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## Impact of Taxation on the Profits of Food and Beverage Companies in Erbil by Applying logistic regression

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**Abstract:** This study investigates the impact of taxation on the profitability of food and beverage companies in Erbil city, with the main objective of analyzing how tax policies affect business growth, operational strategies, and competitiveness. The research problem arises from the burden of high tax rates, lack of transparency, and limited incentives, which collectively reduce profit margins and hinder sustainability, especially for small and medium-sized enterprises. The community of the study consisted of food and beverage firms operating in Erbil, from which a sample of 49 companies was selected through random sampling. Data were developed and collected using a structured questionnaire containing 31 items measured on a five-point Likert scale, covering demographic information, tax perceptions, and profitability impacts. The study identified multiple dimensions, including fairness of application, sustainability support, profit margin changes, competitiveness, transparency, and incentive needs. The area of work was confined to Erbil city, the capital of the Kurdistan Region of Iraq. Statistical methodology involved reliability analysis, descriptive statistics, Chi-square tests, and binary logistic regression, using SPSS software. Results showed a significant negative relationship between high taxation and net profits, while complex procedures increased compliance costs. The study recommends simplifying tax systems, enhancing transparency, offering targeted incentives, and reducing VAT on essential goods to improve profitability and support sustainable growth in the sector.

**Keywords:** Taxation, Profitability, Food and Beverage Industry, Corporate Tax, Value Added Tax, Tax Policy, Accounting, Finance.

### تأثير الضرائب على أرباح شركات الأغذية والمشروبات في أربيل

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**المستخلص:** تبحث هذه الدراسة في تأثير الضرائب على ربحية شركات الأغذية والمشروبات في مدينة أربيل، بهدف رئيسي هو تحليل كيفية تأثير السياسات الضريبية على نمو الأعمال واستراتيجيات التشغيل والقدرة التنافسية. تنشأ مشكلة البحث من عبء معدلات الضرائب المرتفعة ونقص الشفافية والحوافز المحدودة، والتي تقلل بشكل جماعي من هوامش الربح وتعيق الاستدامة، وخاصة بالنسبة للمؤسسات الصغيرة والمتوسطة. يتكون مجتمع الدراسة من شركات الأغذية والمشروبات العاملة في أربيل، والتي تم اختيار عينة من ٤٩ شركة منها من خلال أخذ العينات العشوائية. تم تطوير البيانات وجمعها باستخدام استبيان منظم يحتوي على ٣١ عنصراً تم قياسها على مقياس ليكرت من خمس نقاط، يغطي المعلومات الديموغرافية وتصورات الضرائب وتأثيرات الربحية. حددت الدراسة أبعاداً متعددة، بما في ذلك عدالة التطبيق ودعم الاستدامة وتغيرات هامش الربح والقدرة التنافسية والشفافية واحتياجات الحوافز. اقتصر مجال العمل على مدينة أربيل، عاصمة إقليم كردستان العراق. تضمنت المنهجية الإحصائية تحليل الموثوقية، والإحصاء الوصفي، واختبارات مربع كاي، والانحدار اللوجستي الثنائي، باستخدام برنامج SPSS. أظهرت النتائج وجود علاقة سلبية ملحوظة بين ارتفاع الضرائب وصافي الأرباح، بينما أدت الإجراءات المعقدة إلى زيادة تكاليف الامتثال. توصي الدراسة بتبسيط الأنظمة الضريبية، وتعزيز الشفافية، وتقديم حوافز مستهدفة، وخفض ضريبة القيمة المضافة على السلع الأساسية لتحسين الربحية ودعم النمو المستدام في هذا القطاع.

**الكلمات المفتاحية:** الضرائب، الربحية، صناعة الأغذية والمشروبات، ضريبة الشركات، ضريبة القيمة المضافة، السياسة الضريبية، المحاسبة، المالية.

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## Introduction

The food and beverage sector plays a crucial role in the global economy. Nonetheless, various tax regulations greatly shape the financial conditions under which these businesses function. Taxes affect not only pricing strategies, investment choices, and market competitiveness but also overall profitability. Gaining insight into how taxation impacts profits enables stakeholders to make informed strategic decisions and better understand the industry's dynamics (Pratiwi et al., 2025).

Taxation has a direct impact on a company's net earnings by influencing its overall profitability. Increased tax rates can strain profit margins, potentially limiting a firm's ability to reinvest in its business activities or distribute dividends to shareholders. Research indicates that heavy tax burdens may deter investment or drive companies to adopt tax minimization strategies, which could lead to unfavorable outcomes over time. According to research conducted by (Widantia and Mishelelion 2025).

Moreover, the complexity of tax laws and regulations can create significant administrative burdens for food and beverage businesses. Such complexity often leads to increased compliance costs, diverting valuable resources from core operational activities ( Riediger, et al., 2024)

The Impact of Tax Complexity on Business Decision-Making: Evidence from the Food and Beverage Industry” also how taxation shapes consumer behavior, ultimately influencing product demand. For instance, excise taxes on sugary drinks and alcoholic beverages can lead to decreased consumption, which may reduce sales revenue for companies in this sector. underscores the link between taxation, pricing strategies, and consumer choices, noting that higher taxes on unhealthy food and beverage options can shift consumer preferences and, in turn, impact corporate profitability (Pineda et al., 2024).

In taxation policies within the food and beverage industry can significantly influence competitiveness. Businesses operating in regions with more favorable tax regimes may gain an edge over those in high-tax jurisdictions, shaping market entry or exit decisions. Additionally, preferential tax incentives can stimulate investment in underdeveloped areas, thereby affecting how companies structure and manage their operations (Wachuka et al., 2025).

Taxation a cornerstone of every economic system, providing a primary source of government revenue to support public services and infrastructure. Although it is vital for societal progress, taxation carries complex and significant implications for businesses—especially in industries such as food and beverage. As a key pillar of the global economy, the food and beverage sector is particularly affected by tax policies due to its broad consumer reach, sensitivity to price changes, and dependence on both raw materials and labor-intensive operations. This introduction seeks to

examine the relationship between taxation frameworks and the financial performance of businesses in this dynamic industry, offering insights into how different tax structures shape profitability, operational decisions, and market dynamics (Wachuka et al., 2025).

As well as The food and beverage sector is subject to a variety of taxes, including corporate income tax, value-added tax (VAT), excise duties, customs tariffs, and environmental levies. The effects of these taxes differ based on a company's size, product range, and geographic market. For example, corporate income tax directly decreases net profits, whereas VAT influences both pricing strategies and consumer demand. Excise duties—commonly levied on products such as alcohol and sugary beverages—are designed to reduce the consumption of goods considered detrimental to public health. Although these taxes fulfill important social objectives, they also present significant financial and operational challenges for businesses in the sector (M., and Bakarbesy 2025).

The tax burden on food and beverage companies often differs considerably across jurisdictions. In developed countries, higher taxes are frequently imposed on processed and high-sugar products as part of public health strategies, whereas developing nations may depend more heavily on indirect taxes to raise revenue. Consequently, multinational corporations in the food and beverage sector face the challenge of navigating intricate tax systems, striving to maintain compliance while safeguarding profitability and pursuing strategic growth (Kartika et al., 2024). The food and beverage sector is a fundamental pillar of the global economy, playing a vital role in employment, economic production, and international trade. As reported by the World Trade Organization (2021), the industry represents roughly 10% of global GDP and provides jobs for millions worldwide. Its offerings span from basic necessities like grains and dairy products to premium goods such as wine and gourmet snacks, meeting the needs and tastes of consumers across various income levels. Foremother Given its high-volume, low-margin structure, the food and beverage industry is especially vulnerable to shifts in tax policy. Even modest increases in VAT or excise duties can cause noticeable price rises, potentially dampening consumer demand and shrinking profit margins. Furthermore, taxes on raw materials, packaging, and distribution contribute to higher operational expenses, placing additional pressure on profitability. As a result, businesses in this sector must implement innovative strategies to offset the negative impacts of taxation while maintaining their competitiveness (Valizadeh and Ng 2024).

In addition to raising revenue, taxation functions as an important instrument for advancing public policy goals. Governments frequently apply targeted taxes to certain products in the food and beverage sector to encourage health improvements and environmental sustainability. For instance, “sin taxes” on alcohol and sugary beverages are intended to discourage excessive consumption, while environmental levies on packaging aim to promote sustainable practices. Although these measures support broader societal objectives, they can place substantial financial strain on businesses. A notable example is the introduction of sugar taxes in several countries. In 2018, the United Kingdom launched the Soft Drinks Industry Levy—widely known as the “sugar tax”—to combat rising obesity levels. This policy motivated beverage producers to reformulate products by reducing sugar content. While it effectively lowered sugar consumption, it also raised production costs and required significant investment in research and development, environmental taxes on single-use plastics have pushed companies toward adopting eco-friendly packaging alternatives, often at greater expense (Teng et al., 2025).

While taxation can promote positive social objectives, it may also create unintended challenges for businesses. These can include diminished profitability, heavier administrative demands, and difficulties in transferring additional costs to consumers who are sensitive to price changes. Therefore, assessing the effects of such taxes is essential for crafting effective business strategies and advocating for fair and balanced tax policies. The link between taxation and profitability in the food and beverage sector is both complex and reciprocal. On one side, increased taxes directly reduce net earnings, limiting a company's capacity to reinvest in growth and innovation (Tambunan and Samaria 2025).

Conversely, tax incentives and subsidies can boost profitability by cutting operational expenses. For instance, many governments provide tax relief to businesses investing in renewable energy,

sustainable farming, or locally sourced materials. Such measures not only reduce tax obligations but also strengthen brand image and foster customer loyalty. Nonetheless, the impact of these incentives differs across regions and industries. Small and medium-sized enterprises (SMEs) in the food and beverage sector often face difficulties in accessing these benefits due to resource constraints and complicated eligibility requirements. Meanwhile, large multinational corporations employ advanced tax planning techniques to lower liabilities—practices that sometimes attract criticism for aggressive tax avoidance (Chen et al., 2025).

Taxation plays a crucial role in determining the profitability of food and beverage companies in Erbil city. High tax rates can reduce net profits, limiting reinvestment opportunities for business growth. These companies often face both direct and indirect taxes that influence their operating costs. The impact of taxation is particularly significant on small and medium-sized enterprises compared to larger corporations. Moreover, changes in tax policies may create financial uncertainty, affecting long-term strategic planning. In response, some companies adjust their pricing strategies to offset the burden of taxation. However, effective tax management can help firms sustain profitability despite fiscal pressures. Therefore, understanding the relationship between taxation and profits is essential for both policymakers and business owners in Erbil city.

### **1- Statement of the Problem**

Despite the vital role of the food and beverage sector in Erbil's economy, companies within this industry face mounting challenges due to complex and burdensome taxation policies. High tax rates, limited access to incentives, and a lack of transparency in the tax system contribute to reduced profit margins, increased operational costs, and hindered business growth. Small and medium-sized enterprises (SMEs), in particular, struggle with compliance costs and the disproportionate impact of these fiscal policies. The absence of a supportive and equitable tax framework not only affects profitability but also undermines industry competitiveness and sustainability. This study addresses the critical need to understand how taxation affects financial performance and identifies specific areas where policy reform is essential to enable healthier business environments.

### **2- Objective the Study**

The objective of this study is to analyze how varying tax rates influence the profitability of food and beverage companies, highlighting the relationship between taxation policies and financial performance. Also to identify specific tax regulations that significantly impact operational costs and net profits within the food and beverage sector.

As well as the effectiveness of tax incentives and credits in promoting growth and investment in food and beverage businesses.

In addition will explore the potential for tax reform to enhance profitability while ensuring compliance and sustainability within the industry. According to provide actionable insights for policymakers and industry stakeholders to create a more favorable tax environment that supports the growth of food and beverage companies.

### **3- Significance of the Study**

This study is important because it examines how taxation directly influences the profitability of food and beverage companies, a sector that plays a vital role in Erbil's economy. It provides empirical evidence that complex tax systems and high rates reduce net profits, offering critical insights for policymakers who must balance revenue collection with business growth. The study also highlights the disproportionate impact of taxation on small and medium-sized enterprises, stressing the need for more equitable tax policies. By analyzing how taxation affects pricing, investment, and competitiveness, the article contributes to both academic knowledge and practical business strategies. The findings further inform government authorities on the necessity of transparent and simplified tax procedures to improve compliance and reduce administrative burdens. For investors and entrepreneurs, the research is significant as it shows how fiscal policies shape sustainability and expansion opportunities. Ultimately, the article underscores the connection

between taxation reform and long-term economic development, demonstrating that supportive tax policies can strengthen both business performance and regional growth.

#### 4- The Important of the Study

Taxes have a significant effect on corporate profitability, which is crucial for the sustainability of food and beverage companies. In numerous countries, this industry plays a key role in job creation and economic development. By gaining a deeper understanding of tax complexities, businesses can develop strategies to reduce their tax burdens and maintain their competitive edge. The findings of this research may also assist policymakers in recognizing the impact of tax regulations on this vital sector, potentially leading to more effective and balanced tax policies.

#### 5- Research questions

1. How do high tax rates impact the net profit margins of food and beverage companies in Erbil?
2. What difficulties do companies face due to the complexity and lack of transparency in the current tax system?
3. In what ways does taxation affect pricing strategies and investment decisions in the food and beverage sector?
4. To what extent do current tax policies hinder business growth and competitiveness in Erbil's food and beverage industry?
5. What potential tax reforms or incentives could support profitability while ensuring government revenue stability?

#### 6- Hypotheses

H1: Higher corporate tax rates negatively affect the profitability of food and beverage companies in Erbil.

H2: The complexity and lack of transparency in tax regulations increase compliance costs and reduce overall business efficiency.

H3: Taxation has a greater negative impact on small and medium-sized enterprises (SMEs) than on larger food and beverage companies.

H4: Increased taxation leads to changes in pricing strategies, such as raising product prices, which reduces competitiveness in the market.

H5: The introduction of tax incentives or reductions (lower VAT on essential goods) positively influences profitability and business growth in the food and beverage sector.

#### 1<sup>st</sup> : LITERATURE REVIEW

Statement	Details
Authors Name	Dewianawati and Setiawan, (2021).
Research Title	The Simultaneous Effects of Profitability and Leverage on Tax Avoidance
Type of the Study	Academic paper
Objectives of the study	The aim of the study is to investigate the simultaneous effects of profitability (Return on Assets, ROA) and leverage (Debt to Equity Ratio, DER) on tax avoidance (measured by Cash Effective Tax Rate, CASH ETR) among food and beverage companies in Indonesia.
Research Methodology and Sample	The research was conducted in Indonesia, focusing on food and beverage companies listed on the Indonesia Stock Exchange (IDX). Data were collected from the financial statements of 17 companies between 2017 and 2019, with 13 companies selected using purposive sampling. The analysis employed multiple linear regression, supported by F-tests for simultaneous effects and t-tests for partial effects, using SPSS software.
Main Findings and Results	The results showed that profitability (ROA) had no significant effect on tax avoidance, while leverage (DER) had a significant positive effect. The study concluded that leverage is the dominant factor influencing tax avoidance among food and beverage companies in Indonesia.
Recommendations	The authors recommend that companies carefully monitor and manage their leverage levels to reduce aggressive tax avoidance practices. Regulators and policymakers should also strengthen financial reporting standards and oversight mechanisms to ensure transparency and reduce the risks associated with high leverage.

Authors Name	Onwuzurike and Ugwu, (2020).
Type of the Study	Academic paper
Research Title	The Impact of Company Income Tax (CIT) and Education Tax on the Profitability of Food and Beverage Companies in Nigeria
Objectives of the study	The aim of the study is to assess the impact of Company Income Tax (CIT) and Education Tax on the profitability of food and beverage companies in Nigeria.
Research Methodology and Sample	The study employed an ex-post-facto research design, relying on secondary data collected from the annual reports of food and beverage companies over a ten-year period (2008–2018). A Random Effect Panel Regression Model was applied to control for data heterogeneity, while descriptive statistics were used to summarize the studied variables.
Main Findings and Results	The findings revealed that Company Income Tax (CIT) had a positive and significant effect on asset turnover of beverage companies, while Education Tax had a negative but statistically insignificant impact on asset turnover within the food and beverage sector.
Recommendations	The study recommends tax reforms to improve the balance between tax revenue generation and the sustainable profitability of food and beverage companies in Nigeria.

Statement	Details
Authors Name	Pineda et al., (2024).
Research Title	The Effectiveness of Taxes on High Fat, Sugar, and Salt (HFSS) Foods in Reducing Consumption and Improving Health Outcomes
Type of the Study	Academic paper
Objectives of the study	The study aimed to evaluate the effectiveness of taxes on HFSS foods in reducing purchase and/or consumption, and to assess their impact on sales, obesity rates, and related health outcomes.
Research Methodology and Sample	Commissioned by the Dietary Improvement Team at the Office for Health Improvement & Disparities, Department of Health and Social Care (formerly Public Health England) following a 2020 research call. The study analyzed various food categories, including energy-dense snacks, confectionery, bakery goods, and high-fat products, to understand consumer behavior and health outcomes.
Main Findings and Results	Findings across multiple studies showed mixed results, though most indicated a decline in the purchase and intake of taxed items. The evidence also suggested that narrower tax bases encourage substitution between products, while higher tax rates are more effective in reducing HFSS food consumption.
Recommendations	The study recommends implementing broader and well-structured tax policies with adequate tax rates to effectively reduce HFSS food consumption and improve public health outcomes, while minimizing unintended substitution effects.

Statement	Details
Authors Name	Kayode and Folajinmi, (2020)
Research Title	Impact of Corporate Tax Planning on Financial Performance of Food and Beverage Firms in Nigeria
Type of the Study	Academic paper
Objectives of the study	To investigate the impact of corporate tax planning on the financial performance (ROA, ROE, EPS) of publicly listed food and beverage firms in Nigeria.
Research Methodology and Sample	Data from 2008–2018 was used. The study analyzed the effects of effective tax rate, capital intensity, and thin capitalization on financial performance. The analysis used regression models and applied Hoffman's Tax Planning Theory, Agency Theory, and Political Power Theory.
Recommendations	Companies should implement strategic tax planning and governance practices to optimize financial outcomes. Tax authorities and professional organizations should collaborate to resolve inefficiencies and ensure compliance

Statement	Details
Authors Name	Ramadhina, (2023).
Research Title	"Impact of Transfer Pricing, Sales Growth, and Inventory Intensity on Tax Avoidance"
Type of the Study	Academic paper
Objectives of the study	To investigate how transfer pricing, sales growth, and inventory intensity influence tax avoidance among food and beverage companies in Indonesia.
Research Methodology and Sample	The study focused on food and beverage companies listed on the Indonesia Stock Exchange (IDX) between 2018 and 2021. Multiple linear regression analysis was employed to evaluate the effects of transfer pricing, sales growth, and inventory intensity on tax avoidance.

Main Findings and Results	The findings showed that transfer pricing and sales growth had a significant negative effect on tax avoidance, while inventory intensity had a significant positive effect. This indicates that compliance and increased revenues reduce tax avoidance, whereas higher inventory levels encourage it.
Recommendations	The study recommends further research into additional determinants such as thin capitalization and corporate social responsibility, across a broader range of industries, to better understand the complexity of corporate tax avoidance.

Statement	Details
Authors Name	Ezejiofor and Ezenwafor, (2020).
Research Title	“Effect of CEO Duality on Tax Avoidance in Nigerian Food and Beverage Companies”
Type of the Study	Ex-post-facto research design
Objectives of the study	To analyze the effect of corporate governance, specifically CEO duality, on tax avoidance in Nigerian food and beverage companies.
Research Methodology and Sample	The study covered the period between 2013 and 2019, employing an ex-post-facto design with regression analysis. CEO duality and firm size were included as independent and control variables.
Main Findings and Results	The findings indicated that CEO duality, where the CEO also serves as Board Chair, had a significant positive effect on tax planning (measured by effective tax rate, ETR). Firm size, however, had no significant effect. This suggests that combining leadership roles may increase tax planning activities.
Recommendations	The study recommends separating the positions of CEO and Board Chair to strengthen corporate governance, improve oversight, and reduce opportunities for tax avoidance. This would help align governance practices with international standards in developing economies.

Statement	Details
Authors Name	Jekang and Hama, (2022).
Research Title	“Impact of Inventory Intensity and Liquidity on Tax Aggressiveness among Indonesian Food and Beverage Companies”
Type of the Study	Academic paper
Objectives of the study	To investigate the effects of inventory intensity and liquidity on tax aggressiveness in food and beverage manufacturing companies.
Research Methodology and Sample	The study examined companies listed on the Indonesia Stock Exchange (IDX) from 2016 to 2020. Multiple regression analysis was applied to test the relationship between the independent and dependent variables.
Main Findings and Results	The results revealed that neither inventory intensity nor liquidity significantly influenced tax aggressiveness. This indicates that maintaining higher inventory levels or liquidity does not necessarily encourage aggressive tax planning in this sector.
Recommendations	The study recommends exploring additional variables that may influence tax aggressiveness, as factors beyond inventory and liquidity could play a more important role in shaping corporate tax behavior.

Statement	Details
Authors Name	Indrati et al., (2024).
Research Title	“Influence of Internal Organizational Factors on Tax Avoidance in Indonesia’s Food and Beverage Sector”
Type of the Study	Academic paper
Objectives of the study	To examine how internal organizational factors—including Board of Directors, female representation on the board, profitability, leverage, and firm size—influence tax avoidance.
Research Methodology and Sample	The study analyzed data from 14 food and beverage companies in Indonesia between 2019 and 2022. Multiple linear regression analysis was applied to test the effects of organizational and financial variables on tax avoidance.
Main Findings and Results	The findings showed that tax avoidance is significantly influenced by the Board of Directors, profitability, and firm size, with larger companies and frequent board meetings associated with higher tax avoidance. Leverage and female board representation had a negative effect on tax evasion.
Recommendations	The study recommends strengthening corporate governance mechanisms, increasing gender diversity in leadership, and monitoring large firms more closely to reduce opportunities for tax avoidance. Policymakers should consider organizational factors when designing tax compliance

strategies.

Statement	Details
Authors Name	DP, (2023).
Research Title	"Influence of Profitability, Leverage, Firm Size, and Sales Growth on Tax Management in Indonesian Food and Beverage Companies"
Type of the Study	Academic paper
Objectives of the study	To analyze the influence of profitability, leverage, firm size, and sales growth on tax management, measured by the Effective Tax Rate (ETR).
Research Methodology and Sample	The study examined food and beverage companies listed on the Indonesia Stock Exchange between 2018 and 2022. Multiple regression analysis was used to assess the effects of financial variables on tax management.
Main Findings and Results	The results showed that profitability and leverage had a negative effect on tax management, lowering ETR. Firm size had a positive relationship with tax management, indicating larger companies manage taxes more effectively. Sales growth negatively affected tax management.
Recommendations	The study suggests that companies develop strategic tax policies that consider profitability, leverage, and sales growth. Policymakers should support frameworks that help firms, especially smaller ones, improve tax compliance and planning.

Statement	Details
Authors Name	Fuadi and Tarmidi, (2024).
Research Title	"Effect of Liquidity, Leverage, and Profitability on Tax Avoidance in Indonesian Food and Beverage Manufacturing Firms"
Type of the Study	Academic paper
Objectives of the study	To investigate how liquidity, leverage, and profitability influence tax avoidance in food and beverage manufacturing companies.
Research Methodology and Sample	Data from 13 companies listed on the Indonesia Stock Exchange between 2018 and 2023 was analyzed using multiple linear regression.
Main Findings and Results	The findings revealed that liquidity, leverage, and profitability all had a significant negative effect on tax avoidance. Liquidity reduces the need for aggressive tax practices, leverage lowers taxable income via interest expenses, and higher profitability increases tax liabilities, thereby discouraging tax evasion.
Recommendations	The study recommends that firms strengthen financial management practices to balance liquidity, leverage, and profitability effectively. Policymakers should consider these financial indicators when designing tax compliance measures.

## 2<sup>nd</sup> : Material and Method

### 1- Study Area

The research focused on taxation within food and beverage companies in Erbil. Geographically, Erbil is situated close to Duhok, Mosul, Kirkuk, and Sulaymaniyah, and lies along the border area between Iran and Turkey. Duhok is positioned near the Turkish-Syrian frontier and maintains proximity to both Mosul and Erbil. Meanwhile, Sulaymaniyah, located near Erbil and Kirkuk, shares its boundary with Iran.

### 2- Survey Sampling

This study used simple random sampling that is section from probability sampling techniques. The provenance of data for the study was the primary data collected by use of questionnaires, in examining the relationship between corporate governance structure and quality of financial reporting statement. Survey was done in 2025. The sample size was determined using an employee-based ungrouped one-stage random probability sampling method. Important factors examining the relationship between corporate governance structure and financial reporting statement quality.

Data were randomly collected from food and beverage companies in Erbil. The research design was based on a quantitative analytical approach using survey methodology to identify factors that consider examining the relationship between corporate governance structure and financial reporting statement quality important to their satisfaction. The independent variables used for this study are: demographics (gender, age, education level, number of employees, employees year of work and

monthly income) and factors (Fair Application, Supports Sustainability, Increased Prices ,Growth Difficulty, Reduced Employees, Competitive Ability, Profitability Support, Profitability Impact, Profit Margin Change, Industry Tax Difference, Focus on Costs, Revenue Impact, System Transparency, Familiarity with Laws, Need for Incentives), and the important dependent variable is the role of internal controls in ensuring accuracy of financial reporting statements. This survey was used to collect data related to intrinsic and extrinsic characteristics of all public sector banks. 31 statements in the questionnaire are used to collect data. Participants take notice of the respondent using a 5-point Likert scale (1 = disagree, 2 = strongly disagree, 3 = Neutral, 4= agree, 5 = strongly agree).

### 3- Methods

The data collected by the research instrument were analyzed in line with each research question and hypothesis. Alpha statistics and Cronbach descriptive statistics (such as percentages and frequencies) were used to answer the research questions. In addition, a chi-square was conducted to calculate the variance within each group for the two-group factor.

The chi-square test is a statistical technique that evaluates potential differences in a scale-level dependent variable with a nominal-level variable with two categories. At the 0.05 level of significance, Chi-square was employed to test the hypotheses Dependent variable = Is the tax rate fairly applied to all food and beverage companies in Erbil. is often utilized as a criterion for deciding whether or not to include or exclude independent variables.

$$\chi^2 = \sum \frac{(O_i - E_j)^2}{E_j}$$

Based on the values of the independent variable predictors, binary logistic regression is used to forecast the likelihood of being a case. The odds are calculated by dividing the likelihood of a specific outcome being a case by the probability of it not being a case.

The odds are calculated by dividing the likelihood of a specific outcome being a case by the likelihood of it not being a case. The odds are calculated by dividing the likelihood that a given outcome is a case by the probability that it is not. Binary logistic regression is a technique for describing data and explaining the relationship between one dependent binary variable and one or more independent variables at the ordinal, nominal, interval, or ratio level.

$$\ln \left( \frac{p}{1-p} \right) = B_0 + B_1 X_1 + B_2 X_2 + \dots + B_k X_k$$

In logistic regression, the Wald test is also utilized to determine whether a confirmed predictor variable X is significant. It is from the null hypothesis that the relevant coefficient of zero is rejected or unacceptable. In addition, the statistic shown is computed by dividing the coefficient by its standard error. To think about the details with which to be measured as a measure. And also think about the details that are measured as a measure of the precision with which the regression coefficient is measured.

$$W = \frac{\hat{\beta}_1}{se(\hat{\beta}_1)}$$

Furthermore, the odds ratio compares the probabilities of two events. The probability of events occurring divided by the probability of events not occurring is the probability of the event.

$$\text{Odds} = \frac{\pi}{\pi - 1}$$

### 3<sup>rd</sup>: Results and Discussion

#### 1- Reliability statistics

The reliability measurement has been conducted for this research. Questionnaire reliability means that the questionnaire test gives the same results if it is re-applied under the same situation. Reliability was measured by extracting the correlation coefficient between the items of the questionnaire. For that reason, the analysis of reliability by using Cronbach's alpha method has been applied. The results are acceptable when the value of Cronbach's alpha is equal to or greater than (0.70).

As well as shown in Table 1 in the 21 questions asked in our research in the Department of Accounting in Soran University, the relationship between all 21 questions is very close and (Cronbach's Alpha) is 0.777, which means that the (Cronbach's Alpha) above 0.700 more relationship Between questions is stronger.

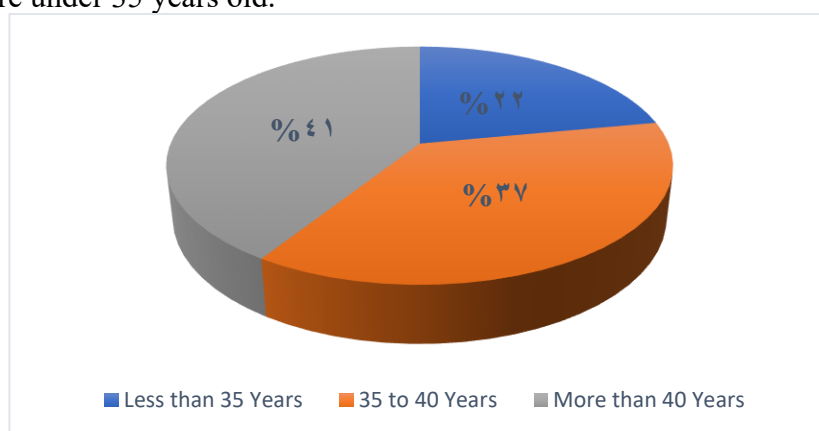
**Table (1):** Reliability statistics

Cronbach's Alpha	N of Items
0.777	21

## 2- Socio-Demographic Characteristics of Respondents

### A. Age of respondents

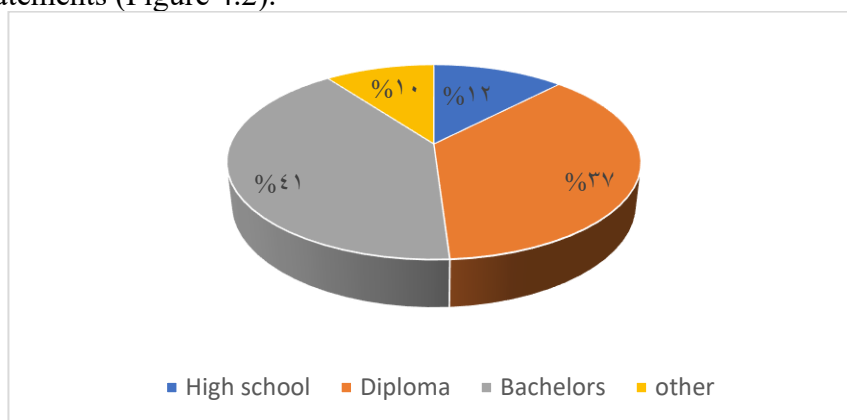
Figure 4.1 shows that 41% of the respondents are over 40 years old, while 34% fall within the 35 to 40-year age range. This variation in age supports the objectives of the study. Additionally, 22% of the participants are under 35 years old.



**Figure (2):** Age of respondents

### B. Educational level of respondents

The results indicate that 41% of respondents hold a bachelor's degree, while 37% possess a diploma and master's degree. Twelve percent of participants have a high school education, and the remaining 10% hold other types of qualifications. Furthermore, this finding enhances the reliability of the data, as the majority of employees are well-educated and highly knowledgeable about the questionnaire statements (Figure 4.2).

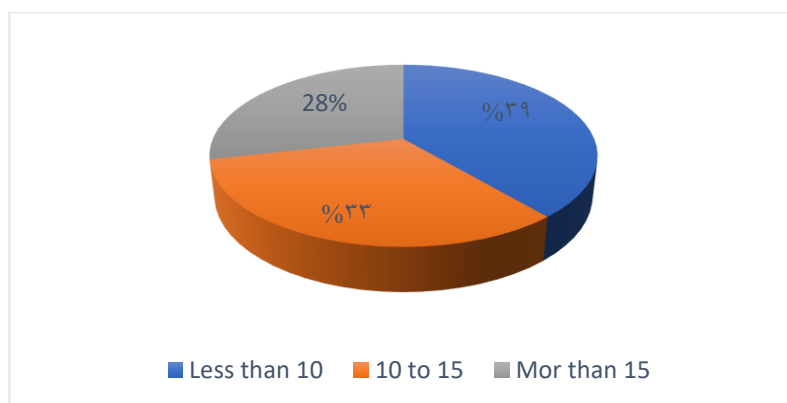


**Figure (3):** Educational level of respondents

### C. Employee's years of work of respondents

The survey results revealed that among the 49 participants, 33% have 10 to 15 years of work experience, 29% have less than 10 years, and 28% have over 15 years of experience. This shows

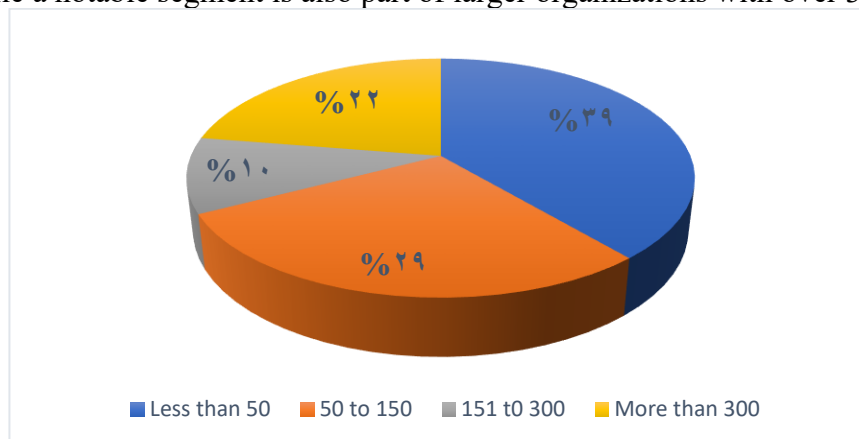
that the largest proportion of respondents fall within the 10 to 15-year range, while the groups with less than 10 years and more than 15 years are fairly balanced. This distribution is illustrated in Figure 4.3.



**Figure (4):** Employee's years of work of respondents

#### D. Number of employees of respondents

As shown in the figure below, most respondents (39%) work in organizations with fewer than 50 employees. This is followed by 29% employed in companies with 50 to 150 staff, 22% in organizations with more than 300 employees, and 10% in firms with 151 to 300 employees. The distribution highlights that a substantial portion of participants belong to small and medium-sized enterprises, while a notable segment is also part of larger organizations with over 300 employees.



**Figure (5):** Number of employees of respondents

### 3- Distribution of Annual Business Income in the Food and Beverage Sector in Erbil (IQD)

The results in the table indicate that 55.1% of respondents (27 out of 49) have an annual business income of less than 50 million IQD. Meanwhile, 10.2% (5 respondents) earn between 50 and 100 million IQD, and another 10.2% (5 respondents) report incomes between 101 and 200 million IQD. Additionally, 24.5% (12 respondents) earn over 200 million IQD per year. This distribution reveals that more than half of the businesses generate less than 50 million IQD annually, while nearly a quarter exceed 200 million IQD, highlighting a considerable variation in income levels within the sector.

**Table (2):** Distribution of Annual Business Income in The Food and Beverage Sector in Erbil (IQD)

Income (IQD)	Frequency	Percentage
Less than 50000000 IQD	27	55.1%
50000000 to 100000000 IQD	5	10.2%
101000000 to 200000000 IQD	5	10.2%
More than 200000000 IQD	12	24.5%
Total	49	100

#### 4- Perceptions of Taxation Among Food and Beverage Companies in Erbil

The result shown the table (3) The table reveal diverse perceptions among food and beverage businesses in Erbil regarding taxation. A majority of respondents (59.2%) believe that tax rates are fairly applied, while 21.6% disagree and 19.2% are unsure, indicating general agreement on fairness. However, only 12.2% feel that tax policies support the sustainability of the industry, with 42.9% disagreeing and 44.9% uncertain, suggesting mixed views on policy effectiveness. Regarding pricing, 63.3% reported increasing product prices due to taxation, reflecting the direct financial impact on businesses. Opinions on the transparency of the tax system are divided: 38.8% consider it clear, 26.5% disagree, and 34.7% are unsure. Similarly, familiarity with current tax laws varies, with 36.7% feeling knowledgeable, 28.6% not familiar, and 34.7% unsure. Finally, 36.7% support incentives to mitigate tax effects, while 40.8% oppose such measures and 22.4% remain undecided. Overall, these results indicate that while many businesses perceive tax application as fair, concerns persist regarding sustainability, transparency, and the need for supportive incentives, reflecting a range of experiences and awareness levels across the sector stability.

**Table (3):** Perceptions of Taxation Among Food and Beverage Companies in Erbil

Variable		Frequency	Percentage	Total	Mean	Standard Deviation
Is the tax rate fairly applied to all food and beverage companies in Erbil?	Yes	29	59.2	100	1.41	0.497
	No	11	21.6			
	Not sure	9	19.2			
Do you believe that the tax policy in Erbil supports the sustainability of the food and beverage industry?	Yes	6	12.2	100	2.33	0.689
	No	21	42.9			
	Not sure	22	44.9			
Due to taxation, have you had to increase the prices of your products?	Yes	31	63.3	100	1.49	0.711
	No	12	24.5			
	Not sure	6	12.2			
Is the tax system in Erbil transparent and clear for food and beverage businesses?	Yes	19	38.8	100	1.96	0.865
	No	13	26.5			
	Not sure	17	34.7			
Are you familiar with the current tax laws and regulations applied to food and beverage companies in Erbil?	Yes	18	36.7	100	1.98	0.854
	No	14	28.6			
	Not sure	17	34.7			
Do you think there should be incentives for food and beverage businesses in Erbil to reduce the impact of taxation?	Yes	18	36.7	100	1.86	0.764
	No	20	40.8			
	Not sure	11	22.4			

#### 5- General evaluation the corporate governance structure and financial reporting quality characteristic of respondents

Descriptive statistics were used to evaluate respondents' views on the impact of taxation on the profitability of food and beverage companies in Erbil, with means and standard deviations calculated for each survey item. As presented in Table (4), 41.0% of respondents agreed and 8.5% strongly agreed that taxes have made company growth more difficult, while 22.4% disagreed or strongly disagreed, resulting in a mean score of 2.47, indicating general agreement. Regarding workforce adjustments, 31.7% agreed and 7.3% strongly agreed that tax pressures led them to reduce employees, whereas 26.8% disagreed, yielding a mean of 2.10. On competitiveness, 26.8% agreed and 7.3% strongly agreed that taxation affects their ability to compete with companies in other regions, while 36.6% disagreed, giving a mean of 2.96. Concerning the effectiveness of the current tax system, 39.0% agreed it directly impacts profitability, compared to 17.1% who disagreed, with a mean of 2.29. Likewise, 51.2% agreed or strongly agreed that tax laws negatively influence profitability, with a mean of 2.30. In terms of profit margin changes, only 19.5% agreed or strongly agreed they observed significant effects from tax adjustments, whereas 57.6% disagreed, resulting in a mean of 3.20. When comparing tax rates across industries, 43.9% agreed or strongly

agreed that differences exist, with a mean of 2.61. Notably, 53.7% reported that taxation forced them to reduce product quality, reflecting the highest mean of 4.27, indicating a strong negative effect. Additionally, 48.8% agreed that taxes compelled them to reduce services, with a mean of 2.92. Overall, these findings demonstrate that taxation exerts substantial pressure on businesses in this sector, affecting profitability, growth, workforce, product quality, service provision, and competitive ability, highlighting widespread concern about the burdensome nature of current tax policies in Erbil.

**Table (4):** General evaluations the impact of taxation on profits of food and beverage companies in Erbil characteristic of respondents

Variable		Frequency	Percentage	Mean	Standard Deviation
The amount of tax we pay has made the growth of our company more difficult	Strongly Disagree	21	42.9	2.47	1.473
	Disagree	3	6.1		
	natural	12	24.5		
	Strongly Agree	7	14.3		
	Agree	6	12.2		
We have reduced the number of employees to cope with the impact of taxation on profits.	Strongly Disagree	26	53.1	2.10	1.327
	Disagree	5	10.21		
	natural	6	12.2		
	Strongly Agree	11	22.4		
	Agree	1	2		
Do you feel that taxation affects your ability to compete with companies in other regions or cities?	Strongly Disagree	13	26.5	2.94	1.314
	Disagree	1	2		
	natural	14	28.6		
	Strongly Agree	18	36.7		
	Agree	3	6.1		
do you believe the current tax system in Erbil does not provide the necessary support for food and beverage businesses to maintain profitability?	Strongly Disagree	20	40.8	2.29	1.242
	Disagree	6	12.2		
	natural	13	26.5		
	Strongly Agree	9	18.4		
	Agree	1	2		
Do you think the current tax rate in Erbil directly affects your company's profitability?	Strongly Disagree	16	32.7	2.55	1.244
	Disagree	5	10.2		
	natural	13	26.5		
	Strongly Agree	14	29.6		
	Agree	1	2		
Have you noticed a significant change in your profit margin as a result of changes in tax laws?	Strongly Disagree	7	14.3	3.29	1.155
	Disagree	2	4.1		
	natural	14	28.6		
	Strongly Agree	22	44.9		
	Agree	4	8.2		
Is there a noticeable difference in the tax rate for food and beverage companies compared to other industries?	Strongly Disagree	14	28.6	2.61	1.222
	Disagree	5	10.2		
	natural	18	36.7		
	Strongly Agree	10	20.4		
	Agree	2	4.1		
Has taxation forced you to focus more on reducing costs rather than improving product quality?	Strongly Disagree	2	4.1	4.27	0.953
	Disagree	1	2		
	natural	2	4.1		
	Strongly Agree	21	42.9		
	Agree	23	46.9		
The tax rate has forced us to generate lower revenues to minimize taxation.	Strongly Disagree	12	24.5	2.92	1.336
	Disagree	5	10.2		
	natural	11	22.4		
	Strongly Agree	17	34.7		
	Agree	4	8.2		

## 6- Relationship Between Socio-Demographic Characteristics and the tax rate applies fairly to all food and beverage companies

Table (5) illustrates the relationship between socio-demographic characteristics and perceptions of whether taxes are fairly applied across food and beverage companies. The analysis reveals a significant link between education level and views on tax fairness ( $\chi^2 = 15.082$ ,  $p = 0.002$ ), with 40.8% of respondents holding a bachelor's degree perceiving taxes as fair, compared to only 12.2% of those with a high school education. Similarly, company size shows a significant association with tax fairness perception ( $\chi^2 = 20.082$ ,  $p = 0.000$ ); smaller companies with fewer than 50 employees (38.8%) are more likely to consider the tax system fair, while this perception declines in larger firms. Monthly income also significantly affects these perceptions ( $\chi^2 = 26.347$ ,  $p = 0.000$ ), as over half of companies earning less than 500,000,000 IQD agree that taxes are fair, whereas only 10.2% of companies with incomes between 500,000,000 and 1,000,000,000 IQD share this view. Overall, these results indicate that perceptions of tax fairness vary notably based on education level, company size, and income.

**Table (5):** Relationship Between taxes on corporations and the tax rate applies fairly to all food and beverage companies

	Factor	Frequency	Percentage	$\chi^2$	P-value
Education	High school	6	12.2	15.082	0.002
	Diploma	18	36.7		
	Bachelor's	20	40.8		
	Other	5	10.2		
Number of Employee	Less than 50	19	38.8	20.082	0.000
	50 to 150	13	26.5		
	150 to 300	5	10.2		
	More than 300	12	24.4		
Monthly income	<50000000	27	55.1	26.347	.000
	50000000 to 100000000	5	10.2		
	101000000 to 200000000	5	10.2		
	>200000000	12	24.5		

## 7- Relationship Between taxes on corporations and the tax rate applies fairly to all food and beverage companies

Table (6) examines how food and beverage companies in Erbil perceive corporate tax policies, focusing on fairness and their effects on pricing, employment, profit margins, and operational priorities. Regarding industry sustainability, only 12.2% (6 respondents) believe the tax policy supports the sector, while 42.9% (21 respondents) disagree and 44.9% (22 respondents) are uncertain. This variation is statistically significant ( $\chi^2 = 9.837$ ,  $p = 0.007$ ), indicating differing opinions on tax support. On product pricing, 63.3% (31 respondents) reported increasing prices due to taxation, with 24.5% (12 respondents) not adjusting prices and 12.2% (6 respondents) unsure, a highly significant outcome ( $\chi^2 = 20.857$ ,  $p = 0.000$ ), showing taxation directly influences pricing decisions.

Regarding workforce reductions, 53.1% (26 respondents) agreed and 10.2% (5 respondents) strongly agreed they had reduced employees, while 24.4% were neutral or disagreed, highlighting a strong statistical relationship ( $\chi^2 = 20.857$ ,  $p = 0.000$ ). In terms of profitability support, 40.8% (20 respondents) agreed and 12.2% (6 respondents) strongly agreed that the current tax system does not support profitability, with 26.5% neutral and 20.4% disagreeing ( $\chi^2 = 20.857$ ,  $p = 0.012$ ), reflecting dissatisfaction with tax policy. Concerning profit margins, 18.4% (9 respondents) agreed or strongly agreed they observed significant changes due to tax law, while 53.1% were neutral or disagreed ( $\chi^2 = 9.347$ ,  $p = 0.009$ ). When comparing tax rates to other industries, 38.8% (19 respondents) agreed or strongly agreed that the sector is taxed differently, 36.7% were neutral, and 12.3% disagreed ( $\chi^2 = 12.755$ ,  $p = 0.000$ ), suggesting perceived inequality.

Finally, concerning cost-cutting versus product quality, a combined 89.8% disagreed that taxation forced them to prioritize cost reduction over quality, with only 6.1% agreeing, showing a strong

statistical significance ( $\chi^2 = 70.327$ ,  $p = 0.000$ ) and indicating companies strive to maintain quality despite tax pressures.

**Table (6):** Relationship Between taxes on corporations and the tax rate applies fairly to all food and beverage companies.

Factor		Frequency	Percentage	$\chi^2$	P-value
Do you believe that the tax policy in Erbil supports the sustainability of the food and beverage industry?	Yes	6	12.2	9.837	0.007
	No	21	42.9		
	not sure	22	44.9		
Due to taxation, have you had to increase the prices of your products?	Yes	31	63.3	20.857	0.000
	No	12	24.5		
	not sure	6	12.2		
We have reduced the number of employees to cope with the impact of taxation on profits.	Strongly Disagree	26	53.1	20.857	0.000
	Disagree	5	10.2		
	natural	6	12.2		
	Strongly Agree	11	22.4		
	Agree	1	2.0		
do you believe the current tax system in Erbil does not provide the necessary support for food and beverage businesses to maintain profitability?	Strongly Disagree	20	40.8	20.857	0.012
	Disagree	6	12.2		
	natural	13	26.5		
	Strongly Agree	9	18.4		
	Agree	1	2.0		
Have you noticed a significant change in your profit margin as a result of changes in tax laws?	Strongly Disagree	7	14.3	9.347	0.009
	Disagree	2	4.1		
	natural	14	28.6		
	Strongly Agree	22	44.9		
	Agree	4	8.2		
Is there a noticeable difference in the tax rate for food and beverage companies compared to other industries?	Strongly Disagree	14	28.6	12.755	0.000
	Disagree	5	10.2		
	natural	18	36.7		
	Strongly Agree	10	20.4		
	Agree	2	4.1		
Has taxation forced you to focus more on reducing costs rather than improving product quality?	Strongly Disagree	2	4.1	70.327	0.000
	Disagree	1	2.0		
	natural	2	4.1		
	Strongly Agree	21	42.9		
	Agree	23	46.9		

## 8- Binary Logit Model for Employee Characteristics

Table (7) provides descriptive statistics, including means and standard deviations, for various variables reflecting perceptions of tax policy and its impact on food and beverage businesses. The age variable has a mean of 2.18 and a standard deviation of 0.782, indicating that most respondents are likely within the 35–45 age group (coded as 2). Regarding the effect of taxation on business growth, the mean of 2.47 and standard deviation of 1.473 suggest that responses fall between "Neutral" and "Agree," reflecting moderate concern that taxes hinder expansion. For employee reductions due to tax pressures, the mean is 2.10 with a standard deviation of 1.327, showing that respondents are mostly neutral or somewhat disagree about cutting staff. Conversely, perceptions of local profitability show a mean of 2.55 and standard deviation of 1.243, indicating agreement that current tax rates negatively affect profits.

Respondents also perceive that tax rates are more favorable in other cities or regions, with a mean of 2.94 and a relatively low standard deviation of 1.314, showing consistent agreement. Similarly, the mean of 2.91 regarding whether the Erbil tax system supports profitability indicates that most feel the system fails to sustain business operations. Perceived differences in tax rates between food and beverage companies and other industries have a mean of 2.61, leaning toward agreement,

suggesting a sense of tax inequality. The highest mean, 3.29, relates to changes in profit margins due to tax law, demonstrating that many respondents feel taxes significantly influence profits, with a standard deviation of 1.155.

A particularly strong consensus emerges on the impact of taxation on operational priorities: with a mean of 4.27 and a low standard deviation of 0.963, respondents overwhelmingly agree that tax pressures force businesses to focus on cost-cutting rather than quality improvement. Finally, for the variable assessing whether companies deliberately reduce revenue to minimize taxes, the mean of 2.92 and standard deviation of 1.336 indicate that a notable portion of businesses adjust revenue strategically in response to the tax system.

**Table (7):** Descriptions of the variables used in model

Definition of characters		Definition of variable	Mean	S.D
The amount of tax we pay has made the growth of our company more difficult.	Reflects if taxes are seen as a barrier to business expansion	Strongly Disagree	2.47	1.473
		Disagree		
		Natural		
		Strongly Agree		
		Agree		
We have reduced the number of employees to cope with the impact of taxation on profits.	Shows if businesses have laid off employees to deal with tax burdens	Strongly Disagree	2.10	1.327
		Disagree		
		Natural		
		Strongly Agree		
		Agree		
Do you think the current tax rate in Erbil directly affects your company's profitability?	Indicates whether local tax rates are believed to lower company profits	Strongly Disagree	2.55	1.243
		Disagree		
		Natural		
		Strongly Agree		
		Agree		
Do you feel that taxation affects your ability to compete with companies in other regions or cities.	Highlights if taxes make it harder to compete with businesses in other places	Strongly Disagree	2.94	1.314
		Disagree		
		Natural		
		Strongly Agree		
		Agree		
do you believe the current tax system in Erbil does not provide the necessary support for food and beverage businesses to maintain profitability.	Suggests whether the current tax system is failing to help food and beverage companies stay profitable	Strongly Disagree	2.29	1.2422
		Disagree		
		Natural		
		Strongly Agree		
		Agree		
there a noticeable difference in the tax rate for food and beverage companies compared to other industries.	Whether F&B companies are taxed differently than others	Strongly Disagree	2.61	1.222
		Disagree		
		Natural		
		Strongly Agree		
		Agree		
Have you noticed a significant change in your profit margin as a result of changes in tax laws.	If tax law changes have affected profits	Strongly Disagree	3.29	1.155
		Disagree		
		Natural		
		Strongly Agree		
		Agree		
Has taxation forced you to focus more on reducing costs rather than improving product quality.	If taxes made businesses cut costs instead of improving products	Strongly Disagree	4.27	0.953
		Disagree		
		Natural		
		Strongly Agree		
		Agree		
The tax rate has forced us to generate lower revenues to minimize taxation.	Whether businesses reduce revenue to pay less tax	Strongly Disagree	2.92	1.336
		Disagree		
		Natural		
		Strongly Agree		
		Agree		

Table (8) presents a binary logistic regression analysis examining the influence of various taxation-related factors on business decisions in the food and beverage industry. The "Coefficient" column shows the direction and strength of each relationship (positive or negative), P-values indicate statistical significance (with  $p < 0.05$  considered significant), and Odds Ratios reflect how the likelihood of an outcome changes based on each variable.

The statement, "The amount of tax we pay has made the growth of our company more difficult," has a coefficient of 3.965, P-value of 0.033, and Odds Ratio of 52.714, indicating statistical significance. Businesses perceiving taxes as a growth barrier are 52.7 times more likely to experience negative outcomes, highlighting a strong impact of taxation on perceived growth. For "We have reduced the number of employees to cope with the impact of taxation on profits," the coefficient is 1.674, P-value 0.207, and Odds Ratio 5.333. While not statistically significant, the odds ratio suggests companies reducing staff may still be over five times more likely to report negative tax-related effects. The variable "Do you think the current tax rate in Erbil directly affects your company's profitability" shows a coefficient of -5.847, P-value 0.017, and Odds Ratio 0.003. This highly significant negative relationship indicates that agreeing with this statement greatly reduces the likelihood of positive business outcomes, confirming the harmful effect of high taxes on profitability. Other variables, such as "Do you feel taxation affects your ability to compete with other regions or cities" (coefficient = -0.749, P-value = 0.396, Odds Ratio = 0.473) and "Do you believe the current tax system in Erbil does not support food and beverage businesses to maintain profitability" (coefficient = -0.749, P-value = 0.473, Odds Ratio = 0.084), are not statistically significant, though the low odds ratios suggest potential negative effects.

The variable "Is there a noticeable difference in tax rates between food and beverage businesses and other industries" (coefficient = -7.180, P-value = 0.025, Odds Ratio = 0.001) is statistically significant, showing that perceptions of industry-specific tax discrimination nearly eliminate the likelihood of business stability or growth. "Have you noticed a significant change in your profit margin due to tax laws" (coefficient = 1.815, P-value = 0.058, Odds Ratio = 6.138) is marginally significant, indicating businesses observing profit changes are over six times more likely to be affected. "Has taxation forced you to focus more on reducing costs rather than improving quality" (coefficient = -1.935, P-value = 0.093, Odds Ratio = 0.144) is not significant but suggests cost-cutting concerns. "The tax rate has forced us to generate lower revenues to minimize taxation" (coefficient = 2.640, P-value = 0.019, Odds Ratio = 14.018) is significant, implying that companies deliberately lower revenues to reduce tax burdens.

Finally, age (coefficient = -2.850, P-value = 0.010, Odds Ratio = 0.058) is significant, indicating younger respondents are less likely to experience negative effects, while the constant (intercept) coefficient of 19.707, P-value 0.026, represents the baseline level of the dependent variable when all independent variables are zero.

**Table (8):** Results of the logistic regression model for Taxation characteristics

Variables	Coefficient	Sta. Error	Wald Test	P-value	Odd Ratio
The amount of tax we pay has made the growth of our company more difficult	3.965	1.862	4.536	0.033	52.714
We have reduced the number of employees to cope with the impact of taxation on profits.	1.674	1.327	1.591	0.207	5.333
Do you think the current tax rate in Erbil directly affects your company's profitability?	-5.847	2.453	5.681	0.017	0.003
Do you feel that taxation affects your ability to compete with companies in other regions or cities?	-0.749	0.881	0.722	0.396	0.473
do you believe the current tax system in Erbil does not provide the necessary support for food and beverage businesses to maintain profitability.	-0.749	0.881	0.722	0.473	0.084
Is there a noticeable difference in the tax rate for food and beverage companies compared to	-7.180	3.212	4.998	0.025	0.001

other industries.					
Have you noticed a significant change in your profit margin as a result of changes in tax laws.	1.815	0.956	3.601	0.058	6.138
Has taxation forced you to focus more on reducing costs rather than improving product quality.	-1.935	1.150	2.829	0.093	0.144
The tax rate has forced us to generate lower revenues to minimize taxation.	2.640	1.127	5.493	0.019	14.018
Age	-2.850	1.105	6.648	0.010	0.058
Constant	19.707	8.842	4.968	0.026	361847261.254
-2 log likelihood			34.737		
Nagelkerke R <sup>2</sup>			0.640		
$\chi^2$			31.529		
(p:value)			(0.000)		

## Discussion

This study provides significant insights into the impact of taxation on food and beverage companies in Erbil, with a particular focus on how tax policies influence profitability, sustainability, employee structures, and financial reporting quality. The results highlight both the strengths and weaknesses of the current taxation system and reveal how corporate governance practices intersect with tax policy in shaping business outcomes. The findings indicate that a majority of respondents perceive the application of taxes as fair (59.2%), which suggests that the government has made efforts to establish equality in tax enforcement. However, this perception does not necessarily translate into satisfaction with tax policies overall, as many businesses remain concerned about sustainability, transparency, and support mechanisms. This divergence between fairness and satisfaction reflects a broader challenge identified in taxation studies across developing economies, where formal equality in application does not guarantee that policies are perceived as effective in fostering sectoral growth.

The study reveals that taxation exerts notable pressure on business profitability and operational strategies. More than 63% of respondents reported raising prices due to tax burdens, and over half acknowledged that taxation either reduced profit margins or forced them to prioritize cost reduction over quality. Several studies support the findings of this research regarding perceptions of tax fairness, transparency, sustainability, and price impacts. Campa (2025) in their study Tax Transparency and Sustainability Reporting in 2025, found that a majority of companies perceive tax application as fair, yet there remains considerable uncertainty regarding the transparency of tax policies, along with limited support for sustainability initiatives. Similarly, Firgo (2025), in his study Price Effects and Pass-Through of a VAT Increase on Restaurants in Germany, reported that taxation leads to significant price increases, with over half of the tax being passed on to consumer prices within months of implementation. Together, these studies reinforce the results observed in this research, demonstrating that while fairness is generally acknowledged, transparency issues, limited sustainability support, and rising costs remain persistent concerns. These outcomes are consistent with global literature, which shows that small and medium-sized enterprises in highly taxed industries often resort to price adjustments or reduced service quality to maintain survival. The particularly strong agreement (mean = 4.27) that taxation drives firms to focus on cost-cutting rather than product improvement demonstrates a critical risk: the erosion of long-term competitiveness in favor of short-term survival strategies.

Socio-demographic and firm-level characteristics strongly influence perceptions of tax fairness. Education level, company size, and income all show statistically significant associations with how respondents assess the fairness and impact of taxation. For instance, smaller firms and those with lower annual incomes are more likely to perceive tax policies as fair, while larger companies express dissatisfaction. This divergence highlights the unequal burden of taxation across firm sizes, ISSN:2222-2995 E-ISSN:3079-3521 Vol. 15 No. 4 Part (2)

where small businesses may perceive taxes as a predictable fixed obligation, while larger firms, with more complex operations, experience higher compliance costs and perceive greater inequities. The binary logistic regression results further clarify the dynamics between taxation and business outcomes. The analysis shows that perceiving taxes as a barrier to growth significantly increases the likelihood of negative business outcomes (Odds Ratio = 52.714), while the belief that tax policies affect profitability reduces the probability of positive business performance (Odds Ratio = 0.003). Additionally, perceptions of industry-specific tax discrimination (Odds Ratio = 0.001) almost eliminate the possibility of stability, underscoring how sensitive business confidence is to perceived inequities in tax treatment. These results resonate with other empirical studies in emerging economies, where taxation has been identified as a key determinant of both firm-level growth and compliance behavior. The study demonstrates that taxation has unintended labor market consequences. More than half of respondents confirmed reducing employees in response to tax pressures, which directly undermines employment stability in the sector. This aligns with prior findings that excessive or poorly structured taxation policies can discourage labor retention and investment in human capital, thereby weakening both company performance and broader socio-economic development. Finally, this research highlights a critical governance gap: although internal controls and financial reporting quality are intended to ensure transparency, taxation policies often undermine these structures by encouraging firms to focus on survival rather than compliance. Many respondents reported limited familiarity with tax laws (28.6% admitted lack of awareness), which raises concerns about regulatory literacy and the effectiveness of communication between policymakers and industry stakeholders. Without adequate training, guidance, and incentive structures, companies may struggle to integrate taxation requirements into sound governance practices.

While taxation in Erbil's food and beverage sector is broadly perceived as fair in its application, it is widely criticized for its negative impact on profitability, competitiveness, and sustainability. The findings underscore the need for tax reforms that balance revenue generation with business development, including clearer policies, targeted incentives, and stronger educational campaigns. Such reforms would not only improve financial reporting quality and corporate governance but also ensure the long-term stability of a sector that plays a vital role in Erbil's economic landscape. Djankov et al. (2010), who found that higher taxes discourage business expansion and investment. There is also a widespread belief that the current tax rates negatively affect profitability and limit the ability to compete with businesses in other regions, a pattern also identified by Fuest and Riedel (2009) regarding regional tax rate disparities. Many business owners expressed concerns that the existing tax system does not provide adequate support to sustain profitability in the industry, reflecting similar findings by Coolidge (2012) about SME perceptions of unfair tax burdens. Additionally, some respondents observed differences in tax rates between the food and beverage sector and other industries, contributing to unfairness or imbalance, which aligns with Coolidge's (2012) observations. Changes in tax laws were reported to have a noticeable impact on profit margins, leading businesses to adjust their strategies, such as focusing more on cost reduction instead of enhancing product quality, consistent with Alm and Martinez-Vazquez (2003) who found that tax changes often force operational adjustments. A few even admitted to generating lower revenues intentionally to minimize tax liabilities, highlighting the broader sentiment that taxation policies may be misaligned with the realities and needs of small to medium-sized enterprises, as emphasized by OECD (2015).

## Conclusion

In conclusion, this study thoroughly analyzed the impact of taxation on the profitability of Erbil's food and beverage industries, finding a complex relationship between fiscal policy and economic performance. The data indicates that high corporation tax rates, VAT, and other levies put significant financial strain on businesses, particularly small and medium-sized enterprises, resulting in lower profit margins, price increases, and even workforce downsizing. Many companies surveyed indicated that current tax policies in Erbil are not conducive to business sustainability, and

the majority perceived the tax system as lacking transparency and fairness—especially when comparing the treatment of food and beverage firms to other sectors. This perception of inequity is supported by both qualitative feedback and statistical analysis, including logistic regression models that demonstrate a strong link between unfavorable tax conditions and business strain.

Additionally, the complexity of tax regulations exacerbates administrative burdens, diverting valuable resources from innovation and expansion. While some tax policies serve broader social or health-related goals, such as excise taxes on sugary products, their financial implications for producers are substantial, often forcing firms to compromise on product quality or shift their strategic focus to cost-cutting measures. Despite the existence of some tax incentives, access remains limited for smaller firms, which struggle to meet the necessary requirements or lack awareness of these benefits. These findings underscore the need for targeted tax reforms that balance revenue generation with economic stimulation, including simplified procedures, greater transparency, sector-specific incentives, and clearer communication between tax authorities and business owners. Ultimately, the study highlights that fostering a supportive tax environment is essential not only for improving profitability and competitiveness in the food and beverage sector but also for contributing to broader economic development in the region.

### Recommendation

**Tax Policy Reform:** Policymakers should explore implementing tax incentives and clearer regulations specifically designed to address the distinct challenges faced by food and beverage companies. This might involve lowering VAT rates or granting exemptions on essential products to enhance affordability and boost competitiveness.

**Simplification and Transparency:** The government ought to simplify tax regulations and increase transparency to reduce compliance costs and uncertainty. Providing clear, consistent information about tax responsibilities can build trust and improve adherence. **Support for SMEs:** Given that smaller businesses often face a heavier tax burden, targeted measures such as reduced tax rates or subsidies could help ensure their sustainability and promote local job creation.

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