from it according to Article 15 of this law. Provided that the distributed share is taken from the limited liability companies that are not exempt under the Industrial Investment Development and Organization Law as a basis for calculating the escalation of tax rates on other inputs (Amended Income Tax Law 113 of 1982).

The Iraqi legislator did well not to give a clear and precise definition of income due to the difference in the concept of income and its ramifications, which in turn lead to a difference in interpretation as most developed countries followed this position. (Al-Zubaidi, 2008: 127-128)

The Iraqi legislator imposes income tax on the net income that the taxpayer receives after deducting the exemptions, deductions and personal allowances stipulated in the Income Tax Law up to the taxable income.

3-5: Determine the taxable income:

The accounting income that the financial statements show by following the approved accounting methods. It does not represent the tax income approved by the tax authority. Rather, it is the primary material for this authority, and there are many operations that take place on the accounting income, as it downloads what must be downloaded legally and add what needs to be added, to determine the taxable income (tax profit) to which the tax rates imposed under the legislation are applied. (Jerboa, 2007: 522).

There are two entries for determining taxable income, one of which can be adopted.The first entry is the approved entry that is applied by many countries in Europe. It was based on the basis that the accounting profit shown by the financial statements prepared according to the accounting methods is taken as a reliable basis for determining and imposing the tax after some financial treatments, or adjustments for the purpose of calculating taxable income, as for the second approach, it is the entrance to non-accreditation, and it is applied in countries that rely on traditional public law in their work, represented by the application of commercial and tax rules, as this entry does not depend on the accounting profit shown by the financial statements prepared in accordance with the accounting principles in completing the tax accounting process.Accordingly, every country has freedom in how to determine the taxable income.Either it depends mainly on the results of the financial statements or it is done by applying tax accounting rules, meaning that countries have the right to adopt any entry (approved or not approved), despite the advantages and disadvantages of both approaches. However, there are principles that cannot be ignored from the principles of tax accounting present in both entries, and the discrepancy between accounting income and tax income arises from several reasons, the most important of which are: (Al-Khurasan, 2009: 124-125).

1. The accounting systems are based on recognized accounting principles when preparing the financial statements, which differ greatly from the principles and rules used in tax accounting, meaning that there are fundamental and fundamental differences between the principles that govern accounting income and the foundations that govern tax income.
2. Items recognized for financial reporting purposes but not recognized for tax accounting purposes.
3. Items recognized for tax purposes, but not recognized for financial reporting purposes.

IV. FINANCIAL STATEMENT

That at the present time and in the light of globalization and the complexity of economic activity. It became impossible to disclose all financial information

Needed by users of financial reports in the core of the financial statements, as the financial statements are the main source of financial information needed by internal and external parties, in order to rely on the accounting information produced by those lists in making decisions. It must be characterized by a number of characteristics called qualitative characteristics of accounting information.The quality of the financial statements does not depend on the qualitative characteristics of the information, but rather on other characteristics related to the users of the information (decision makers).In this topic, we will review what the financial statements were and what are their components.

4-1: The concept of financial statements and components:

The word statement, disclosure, or list means an announcement about something that is believed to be true.The financial statements are an announcement of something that is believed to be true and true, expressed in the language of money and communicated to those interested in it (El-Jigawy, 2018: 299).

The financial statements are the means through which a brief picture of the profits and the financial position of the economic unit is transmitted to the management and the concerned parties.Financial statements are an accounting term that has a comprehensive character, in business companies for profit, he includes final accounts and other additional or complementary notes (Awad Allah, 2001: 36).The success in preparing the financial statements and their effectiveness as a tool for forecasting depends on the availability of a set of conditions, the most important of which are the following: (Matar, 2003: 250). That the actual (historical) data approved mainly for the numbers of the expected financial statements are objective and comprehensive, meaning that most of these data are accounting derived from regular accounting records and prepared in accordance with recognized accounting principles and according to objective measurement methods that are far from bias.That the assumptions on which future expectations are based are reasonable and take into account the conditions of the internal economic unit as well as the surrounding environment, whether in the present or the future.

4-2 The components of the financial statements:

International Accounting Standard No. (1) related to the presentation of financial statements has defined the complete set of financial statements, which are the following): Abu Nassar and Hamidat, 1018: 6)>

Statement of financial position
Income list
Statement of Cash Flows
List of changes in equity
Explanatory notes

As for Iraq, the financial statements of public and mixed companies are prepared according to the requirements of the unified accounting system since 1983 (Bureau of Financial Supervision, 2011: 16).

While the private companies covered by Article 6 of the Companies Law No. 21 of 1997, namely (joint stock companies, limited companies, joint ventures, and sole proprietorships). They were covered by the applications and provisions of the corporate accounting system issued according to Instructions No. (1) for the year 1998 and starting from 1/1/1999, and the financial statements include the following: (Amended Companies Law No. 21 1997: 20)

Comparative public budget
Auditor's report
Detection of comparative ongoing operations
Calculate comparative profits and losses
The attached comparative detailed statements

Report of the Board of Directors in joint stock companies, and the report of the managing director in other companies, and because the two financial position statements (the balance sheet and income) final accounts represent the backbone of the financial statements, it is preferable to give clarifications about them in order to identify them:

A. Balance sheet:

It is a statement or list that shows the financial position of the company in a certain period of time and also shows the available economic resources. The sources for obtaining these resources are called Statement of financial position. The balance sheet is also a graphic image of the company's financial position in a specific period of time (usually the end of the year (Kieso, 2002: 42)).

The right side of the financial position list is dedicated to displaying data on the project assets. The left side is concerned with presenting the liabilities in homogeneous groups. (Al-Ramahi, 2000: 225).

B. Income statement:

It is the list that shows the revenues and expenses of the project in a specific period of time, which is usually a fiscal year, the difference between them is the net income if the revenues exceed the expenses. The company has achieved profits, and if the revenues are less than the expenses, the company has made a loss (El Jigawy, 2018: 320).

4-3 Quality of financial statements:

The quality of financial statements is defined by the credibility of the financial statements and the benefit they bring to users. It should be free from distortion and misleading, and it should be prepared in light of a set of legal, supervisory and professional standards to help achieve the goal of its use.It was also known that it is the optimal range of rules and procedures that are applied in a purely regular manner that reflects the reality of the company's accounts and the relative importance of the recorded events.

Through the previous definitions, we can know the quality of the financial statements as the benefit that these statements achieve for users because they are credible, free of distortion, and that they are prepared according to a set of legal, supervisory, professional and technical standards. (Khalil, 2005: 26).

In order for this information to be quality, it must be characterized by the following features: effectiveness, efficiency, confidentiality, perfection, abundance, commitment and reliance on information (reliability, objectivity, impartiality and faithful representation of events) (Obrien 2003 p: 16).

4-4: Measures of the quality and reliability of the financial statements:
The auditor's report on the annual financial statements is the final stage of the audit process and communication tool. Through which the auditor communicates the results of his examination and evaluation of the evidence and evidence and his neutral technical opinion on the correctness of the presentation of the financial statements of the financial position at the end of the financial year and the results of business, as well as addressing a set of elements or controls for the content of the report. Similar to relying on accounting principles in preparing financial statements, commitment and consistency in applying them, as well as ensuring that the financial statements contain all essential information (Al-Sahn, 2007: 316).

We conclude from this that the financial statements are one of the primary means of communicating with the parties interested in the unit's activities, it depends to help it judge the quality, quality and reliability of this information, and determining the extent of reliance on those lists. Also, there is no single list of financial statements that can provide all the information that meets the needs of the beneficiaries, but the combined lists can provide a great deal of important information to various parties, and then the best way to enable investors to make their economic decisions.

The fourth topic

Field study

The current axis aims to identify how to address the discrepancy between accounting income and tax income in the income statement and the extent of its impact on the amount of tax, a private joint stock company registered with the General Tax Authority in Iraq was selected as a sample for the year 2017.

4-: (A) Private Joint Stock Company / Industrial Sector:

4-5-1: A Brief History of the Company:

The company was established with the issuance of the Ministry of Trade / Companies Registration Decision No. (M.S / 3315) on 3/23/1989 with a capital of (70,000,000) seventy million dinars, and its activity is the production of soft drinks, its goal is to serve and develop the industrial sector in Iraq and support the national economy in a way that leads to the growth and development of the national economy and during the course of the company its capital was increased to (10,000,000,000) billion dinars. The company is currently engaged in the production of soft drinks, and the production of mineral water has been added to the Eco-Finia brand.Since its establishment, the company has approved the numbers of final accounts according to the unified accounting system, as well as calculating the extinction according to the same controls for previous years and in accordance with the requirements of the Companies Law, the instructions of the Central Bank of Iraq, and the regulations, legislation and regulations, as well as the introduction of the principle of entitlement, and stock prices are fixed at cost or market, whichever was less.

4-5-2: The financial statements of company (A) for the year ended 31/12/2017

First: Tax rejected expenses

Below, the valuation note showed a tax amount of (6,453,404,543) dinars.
While the income statement prepared by the accountant of the company and attached to the annual report of the company showed below a tax amount of (4,729,610,513) dinars.The following is a statement of a replica of the valuation note, as in Figure (1):

Figure (1) **Guessing Note (true copy)**			
Branch Name: Senior Income Taxpayer Section			
Appraiser number: appraiser of private joint stock companies			Year 2018: Estimated
Taxpayer name: Company (A)			
Occupation and source of income:			
File number: None			Type of estimate: Reserve
Quotes			
The amount (dinars):	type of employment:	Department name:	Document number and date:
295,846,595,061	Revenue according to records + other transfer		

	revenues		
31,530,736,750	The adjusted surplus after adding the expenses rejected by the appraiser		
Calculate taxable income			
43,022,696,952	The surplus subject to income tax		
15%	tax rate		
6,453,404,543	Income tax due		
Income amount (dinars)	Allow (dinars)	Net income (dinars)	Tax amount (dinars)
43,022,696,952			6,453,404,543
Department approvals			Notify the taxpayer or his agent
Mr. Director of the Department			
For your kind review and approval of the precautionary assessment according to the surplus of the settlement statement, to which the tax-rejected expenses shown on the back of the memo are added, until the study of the financial statements is completed.			Name: Managing Director Signature: Signature Date: None
	Estimator / Signature		
	Date / None		

We note that the appraisal note above is prepared by the tax appraiser, has shown a tax amount for the fiscal year 2017 at (6,453,404,543), and after examining the difference between the tax amount prepared by the tax assessor according to the valuation memorandum and the tax amount prepared by the company's accountant according to the income statement. It was found that the tax assessor had refused a set of expenses amounting to (981,714,618) dinars.The tax appraiser was asked why he refused the expenses, replied that these expenses violate the provisions of the amended Income Tax Law No. 113 of 1982, and that these expenses lose one of the conditions for removing them from income. That was, for not completing the general conditions for downloading expenses, it has been included in the expenses as an attempt to evade by reducing the amount of tax. This indicates that there is a discrepancy between the accounting income prepared by the accountant of the company and the tax income prepared by the tax assessor.This affects the quality of the company's financial statements, which leads to not giving all the information

That meet the needs of the parties benefiting from these lists. The appraiser was also asked how the new tax amount was calculated, as replied that the taxable profit amount shown in the income statement (second stage surplus) below was relied upon for (42,040,982,334) dinars, added the expenses that were rejected by him and extracted a new surplus (43,022,696,952), on the basis of which the tax amount was calculated at the rate of 15% specified under the Iraqi Income Tax Law mentioned above, below is Table No. (1) showing how the tax was calculated by the company's accountant, which was made on the basis of the distributable surplus after deducting the expansion reserve from it.

Table No. (1)
List the allocations as of December 31, 2017

Statement	Total / Iraqi Dinars
Surplus activity under the income statement	42,040,982,334
Cross out	
Reserve for expansions	10,510,245,584
Surplus activity subject to tax allocations	31,530,736,750
	15%
Tax amount	4,729,610,513

The table was prepared by researchers depending on the financial statements of the company.

Table No. (2)
Income list

Income statement as of December 31, 2017	
Statement	2017 / Iraqi dinars
Revenue from current activity	
Revenue from current activity	295,830,283,372
Total revenues of current activity	295,830,283,372
Current activity expenses	
Salaries and wages	19,465,266,185
Commodity supplies	198,367,084,171
Service supplies	10,437,411,279
Purchasing goods for the purpose of selling	1,409,304,000
Benefits and rent of land	99,289,598
Fractures	23,567,087,194
Taxes and Fees	453,185,300
Total current expenses	253,798,627,727
Current operations surplus	42,031,655,645
Transferred and other revenues	
Transformational revenue	12,463,568
Other revenues	3,848,121
Total transfer and other revenues	16,311,689
Transfer and other expenses	
Transfer expenses	6,985,000
Total transfer and other expenses	6,985,000
Distributable surplus	42,040,982,334
The distributable surplus is distributed as follows:	
Tax amount	4,729,610,513
Extinguish the deficit	-
Mandatory reserve	1,340,056,312
Expansions Reserve	10,510,245,584
Accumulated surplus (undistributed profits)	25,461,069,925
Excess activity	42,040,982,334

The table was prepared by researchers depending on the financial statements of the company.

Table No. (3)
A statement showing how the tax amount was calculated by the appraiser.

Statement	2017 / Iraqi dinars
Revenue under the income statement (accounting income)	295,846,595,061
The surplus under the income statement	42,040,982,334
Expenses that are tax rejected by the appraiser are added	981,714,618
The new surplus after adding the rejected expenses	43,022,696,952
Tax rate	15%
Income tax payable	6,453,404,543

The table was prepared by researchers depending on the financial statements of the company.

It will be concluded that the income statement prepared by the accountant of the company above showed an accounting income of (42,040,982,334), While the accounting income prepared by the accountant of the company on the basis of the surplus in the assignments statement after deducting the expansion reserve amounting to (31,530,736,750). When calculating the tax amount based on this income, its amount will be (4,729,610,513). thus, the income statement does not give a clear picture of how the tax amount is extracted because the tax amount appearing in the income statement has been calculated according to the assignments statement.As it was found that the accountant of the company worked on deducting the expansion reserve from the distributable surplus (accounting income) before calculating the tax and not on the basis of the

second stage surplus shown in the income statement, which is (42,040,982,334), and that the tax legislator does not allow the expansion of the revenue reserves to be deducted.
While the tax income prepared by the assessor, which was prepared on the basis of the accounting income, after adding all the expenses that the tax legislator does not allow deduction from the company's realized revenue, which is (981,714,618), so that the amount of tax income becomes (43,022,696,952). When calculating the tax amount based on this income, its amount will be (6,453,404,543).
Figure No. (1) shows how the adjusted accounting income is calculated by the tax assessor after adding unacceptable tax expenses to it, as a result of violating the income tax law and not on the basis of the distributable surplus shown in the income statement, when calculating the difference between accounting income and tax income, the amount is 11,491,960,202). Table No. (4) below explains this, and this affects the quality of the financial statements, which means acceptance of the research hypothesis.

Table No. (4)
A statement showing the difference between accounting income and tax income

Statement	2017 / Iraqi dinars
Surplus under the assignments statement (accounting income)	31,530,736,750
The new surplus after adding the rejected expenses (tax income)	43,022,696,952
The difference between accounting and tax income	11,491,960,202

The table was prepared by researchers depending on the financial statements of the company.

Table No. (5)
A statement showing the difference between the tax prepared by the accountant and the tax prepared by the tax assessor

Statement	2017 / Iraqi dinars
Tax according to the assignments statement	4,729,610,513
Tax under the valuation note	6,453,404,543
The difference between the two taxes	1,723,794,030

The table was prepared by researchers depending on the financial statements of the company.
We note that Table No. (5) showed a tax difference of (1,723,794,030), it was not calculated by the company's accountant as an attempt to evade paying tax by inflating the expenses and reducing the taxable profit, and if this indicates, it indicates that there is a clear discrepancy between the two income (accounting and tax). Figure No. (2) below shows the surplus difference between the two incomes and the surplus difference between the two taxes.

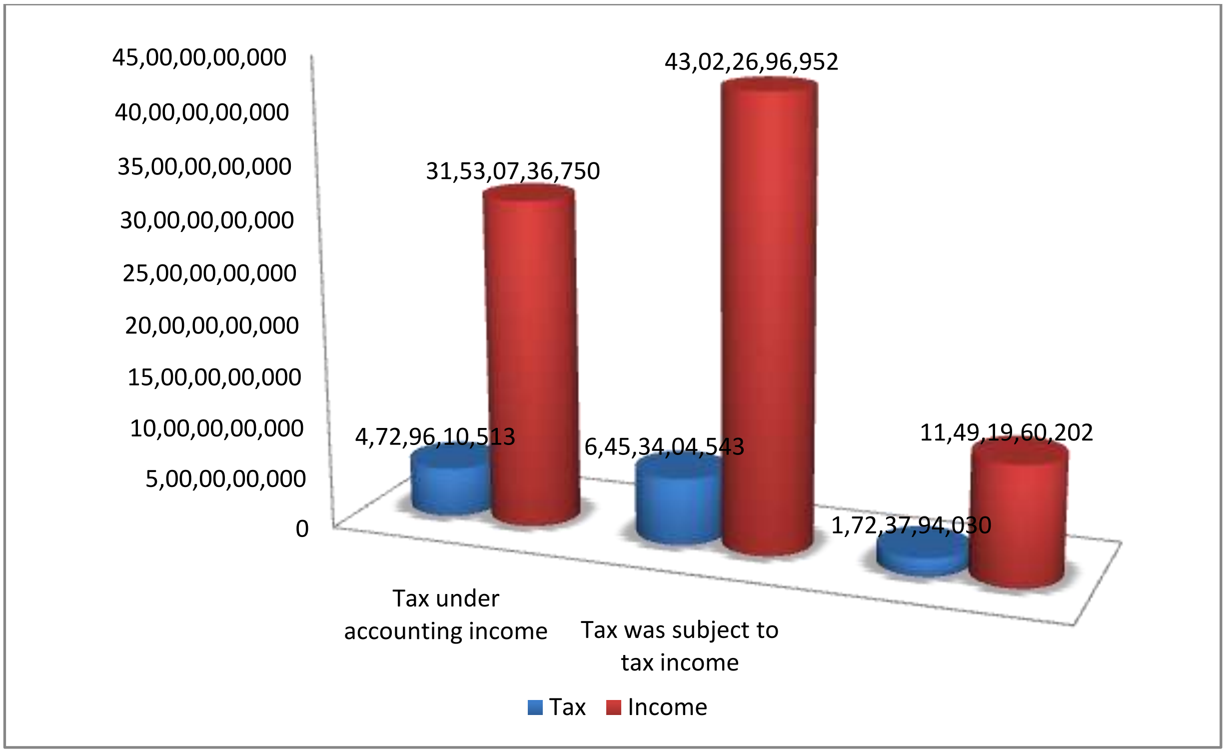

Figure No. (2) of the preparation of researchers based on Table No. (3) and Table No. (4).

Figure No. (2) shows the difference between accounting income and tax income, which is approximately 11,491,960,202 dinars, as well as the difference between the tax prepared by the accountant 4,729,610,513 dinars, and the tax prepared by the tax appraiser, amounting to 6,453,404,543 dinars. Accordingly, the main research goal is to be achieved, which is to identify the accounting income and tax income, and the effect of the difference between the two incomes on the quality of the company's financial statements.This means accepting the research hypothesis that "the discrepancy between accounting income and tax income affects the quality of the financial statements."

V. CONCLUSIONS AND RECOMMENDATIONS

5-1: Conclusions:

Through our research, we came to the most important conclusions reached by the researchers, as follows:

1. The surplus according to the statement of allocations (accounting income) amounted to 31,530,736,750 dinars, as for the new surplus after adding the rejected expenses (tax income), it reached 43,022,696,952 dinars, meaning there is a difference of 11,491,960,202 dinars.
2. The tax prepared by the accountant amounted to 4,729,610,513 dinars, and the tax prepared by the tax assessor is 6,453,404,543 dinars, meaning that there is a difference of 1,723,794,030 dinars.
3. The professional cadre of the General Tax Authority must be bound by the old tax laws and legislations that did not keep pace with the developments that affected the modern tax concept and objectives, as well as the weakness of the accounting staff of the joint-stock companies and their lack of awareness of the requirements of international standards.
4. The quality of financial statements is becoming increasingly important to their users due to the historical shift of the accounting function from a record-keeping system to an information system, with the aim of providing appropriate financial information for the purpose of making rational decisions.
5. The tax legislation, including laws, regulations and instructions, has not kept pace with the developments of modern accounting standards and systems in the field of income tax.

6. The difference between the two income (accounting and tax) has a role in increasing the company's tax revenues.

5-2: Recommendations:

In light of the conclusions reached by the researchers, they recommend the following:

1. The need to create a legal ground that contributes to reducing the disparity between accounting income and tax income by making amendments to the applicable tax laws and instructions.
2. The necessity of compatibility between the accounting system and the tax system in Iraq, to reduce the personal diligence of the tax administration and the use of scientific methods in accounting for the taxpayers.
3. Work should be done on training the cadres working in the General Tax Authority, especially in the Department of Senior Taxpayer, on how to shift from traditional work to work in accordance with international accounting standards and practices, as well as holding courses in which accountants of companies subject to the authority of the General Tax Authority participate in in order to increase their knowledge of these standards. And practices.
4. The need to emphasize the role of the auditor in enhancing the credibility of the financial statements prepared by the company. When the financial statements are not appropriate and devoid of credibility, the auditor has the responsibility to amend these statements and be free from distortion and misleading to help the users of these data in making rational decisions.
5. The need to develop tax legislation, including laws, regulations and instructions, for the purpose of showing the differences between accounting income and tax income, and conducting more studies and research in the field of income tax in order to improve the level of increasing revenues in companies.
6. The necessity to extend an invitation to the professors who work within the limits of the tax jurisdiction to benefit from their ideas and proposals aimed at developing the accounting work and to reduce the disparity between the two incomes.

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