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The Effect of Aggressive Tax Practices on Equity Financing Decisions under the Interactive Role of the Profitability Variable: An Applied Study in a Sample of Non-financial Companies Listed in the Iraq Stock Exchange

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Abstract:
The purpose of this study is to evaluate and test the relationship between aggressive tax practices and decisions to choose the appropriate financing structure in companies listed on the Iraq Stock Exchange. Aggressive tax policies of a company may have an impact on the specific considerations related to equity issuance as a financing method, and the impact of aggressive tax practices on equity financing decisions in non-financial companies listed on the Iraq Stock Exchange can be formulated as a research problem by examining the relationship between tax practices and equity financing. Both the descriptive inductive approach and the quantitative inductive approach were adopted to extrapolate the prevailing ownership concentration in the research sample companies based on the annual reports of the research sample companies, the quantitative applied approach within the framework of evaluating and analyzing the research variable represented by aggressive tax practices. Finally, the statistical inferential approach was adopted using statistical inferential analysis tools within the framework of testing and analyzing the research hypotheses and determining the results. By influencing corporate funding strategies, shareholder wealth, economic justice, and policy-making to guarantee sustainable business practices and fair tax systems, aggressive tax practices have an impact on equity financing decisions through their interaction with profitability. This study provides novel insights into corporate financial strategies and the implications of tax policy by examining the interactive role of profitability in linking aggressive tax practices to equity financing decisions. The findings indicate that the Aggressive tax practices and equity financing are not related because of different priorities, risks, and incentives.

Keywords: Aggressive Tax Practices, Financing Decisions, Profitability.

1. Introduction:

Taxes are a fundamental and viable source of revenue for governments all over the world (Yahaya & Yusuf, 2020). Tax practitioners, acting as tax consultants for corporate managers, shade tax planning activities from tax authorities to avoid detection of tax evasion (Ikechukwu & Ogbodo, 2024). Tax is a monetary deduction that is imposed by public authorities on natural and legal persons based on their taxable capacity in a final manner. It is also a corresponding consideration that is imposed on individuals and institutions by the government to cover public spending and achieve economic and social prosperity (Salih, 2021).

Taxation is regarded as crucial because it not only offers a steady and consistent flow of income that is used to fund development, but it is also entwined with numerous policy areas, including growth enhancement, economic formalization, and good governance (Agbo, 2020). One of the most crucial pillars upon which the state finances its operations is taxation. Since corporate income tax is typically a burden on the business, management typically tries to cut tax costs that have a significant impact on the business's financial situation and performance outcomes. This encourages the business to engage in risky practices, such as aggressive taxation.

The phrase "aggressive taxation" refers to the strategic financial tactics that companies employ to reduce their tax liabilities, often surpassing ethical and legal considerations (Landry et al., 2013). These strategies typically involve exploiting complex financial arrangements and legal loopholes in the tax code. They go beyond simple compliance and seek to maximize their financial gains by exploiting the ambiguity of tax laws (Kutera, 2017).

Since taxes are expensive for businesses, they have a significant impact on their bottom line. Furthermore, actions intended to lessen the tax burden are consistent with a company's ultimate objective of creating value for shareholders. As a result, there has been a greater need to comprehend what aggressive tax practices are as interest in finding ways to lessen businesses' tax burdens has grown in recent years (da Fonseca, 2019). Since they are viewed as unfair and add to the expanding global discussion on tax justice, income inequality, and corporate responsibility, such practices frequently give rise to ethical questions and public scrutiny (Jaffar et al., 2021). Therefore, creating strong and comprehensive tax policies to balance fostering economic growth with guaranteeing the fair distribution of tax burdens among stakeholders is a constant challenge for governments worldwide (Permatasari et al., 2023).

These practices are an umbrella term that covers all tax practices that seek to reduce the tax burden on them, Aggressive tax practices, however, are not universally defined by researchers. Through the abuse of the tax code, they were described as "those practices carried out by corporate management to significantly reduce tax profit from accounting profit (Mahmoud, 2023). One of the forms of aggressive tax practices is tax evasion, which is the practice of someone who is required to pay taxes attempting to avoid doing so entirely or in part by using any method that allows them to do so (Askar & Yaaqoub, 2020). In addition to the rise of multinational corporations and the expansion of e-commerce, businesses use a variety of strategies to avoid paying their taxes to the government, such as concealing some of their income or inflating expenses to lower the amount owed (Ghodbane, 2024). Tax evasion can erode tax revenues and have negative effects on the public treasury as it reduces tax revenues (Kazim & Mohamed, 2023).

The field of finance research has experienced substantial change, and numerous empirical studies have incorporated the fiscal variable. Literature within financial specialty literature addresses the relationship that addresses the relationship between taxation and accounting, taxation and the company's financing choices, and the impact of non-tax expenses on tax minimization (Alaraji et al., 2021).

The process of identifying sources of funds and utilizing them to maximize benefits is known as the financing decision. In terms of quantity, type, and source, it is the process of determining how the business acquires the money required for investments (Peprah & Ayaa, 2022). Taxes have a strong impact on the three main decisions (investment, financing and dividends) in corporate finance and thus on the creation of shareholder value (Sarmento, 2023).

The value of a business and its financing options are greatly influenced by taxes. In case a business is financed by debt, there will be tax benefits for interest payments. A dividend will be paid on the equity from the profit after taxes if the company is financed by the equity capital of its shareholders, which will result in an income tax obligation. Thus, minimizing taxes on earned income usually follows from how taxes impact financing decisions (Sebastian & Gnanakumar, 2021). However, it is believed that firm value can also be impacted by profitability. The ability of a business to turn a profit is known as profitability, and the Return on Assets (ROA) can be used to calculate the profitability ratio (Linantis et al., 2021). A crucial metric for assessing a company's quality is profitability. By doing this, businesses can determine how much they can make in sales or profits and, consequently, how well they are using their current resources (Nabilah & Kuntadi, 2023). Another popular approach is profitability, which includes return on assets (ROA). This approach is used to display the outcomes of the quantity of assets utilized by the business. This approach provides a gauge of how well management is handling its investments. It can be argued that the company's performance is becoming less favorable regardless of whether the return on assets method is rising or falling. If the return on assets rises or appears high, it is a sign that the company's capital management is getting better (Hermawan et al., 2021).

To guarantee the best possible mix of owned and borrowed sources of funding, financing decisions are based on the cost and availability of funds. Given the high levels of risk that lenders and investors face, environmental uncertainty has a significant impact on financing costs. Because lenders frequently demand higher interest rates to compensate for risks, including the company's tax practices to minimize tax liabilities and maximize shareholder wealth, the high level of economic instability in the local environment, in particular, can contribute to a high cost of financing. Improved corporate credit ratings and, in turn, reduced financing costs can result from transparent tax practices, which also boost stakeholder confidence. Businesses with a concentrated ownership structure might be less influenced by outside forces when it comes to choosing a financing source, reacting to market signals, or making financing decisions. Results show that the Aggressive tax practices and equity financing are not related because of different priorities, risks, and incentives. The following query can be used to articulate the research problem:

Do aggressive tax practices impact financing decisions using equity instruments in non-financial companies listed on the Iraq Stock Exchange?

The study is significant because it adds to the body of knowledge on corporate finance and taxation, clarifies the effects of aggressive taxation on a company's financial structure and financial health, and offers a more thorough understanding of the interplay between these domains.

2. Literature Review and Hypothesis Development:

The effect of corporate tax evasion on the cost of equity was investigated by (Goh et al., 2016). It sought to confirm the relationship between the cost of corporate equity and broadly defined tax avoidance strategies, such as less aggressive tax planning techniques. According to the findings, corporate tax avoidance and the cost of equity are positively correlated. This correlation is greater for businesses with superior external monitoring, those that stand to gain more marginally from tax savings, and businesses with higher-quality information.

In order to quantify the effect of state ownership and control as opposed to investors and founders on the aggressive tax practices of Chinese listed companies (Ying et al., 2017). The financial reports of the sample companies served as the basis for the applied approach. According to the study's findings, tax aggressiveness is positively correlated with state ownership and control of those businesses but negatively correlated with the influence of investors and founders.

In a study by (Kusbandiyah & Norwani, 2018) on the impact of ownership structure and company size on aggressive tax avoidance in industrial companies listed on the Indonesia Stock Exchange, the authors sought to determine how these factors affected aggressive tax evasion in consumer goods manufacturing companies listed on the Indonesia Stock Exchange between 2010 and 2014. The study's findings showed that family ownership and company size had no detrimental effects on tax evasion. While tax evasion is positively impacted by foreign ownership.

In another study conducted by (Nassar & Naiseh, 2020), an applied study on Syrian joint-stock companies listed on the Damascus Securities Exchange examined the influence of ownership structure on the practice of earnings management. The goal of the study was to demonstrate how ownership structure affects earnings management practices in these companies. The study hypothesis based on the financial statements and reports of the research sample companies were tested using an experimental approach. It was determined that 63% of Syrian joint-stock companies listed on the Damascus Securities Exchange engage in earnings management and that the degree of ownership concentration and management ownership had no bearing on the practice.

A quantitative approach and content analysis of the financial statements of non-financial companies for (300) British companies and (200) French companies were used in a study by (Salhi et al., 2020) that examined the relationship between corporate governance and tax avoidance as well as the mediating role of social responsibility. The findings showed that the relationship between corporate governance and tax evasion in British companies is fully mediated by corporate social responsibility. Regarding French businesses, the connection between corporate governance and tax evasion is partially influenced by corporate social responsibility.

The purpose study of (Apriyanti & Arifin, 2021) is to investigate how tax aggressiveness is impacted by capital intensity, inventory intensity, corporate social responsibility, and sound corporate governance, Purposive sampling was used to gather 177 samples from 59 companies over the course of three years of observation. A multiple linear regression analysis was then performed on the samples. The findings indicate that businesses with high capital intensity are typically more aggressive in their tax practices.

The goal of (Jin, 2021) study on corporate aggressive tax practices and capital structure decisions was to ascertain how these practices affected capital structure choices. The study came to the conclusion that government ownership contributes to the strengthening of the relationship between aggressive tax practices by corporations and their use of debt for financing, as demonstrated by the choice of its capital structure and tax plan.

According to the study's findings (Adefunke & Usiomon, 2022), a corporate income tax significantly and favorably affects shareholders' earnings, while the tax has a positive and significant effect on profit after tax (PAT) and return on equity (ROE). Based on the research analysis's conclusions, the study suggested that Nigeria's fiscal policy should consider the circumstances surrounding the operations of domestic businesses as well as their unique contribution to the country's efforts to achieve economic growth. Fiscal policy should include tax incentives and beneficial tax reforms that can lower the tax burden and liability of Nigerian companies in order to support and maintain their operations.

The relationship between aggressive tax planning (TP) and earnings management (EM) in European listed companies is first examined in a study by (Assidi et al., 2022), which then compares this relationship across political systems. The findings indicate a significant positive relationship between aggressive tax and EM, with firms that frequently employ EM practices having lower effective tax rates (ETRs). Compared to parliamentary or quasi-parliamentary systems, this relationship is more noticeable in nations with presidential systems.

in a study on the impact of capital structure and aggressive taxation on business performance, (Sihono, 2023) aimed to understand how capital structure, political connections, and aggressive tax practices impact firm performance, the study examined the moderating role of political connections. as well as whether political ties lessen the negative effects of aggressive taxation on business performance. It was discovered that while capital structure has a negative effect on firm performance, aggressive taxation and political connections have a positive effect.

Study by (Gitonga, 2023) looks at the connection between income tax and profitability, with a focus on how corporate tax, pay-as-you-earn (PAYE), and withholding tax affect businesses. In order to demonstrate the intricate connection between profitability and income tax, this review looks at empirical research from Nigeria, Kenya, and Romania. It looks at how a company's financial performance is impacted by corporate tax rates, employee income taxes, and other tax-related factors. The study concludes that, in the context of Kenya's star-rated hotels, there is a complex negative relationship between income tax and profitability when corporate tax, income-based income tax, and their implications are taken into consideration. Purposive sampling was employed in a study by (Firdaus & Maryanti, 2024) that selected multiple criteria in order to examine the relationship between earnings management, tax planning, profitability, and good governance. IBM SPSS version 26 with multiple linear regression analysis, or MRA, is used in this study. The findings demonstrated that while profitability has a negative impact on earnings management, tax planning has no effect on it.

Based on the above, the research hypothesis is: There is a statistically significant relationship and impact of aggressive tax practices on the financing decisions of equity instruments of companies listed in the Iraq Stock Exchange.

3. Methodology:

The descriptive inductive approach was adopted within the theoretical aspect with the aim of describing the nature and concepts of the research variables and analyzing the relationship between them; relying on previous studies, books and various publications related to the research topic. The practical aspect relied on both the quantitative inductive approach with the aim of extrapolating the prevailing ownership concentration in the research sample companies based on the annual reports of the research sample companies, and the quantitative applied approach within the framework of evaluating and analysing the research variable represented by aggressive tax practices. Finally, the statistical inferential approach was adopted using statistical inferential analysis tools within the framework of testing and analysing the research hypotheses and determining the results.

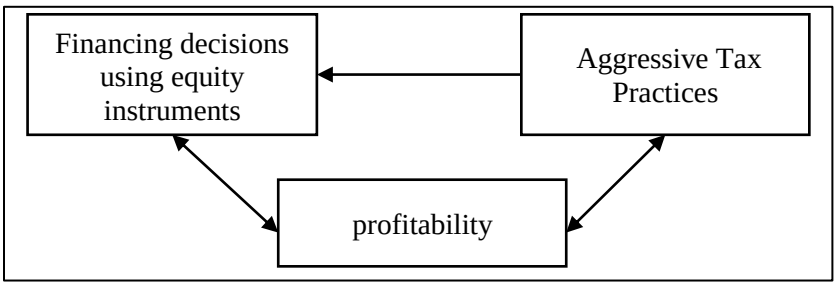

Figure 1: Hypothetical diagram of the research

In order to assess the level of probability of non-financial companies listed on the Iraq Stock Exchange, the research sample, practicing aggressive tax practices for the period from 2013 to 2022, the (Shelter) model prepared by (Wilson, 2009) and developed by (Kim et al., 2011) was used to measure the probability of companies engaging in aggressive tax practices according to the following equation:

$$\boldsymbol{shelter = -4.86 + 5.20 \times BTD_{it} - 1.41 \times LEV_{it} + 0.76 \times SIZE_{it} + 3.51 \times ROA_{it} + 1.72 \times F - INC_{it} + 2.43 \times R\&D_{it}} \dots (\mathbf{1})$$

Where:
BTD: Difference between accounting profit and tax profit
LEV: Financial leverage
SIZE: Size of the company
ROA: Return on assets
FINC: Income from foreign sources
R&D: Research and development expenses
In order to apply the equation, the initial data necessary for the model variables were prepared.
Financing decisions using equity instruments were evaluated by measuring the cost of the source of financing for the research sample companies, which are non-financial companies listed on the Iraq Stock Exchange for the period from 2013 to 2022. The Gordon equation was adopted to calculate the cost of financing with common shares. To apply the equation, the necessary initial data was first prepared, where the expected profit share for the coming year was first calculated, as shown in the following equation:

$$\boldsymbol{D_1 = D_0 \times (1 + g)} \dots (\mathbf{2})$$

Where:
D1: Expected dividend for the next year
D0: Cash dividend for the current year
g: Net profit growth rate
After calculating the expected dividend for the next year, the cost of financing with common stocks is calculated using the following main equation:

$$\boldsymbol{K_E = \left(\frac{D_1}{P_0}\right) + g} \dots (\mathbf{3})$$

Where:
KE: Common Equity Financing Cost
P0: Current Market Price of the Share
The profitability ratios of the research sample companies for the period from 2013 to 2022 were measured by calculating the return on assets (ROA) rate according to the following equation:

$$\boldsymbol{ROA = \frac{Net\ income}{Total\ assets}} \dots (\mathbf{4})$$

In order to test and analyze the relationship between aggressive tax practices and financing decisions in property rights instruments and to test the hypotheses, the following mathematical model was used:

$$\boldsymbol{FD = \alpha 0 + \alpha 1\, STP + \alpha 2\, (E * STP) + e} \dots (\mathbf{5})$$

Where:
α1 represents the degree of impact of aggressive tax practices in the absence of the effect of the company's profitability. α2 represents the response of financing decisions to aggressive tax practices in light of the interactive effect of the control variable, company profitability.
FD is the dependent variable, financing decisions
E is the company's profitability
STP is the predicted value of the probability of the company engaging in aggressive tax practices

4. Results:

Using the model presented in Equation (1), the variable of aggressive tax practices was assessed and examined to determine the likelihood that the research sample companies engaged in aggressive tax practices. The outcomes are displayed in Table 1 below:

Table 1: Values of the probability of aggressive tax practices for the research sample companies

possibility of aggressive tax practices										
Co. Name	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
TASC	5.35	5.01	4.74	4.70	4.76	4.86	4.84	4.86	4.96	4.89
AIRP	2.55	2.65	2.71	2.40	2.53	1.74	2.55	2.50	2.56	2.66
AIPM	2.87	2.78	2.82	2.75	2.90	2.88	2.95	2.80	3.11	2.94
HTVM	2.05	2.06	0.91	(0.84)	(0.40)	0.92	2.67	0.76	0.42	0.48
IMOS	2.78	2.38	2.82	2.36	2.84	2.94	2.73	2.71	2.61	3.23
SNUC	2.34	2.40	2.19	2.19	2.19	2.31	2.26	1.92	2.31	2.32
IMAP	2.84	2.91	2.96	2.67	2.78	2.78	0.17	2.10	2.53	2.75
IRMC	2.37	1.37	1.90	2.25	2.51	2.56	2.77	2.72	2.22	2.57
AMEF	2.36	2.48	2.44	2.33	2.30	1.46	2.38	1.27	1.96	2.18
IBSD	4.31	4.26	4.36	4.46	4.47	4.53	4.46	4.73	4.54	4.55

The reason for this is that it depends on many variables, which are unlikely to remain the same for all years. It is also noted that there is a gap between the shelter ratios of each of the two companies, Asia Cell (TASC) (5.35 - 4.70) and Baghdad Soft Drinks (IBSD) (4.73 - 4.26) compared to the rest of the research sample companies, which ranged between (3.23 - 0.84-). The reason is due to the large size of the two companies' assets, which ranged between (12.56) and (11.28), while the size of the assets of the other eight companies ranged between (10.23) and (9.02), in addition to the research and development expenses of each of the two companies, Asia Cell and Baghdad Soft Drinks, which are considered relatively large compared to the research sample companies. It is also noted that the long-term debt financing of Asia Cell (TASC) has increased the probability of its involvement in aggressive tax practices.

The Iraqi Company for the Production and Marketing of Agricultural Crops (AIRP) had a moderate probability of aggressive tax practices for the research years except for the year 2018, in which it decreased to (1.74), due to the high negative value of the difference between accounting profit and tax profit for that year. As for the Iraqi Company for the Production and Marketing of Meat and Field Crops (AIPM), the probability of practicing aggressive taxation was higher than that of (AIRP), as it reached (3.11) in 2021, which was due to the sudden increase in the company's return on assets compared to the previous year. It is also noted that there is a negative probability of practicing aggressive taxation at the Tourist City Company in Mosul Dam (HTVM) for the years 2016 and 2017, as it has incurred losses for several consecutive years, while the Modern Sewing Company (IMOS) had a moderate probability of engaging in aggressive taxation except for the year 2022, which increased by (0.62) compared to its previous year. This is due to the increase in the company's return on assets compared to the previous year.

As for Al-Nukhba General Contracting and Real Estate Investment Company (SNUC), it had a fluctuating probability between the research years, due to the negative and positive values in the difference between accounting profit and tax profit, but it can be inferred that the large decrease in probability that occurred in 2020 was due to both the decrease in the company's return on assets and the absence of a difference between accounting and tax profit. Al-Mansour Pharmaceutical Industries, Medical Supplies, Cosmetics and Sterile Water Company (IMAP) had the smallest positive probability among the research sample companies, amounting to (0.17) for the year 2019, which is considered very small, although that year had the highest return on assets among the company's research years, due to the very high negative value of the difference between accounting and tax profit, while both the Ready-Made Garments and General Trading

Company (IRMC) and the Middle East Fish Marketing Company (AMEF) had a fluctuating and close probability across the research years.

The equation was applied to calculate the cost of financing with common shares, the results of which were as shown in the following Table (2):

Table 2: The cost of financing with common shares for the research sample companies

Years										
Co. Name	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
TASC	0	0	0	0	0.3	3.35	0.16	0	0.54	0.05
AIRP	0.05	0	0.64	0	29.18	0	0.4	0	38.81	0
AIPM	0	0	0	0.89	0	1.96	1.93	0.04	0	0
HTVM	0	0	0	1.56	0	0	6.58	0	0	0
IMOS	37.54	0.2	1.34	0	1.9	0.39	0	0	0	3.89
SNUC	0	1.18	0	0	0	0	0	0	0	0.34
IMAP	0	0.43	0.28	0	0	0	25	0	0.35	1.08
IRMC	0	0	0	0	19.78	0	0.23	0	0.76	0
AMEF	0	0.44	0	0	0	0	0	0	0	0.51
IBSD	0.23	0	0.22	0.26	0.11	0.17	0.17	0.2	0	0

It is clear from Table (2) above that more than half of the observations of financing costs for the research sample companies and for the researched period were zero, and the reason for this is due to the negative growth rates that had the greatest impact in extracting those costs. It is also clear that Asia Cell Company (TASC) had zero financing costs for four consecutive years starting from 2013 to 2017. Despite the non-distribution of profits in the Mosul Dam Tourism City Company, the financing cost was not zero for all years but rather was (1.56) in 2016 and (6.58) in 2019. It is also noted that the Iraqi Company for the Production and Marketing of Meat and Field Crops (AIPM) had financed at the highest cost for the year 2021, amounting to (38.81) dinars, followed by the Modern Sewing Company (IMOS) for the year 2013, amounting to (37.54), while Al-Mansour Company for Pharmaceutical Industries, Medical Supplies, Cosmetics and Sterile Water (IMAP) had the highest cost of financing with common stocks in 2019 at (25) Iraqi dinars, due to the high growth rate of net profit for that year. As for the Ready-Made Garments and General Trading Company (IRMC), it had a financing cost similar to the growth rate, which reinforces the researcher's opinion about the impact of the growth rate on the financing cost. Finally, both the Middle East Fish Production and Marketing Company (AMEF) and the Baghdad Soft Drinks Company (IBSD) had financing costs that did not exceed one dinar throughout the research years. The ROA calculation formula was applied and the results were as shown in the table (3) below:

Table 3: Profitability ratios of the research sample companies

Co. Name	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
TASC	0.33	0.21	0.06	0.04	0.06	0.14	0.14	0.15	0.23	0.19
AIRP	0.15	0.10	0.08	0.02	0.06	-0.07	0.05	0.05	0.09	0.32
AIPM	0.05	0.02	0.03	0.002	0.06	0.05	0.07	0.003	0.11	0.04
HTVM	0.01	0.003	-0.35	-0.88	-0.74	-0.32	0.15	-0.27	0.12	0.11
IMOS	0.12	0.11	0.14	0.10	0.23	0.24	0.15	0.13	0.06	0.24
SNUC	0.01	0.02	-0.01	-0.01	-0.01	0.002	-0.01	0.005	0.002	0.003
IMAP	0.04	0.05	0.06	0.003	0.02	0.01	-0.36	0.05	-0.04	-0.05
IRMC	0.003	-0.07	-0.07	0.003	0.07	0.09	0.08	0.04	0.08	0.03
AMEF	0.07	0.10	0.08	0.04	0.03	-0.13	0.06	-0.08	0.4	0.06
IBSD	0.12	0.10	0.12	0.14	0.12	0.13	0.14	0.14	0.11	0.11

It is clear from Table (3) above that there is a general increase in the profitability ratios of both Asia Cell (TASC) and Baghdad Soft Drinks (IBSD) as a result of achieving high incomes. The highest profitability ratio was for the Iraqi Company for the Production and Marketing of Agricultural Products (AIPM) (0.15) in 2013, which is the highest ratio for that company until 2022, as it achieved a return rate of (0.23). While the Iraqi Company for the Production and Marketing of Meat and Field Products (AIRP) achieved varying rates ranging between (0.11) and (0.03), the reason for this is the significant decrease due to investors not paying rent for some of the lands owned by the company and the termination of some of the contracts concluded, while the Mosul Dam Tourism City Company (HTVM) suffered from negative profitability rates for five years, the reason for which was the security situation that occurred from 2014 to 2018, and the company was not able to begin to recover until it fell into another pitfall in 2020 due to the Corona pandemic, while the Modern Sewing Company (IMOS) had varying and unstable rates that rose and fell several times and clearly during the research years, the reason for this is the lack of stability in net income levels, while the researcher noticed a significant decrease in the profitability rates of Al-Nukhba General Contracting and Real Estate Investments Company (SNUC), which reached negative rates for half of the research years, the reason for which was the losses incurred by the company during those years, while Al-Mansour Pharmaceutical Industries Company had slightly better profitability rates than its predecessor, as it had three Only negative years, which reached its maximum in 2019 at a rate of (-0.36), which is considered very low and the second lowest rate among the research sample companies, while both the Ready-Made Garments and General Trading Company (IRMC) and the Middle East Fish Production and Marketing Company (AMEF) had similar results between the two companies in terms of fluctuation and instability across the researched years.

The correlation was analyzed using Pearson's coefficient between the variables of the estimated model and the results were as shown in the following table (4):

Table 4: Results of the correlation coefficient between aggressive tax practices and financing decisions

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	0.117	0.014	0.007	6.7930

The results shown in Table (4) above show that the value of the correlation coefficient between the model variables reached (0.117), which indicates a very weak level of relationship between the predictive results according to the estimated regression equation and the actual values of the variable (equity financing decisions). The aggressive tax practices variable explains the changes that occur in equity financing decisions by (0.7%), which is a very small percentage. The researcher believes that aggressive tax practices can involve financial penalties, legal risks, and reputational damage, so companies that focus on equity financing avoid engaging in aggressive tax practices to maintain credibility and compliance with standards, which leads to the absence of a direct relationship between the two. The amount of the prediction error reached (6.7930), as this result indicates the high level of error of the estimated model in predicting the values of the dependent variable.

The results are shown in Table (5) Analysis of variance between the variables of the estimated model using SPSS-based statistical analysis:

Table 5: Results of the analysis of variance for the regression equation of tax practices on financing decisions

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	61.825	2	30.913	.670	.514b
	Residual	4476.085	97	46.145		
	Total	4537.911	99			
a. Dependent Variable: FD						
b. Predictors: (Constant), STP, E.STP						

The results of the analysis of variance shown in table (5) above show that the calculated F value reached (0.670) at a significance level greater than (5%), which is smaller than the tabular value (3.09). This result is explained by the fact that the regression model is not significant and the estimated model is not valid in measuring the effect of the independent variables on the dependent variable and predicting the values of the dependent variable.
able (6) shows the statistical outputs of estimating the multiple linear regression equation using SPSS-based statistical analysis results.

Table 6: Coefficients of the regression equation of aggressive tax practices on equity financing decisions

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	Constant	3.750	1.847		2.030	.045		
	STP	-.866	.748	-.153	-1.157	.250	.584	1.713
	E.STP	1.971	2.716	.096	0.726	.470	.584	1.713
a. Dependent Variable: FD								

The results of Table (6) indicate that the impact of the variable of aggressive tax practices on equity financing decisions is not significant. The value of the direct impact coefficient of the variable (aggressive tax practices: STP) amounted to (-0.866) on equity financing decisions, but this impact is not significant and statistically insignificant. The value of (T-TEST) at a significance level greater than (5%) was (-1.157), which is smaller than the tabular value. It also recorded a significance level of (0.250), which is greater than (5%), which indicates the insignificance of the direct impact parameter of tax practices on equity financing decisions.
The results also indicate that there is no statistically significant effect of the control variable (company profitability) in increasing the impact of aggressive tax practices on financing decisions with equity instruments, as the direct effect coefficient amounted to (1.971). This effect explains the amount of the relative increase in financing decisions with equity instruments in the case of the increase caused by the variable of aggressive tax practices in the presence of the control variable of company profitability.

The value of (T-TEST) was recorded at a significant level greater than (5%), amounting to (0.726). This value indicates the insignificance of the direct effect parameter of tax practices in the presence of company profitability in financing decisions with equity instruments. The significance level was also recorded at (.4700), which is greater than (5%).

Finally, Table (6) shows the values of the variance inflation factors (VIF) and the permissible variance coefficients, which show that there is no problem of multicollinearity between the independent variables, as the inflation factors were less than (10) and the tolerance factor values were greater than (5%).

5. Conclusion:

According to the results obtained, the main hypothesis was rejected, and the null hypothesis was accepted. This confirms that there is no statistically significant effect of aggressive tax practices on equity financing decisions in the presence of the control variable of the company's profitability. The lack of a relationship between aggressive tax practices and equity financing can be attributed to the different priorities, risks and incentives associated with these activities. While aggressive tax practices focus on minimizing tax liabilities, equity financing focuses on long-term growth, investor confidence and regulatory compliance. Companies seeking to attract equity investors are often more transparent and risk-averse, which may lead them to avoid aggressive tax strategies that may jeopardize their reputation or financial position.

The results also showed that there is no absolute bias towards condemning corporate tax practices if they do not violate tax laws, as these practices provide financial savings that can be reinvested or used to maintain financial stability. However, if these practices exceed the limits of the tax law, they are harmful practices that must be addressed.

Investor confidence and public perception of the company also greatly affect financing costs, as companies with transparent and stable corporate practices tend to have higher investor confidence, which allows them to access capital markets more easily and at lower costs, compared to companies that are perceived as more volatile or engage in risky practices, which may face higher capital costs due to perceived risks.

Aggressive tax practices and equity financing are not related due to different priorities, risks and incentives. While aggressive tax strategies aim to reduce tax liabilities, equity financing focuses on long-term growth, investor confidence and compliance with regulatory standards.

Authors Declaration:

Conflicts of Interest: None

-We Hereby Confirm That All The Figures and Tables In The Manuscript Are Mine and Ours. Besides, The Figures and Images, which are Not Mine, Have Been Permitted Republication and Attached to The Manuscript.

- Ethical Clearance: The Research Was Approved by The Local Ethical Committee in The University.

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