



**Does Political Connection, Executive Characters, & Audit
Quality effect on tax avoidance. (Relate to Pakistan)**

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Abstract:

I look into Pakistani system how difficult, as well as Social and Economic consideration, play an important role in tax avoidance. The government disclosing the income tax paid by any taxpayer including political parties, audit quality assurance and executive character because of this government process everyone does not want to show their income. But now with awareness of government on tax benefits for everyone we discovered that audit accuracy, executive character, and top taxpayers' social recognition (political connections) all contributed to a significant rise in income taxes.

Introduction:

Tax revenues are a major contributor to the country spending power for the governance system to operate smoothly, a fair proportion of tax income to Gross Domestic Product (GDP) ratio is needed. It is claimed that a nation must raise more than 15% of its GDP in taxes. All across Pakistan, this range was calculated to be less than 15%. (Hassan, 05 Apr 2021).

Enlightenment is the state of being enlightened. Apart from the supervision of Public Officials on financial institutions, Pakistani law does not completely cover the position of executives and commissions in politics. This suggests that political connections may play a role in tax evasion. According to political relations have an influence on tax evasion, and regular corporations use their political connections to suppress taxable income by bribery and softer regulation (Amalia, 2019).

Literature Review:

Using inflation and venture capital as dependent variables, we want to see how governance affects tax income in Pakistan. It demonstrates that, in the long and short term, government peace, law and order, and internal and external tensions have a meaningful and substantial effect on tax revenue. It has been concluded that political relations, executive character, and audit efficiency are all important factors in the tax revenue in Pakistan. In addition, manufacturing value-added and inflation have a favorable impact on tax revenue. Based on these findings, it is suggested that the government make serious

efforts to strengthen governance in order to increase tax revenue collection. (Hassan, 05 Apr 2021)

Importance Of research:

The main aim and significance of a national tax scheme is to raise taxes to fund all levels of government spending. Since government spending grows at least as much as the economy, taxes, as the primary source of income, should also rise at the same pace. As a result, government links, executive efficiency, and audit quality are the most significant factors in increasing the country's income tax revenue. (Cox, 2021).

Problem Statement:

The biggest problem gap is that lots of political connection, audit quality, Executive characters think that tax avoidance is unethical, because if they pay the tax government did not give them any benefit that can engage them to pay the tax (Kassa, 16 february 2021).

Significance:

The major influence of executive character has little bearing on tax evasion. It meant that people with a political connection are the ones who are willing to take chances and who cannot be seen as a benchmark in making any of the decisions or choices that are specifically connected to government. This conclusion is reinforced by the stewardship principle, which views the executive as an official who can be expected to carry out all duties in accordance with the government's laws, including paying taxes.

The first form of confidence that the government bestows on the steward, the corporation, is through the self-assessment calculation of tax expenses. But one thing is certain: there is a logic of confidence, and stewards go to great lengths to discourage opportunistic conduct, i. e. lowering tax expenses (Amalia, 2019).

Knowledge gap:

When an individual or corporation lawfully uses the tax system to limit tax liability, this is known as evasion. The biggest awareness gap is determining what is ethically right and wrong for all (Callister, 09 Apr 2021).

Objective:

The main objective to ensure everyone to pay tax that will boost the Pakistan's GDP and Pakistan's economy (Callister, 09 Apr 2021).

Hypothesis Development:

Effect of Political Connection on Tax Avoidance Practice:

The three main political parties in Pakistan, Pakistan Tehreek-i-Insaf (PTI), Pakistan Muslim League (Nawaz) PML(N), and Pakistan People's Party (PPP), are not included in the Active Taxpayers List (ATL) of the Federal Board of Revenue (FBR). Surprisingly, political parties have not filed income tax returns, despite the fact that it is their legitimate duty and the Constitution's command of the Islamic Republic of Pakistan. According to Article 17(3) of the Constitution, every political party must account for the source of its money in accordance with the law. Pakistan is a Muslim-majority country administrators and political parties openly defy the Constitution and the legislation enacted under it (Haqq, March 2021).

Effect of Executive Character on Tax Avoidance Practice:

Second, prior research has found a connection between long-term tax evasion and business size. Larger corporations have a stronger ability to sway the democratic agenda in their favor than smaller corporations. Big firms, in particular, may use their wealth and leverage to negotiate their tax burden or manipulate laws in their favor (for example, we examine whether business size is synonymous with tax evasion by lobbying activities. The natural logarithm of total assets is used to quantify size. Third, businesses with better operating results have a greater taxable profit and, as a result, pay a higher profit tax. We expect them to be more motivated to reduce their tax obligations as a

result of these factors, and therefore more susceptible to tax avoidance (Mocanu, 08 Jan 2021).

Effect of Audit Quality on Tax Avoidance Practice:

Random audits conducted by the National Research Program (NRP) are the primary data base for determining the scope and type of individual tax avoidance in the United States. Based on information from the Form 1040 plans, third-party information analyses, the taxpayer's own documents, and risk controls, NRP auditors evaluate compliance through the full individual tax return the Form 1040 by matching all of this information to information on the general filing community.

These audits are routine audit practices used by the IRS's Small Business and Self-Employed operating division for audits of individual taxpayers. Person audits completed by auditors in the Large Business and International division are not included in our operational audit results (Guyton, March 2021).

Conclusion:

Pakistan's government can enhance governance by reducing internal and external tensions, strengthening law and order, and maintaining political peace. Surprisingly, the external crisis has had the most effect. As a result, Pakistan's government should look for ways to strengthen its relationship with political ties, executive character, and audit quality management. Furthermore, the findings say that the government should priorities strengthening law and order standards by overhauling the regulatory framework and ensuring its enforcement, which will help increase tax revenue in the long run. Finally, and perhaps most critically, the findings also imply the significance of political ties, executive character, and audit efficiency controllers, as improved public administration improves governance consistency. (Hassan, 05 Apr 2021)

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