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Digital transformation and tax evasion reduction: An empirical study of employee perceptions in the Babil Tax Directorate

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Abstract
This study examines the impact of virtual changes on reducing tax evasion and enhancing tax compliance within Babylon's tax agencies. Recognizing the conceptual distinction between tax avoidance (criminal planning) and tax evasion (illegal controls), this study focuses specifically on the latter. It takes a descriptive-analytical approach, using a questionnaire to measure attitudes and perceptions among a sample of 172 tax employees, thereby providing validation for the study. The regression analysis revealed a statistically significant impact of digital transformation on the studied variables. Specifically, digitalization explained 54.5% of the variance in perceived reductions in tax evasion and 51.7% of the variance in perceived revenue collection performance. These results indicate that digital transformation can support tax monitoring, improve administrative efficiency, and reduce opportunities for illegal tax practices. The study recommends completing the digital infrastructure and intensifying staff training to optimize the use of this technology.

Keywords: Digital Transformation, Tax Evasion, Tax Revenues, Tax Departments in Babylon

Abstrak
Studi ini meneliti dampak perubahan virtual terhadap pengurangan penggelapan pajak dan peningkatan kepatuhan pajak di lembaga pajak Babylon. Dengan menyadari perbedaan konseptual antara penghindaran pajak (perencanaan kriminal) dan penggelapan pajak (pengendalian ilegal), studi ini secara khusus berfokus pada yang terakhir. Studi ini menggunakan pendekatan deskriptif-analitis, dengan menggunakan kuesioner untuk mengukur sikap dan persepsi di antara sampel 172 karyawan pajak, sehingga memberikan validasi untuk studi ini. Analisis regresi mengungkapkan dampak transformasi digital yang signifikan secara statistik pada variabel yang diteliti. Secara khusus, digitalisasi menjelaskan 54,5% varians dalam pengurangan penggelapan pajak yang dirasakan dan 51,7% varians dalam kinerja pengumpulan pendapatan yang dirasakan. Hasil ini menunjukkan bahwa transformasi digital dapat mendukung pengawasan pajak, meningkatkan efisiensi administrasi, dan mengurangi peluang praktik pajak ilegal. Studi ini merekomendasikan penyelesaian infrastruktur digital dan peningkatan pelatihan staf untuk mengoptimalkan penggunaan teknologi ini.

Kata Kunci: Transformasi Digital, Penggelapan Pajak, Pendapatan Pajak, Departemen Pajak di Babylon

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1. Introduction

The policy of "tax cuts with tax base increases" is a major macroeconomic tool used to counter economic downturns. This has been implemented in key global issues that include China's idea in 2004, through a series of structural policies primarily based on tax cuts to stimulate economic interests (Blaufus et al., 2013). However, at some stage of the recession, these rules may not provide a large discount within the tax burden, potentially encouraging tax avoidance among firms (Gorodnichenko & Weber, 2016; Chen et al., 2024).

This fact casts a shadow over Iraq's tax machine, which seeks to diversify its non-oil revenues. The tax machinery in Iraq has traditionally suffered from a consistently significant tax gap, indicating a structural failure in economic sustainability. Empirical data show that this gap fluctuated significantly, reaching 35% in 2005, forty-four, 213% of the general population, and still peaking at 2% to4. decreased to 28% in 2018, and in the following years, resumed an upward trend, which changed and worsened through heavy reliance on oil, with the help of the money machine and the dominance of unpredictable money games.

The question of investigation has emerged from the ongoing debate on the effectiveness of digitalization in addressing the challenges of these structural conditions. As Iraq moves towards full-scale digitization, there may be a loss of empirical evidence on tax compliance in Iraq on digital equipment if the technology, often perceived as "black pots", actually reduces tax evasion or, conversely, direct impact (including automation and electronic audit reports conservation). Lack of empirical evidence on whether or not they facilitate more complex "digital compliance" packages. Traditional determinants of corporate governance or institutional soundness ignore virtual transformation as a direct driver of tax reform.

To deal with this disruption, it is first and foremost to recognize that it is not uncommon for virtual tools to act as catalysts for the institutional alternative. First, the shift from operations to automation is expected to streamline administrative workflows and reduce human initiative, so we predict that digitization is the cornerstone of modernizing and enhancing tax instruments. In addition, the statistical inequality between taxpayers and taxpayers is reduced because the instrument is clearer. This forward visibility is theoretically associated with better chances of coming across illicit financial flows; Thus, there is a logical way to expect this technology adoption to reduce tax evasion now. Towards leave, with these stealth photos, the herbal end results can be a big increase in tax sale proceeds. Consequently, this study examines these hypotheses by means of comparisons of the direct perceived impacts of the virtual transformation in the Babylon Tax Directorate, from the angle of the tax officials managing those structures.

This study aims to provide useful insights for policymakers and tax authorities in Iraq by analyzing the influence of digital transformation as a control mechanism that reduces discrepancies between accounting and tax data. It also aims to clarify how

corporate governance can strengthen this relationship to reduce the tax gap, improve corporate performance, and disseminate information to all stockholders

2. Literature Review

Digital Transformation in Taxation

Brenner and Hartl (2021) addressed the concept of digitization as a complex and multidimensional phenomenon, emphasizing the need to distinguish between three interconnected levels, despite their differing aims: digitization, digitalization, and digital transformation. While the first level (digitization) is limited to the process of converting data and information from its physical form into digital formats, the second level (digitalization) describes how information and communication technologies (ICTs) are changing corporate business models, including creating modern service delivery channels, enhancing communication mechanisms, and improving the quality of outputs. The third level, digital transformation, is the broader term referring to the application of deep digital technologies to create entirely innovative business models and systems. In this study, the term "digitization" is adopted as an explanatory framework encompassing the mechanisms for adopting and using various digital technologies, such as the internet, smartphone technologies, and all the diverse technological tools upon which the modern economy relies to conduct its business.

The virtual transformation of the tax machine is about adopting technological tools and integrating them into the Economic Management Center to increase efficiency, accuracy, and compliance (Ezeife, 2021). This transformation builds on key pillars that include allowing digital tax IDs, adopting digital systems for filing returns and paying fees, using higher recordkeeping analytics to monitor tax compliance, and using blockchain mining to provide transaction security and transparency (El-Hameed, 2024). Automation of tax methods empowers governments to reduce operational costs, limit opportunities for human error and embellish transparency, and create significant technical limits to tax evasion (Rahman et al., 2024). These virtual gears moreover give full efficiency to the tax authorities to check databases, monitor financial interests, impose laws because it can be more because this process is not the greenest process with sufficient revenue income (El-Hameed, 2024).). In this context, digital tax reporting emerges as a crucial element in the current implementation of verification systems, acting as a permissive basis that facilitates the implementation of improved tax guidelines, especially those mainly based on automation and using robotics (Sonnerfeldt, 20025).

The Electronic Tax Identification Number (ETIN) is a very unique virtual identity of each individual taxpayer that the tax authority relies on for efficient monitoring and basically monetary facts (Mohammed another, 2023). Its challenge is to facilitate the filing, filing of returns, and payment of fees through virtual channels, thereby increasing the overall performance and efficiency of the tax asset's comprehensive tax credit status database (Mohammed et al., 2023). Similarly, Hussain and Azzam (2021) suggest that this unique virtual identity allows taxpayers to automatically verify their economic popularity and process all transactions with the tax authority remotely.

Switching to this digital machine would simplify the initial filing requirements, offering taxpayers a green and modern mechanism to settle their tax liability and pay their prison fees, free from traditional paper-based complications (Hussam & Azzam, 2012). The ETCC Certificate is defined as a virtual report that is issued by tax authorities that are ready to verify that the taxpayer has complied with all their legal obligations and serves as professional proof of integrity and tax compliance. Its project is to facilitate registration, filing, and payments through digital channels and make it a captivating display and modern display for tax machines. A customized tax series database.

Furthermore, Jain (2022) factors that this tool empowers taxpayers to generate and upload tax return certificates via the internet, thereby reducing the time wasted and bureaucratic complexity associated with personal visits to tax centers, or this effectively reduces the scope of fact-finding, about the possibilities for manipulation, and provides better and overall sa taxpayers. Taxpayers benefit from greater flexibility, with faster processing and easier access to their statistics, which allows financial authorities to embellish their compliance capabilities and maintain the integrity and sustainability of the tax machinery (Khaled & Malek, 2024).

Tax Evasion

Tax avoidance is often defined in the economics research literature by contrasting its practices with tax evasion. Evasion is classified as an intentional act committed by taxpayers through the use of deceptive and fraudulent methods to avoid paying taxes (Alm, 2012; Alm et al., 2016). Accordingly, the essential purpose of this behavior is to manipulate and outright falsify information. Tax avoidance in valuation is based on exploiting loopholes and CARAL loopholes, especially to reduce the economic burden (Alm, 2012; Alm et al., 2016). Individuals and organizations are therefore given legitimacy to transform their sport and active plans to reduce or limit their tax liability, equipped to stay within the framework and limits established with the help of the legislator (Alm, 2012; Alm et al., 2016). From the analytical perspective of Kemsley et al. (2022), no act is legally classified as tax evasion unless it meets two important and interdependent criteria: first, a lifestyle of premeditated and deliberate intent to minimize honestly paid tax, and second, a substantial underestimation of the tax base. Based on this reasoning, conduct that falls under each of these conditions is excluded from the scope of criminal offences6l and everyday meaning tax evasion.

Tax evasion is defined as the illegal fulfillment of a complete or partial failure to fulfill an economic obligation to the state. It usually results in misleading tax returns being filed with the government, deliberately concealing actual benefits, or exaggerated withholding due to a reduced tax base. These moves carry criminal liability ranging from civil to criminal penalties (Draclovic & Dugoriclo, 2023). According to Mansoor et al. (2023), the distinction between tax avoidance and "tax avoidance" is important. Although the latter represents a legitimate exploitation of criminal loopholes to reduce the monetary burden, tax evasion is a serious crime under the legal framework of maximum international standards, requiring punishment and potentially imprisonment (Winter & Vozza, 2022).

Achuama (2024) identifies several incentives that force taxpayers to move away from taxes. These include benefits of monetary tariff reductions that depend on manipulation of said revenues, complexity of crime tools that may lead to technical errors or deliberate counterfeiting, and psychosocial factors, including vulnerable management structures that create a breeding ground for illegal electricity bottags can include the perception of public spending which can left form of protest and additionally extreme economic pressure can push companies and people to steal as extra hotels to deal with money crises. Ultimately, tax evasion has profound negative consequences for the state and society because it drains sovereign wealth that should have funded critical sectors of schools, health, and critical infrastructure projects (Hussein et al., 2024).

Digitalization and Tax Evasion

The impact of digitalization on tax avoidance is a major concern that has emerged as a point of interest in recent financial research. In this context, Abdelraouf (2023) explored the significance of this effect, arguing that the technological revolution would contribute to streamlining records flowing to authority agencies, thereby increasing their ability to reduce the amount of tax avoidance practices. However, he also pointed out that with this technological development, new strategies may emerge to avoid tax and legal guidelines for certain people or companies. Moreover, empirical studies, including Nugrahanto and Alhadi (2021), found a strong correlation between information diffusion and tax performance of special entities . These studies concluded that companies with advanced technological infrastructure are better positioned to engage in tax avoidance with less risk compared to others.

In the international business world, Kitsios et al. (2022) found that virtual transformation contributes to reducing invoice-limit fraud by improving governments' data storage and processing mechanisms. In the same context, Ataya and Al-Shater (2021) confirmed that the tax authorities' investment in advanced digital technologies gives them the advantage of diagnosing cases of non-compliance and monitoring suspicious financial transactions, which effectively contributes to reducing the risks of tax evasion. Conversely, some academic perspectives suggest that digital transformation may open new avenues for tax evasion by enabling companies and individuals to conceal and encrypt sensitive data, thus avoiding scrutiny. In this context, Strango (2021) examined the impact of public service automation in the European context, concluding that tax evasion decreases proportionally with increased digitalization. This deficiency, however, is still covered by means of an "essential point" or certain standard; Once this threshold is crossed, inverse flirtation emerges, with stealth values increasing again from exploiting complex technical loopholes.

In response to the demanding conditions, the tax authority is adopting an arsenal of superior technology to detect all tax evasion. These include data mining tools, as outlined by Gonzalez and Velasquez (2013), and the use of artificial neural networks, as noted by Lopez et al. (2019). Additionally, social network analysis is used to reveal hidden relationships in economic transactions (Colladon & Raimondi, 2017). An observation with Angelou (2026) confirms that modern tax administrations are

increasingly dependent on growing technologies of big data, artificial intelligence, and blockchain to ensure reliable records.

The Impacts of Big Data and the Internet of Things (IoT)

Big data and the Internet of Things (IoT) are huge technological changes that have changed commercial enterprise technology and monetary data, affecting the conduct of financial actors in legitimate surveillance and illegal practices. Deriving from a set of full-scale digital quantities in this context, IoT systems are growing into networked systems. facts in essential contexts. This technology affects tax evasion immediately by providing a faster and more complete machine for processing transaction data and transferring monetary payments. Governments can use big data analytics to detect anomalies in tax compliance and select loopholes with greater precision. Furthermore, IoT empowers the government to adjust asset phases and financial flows by receiving real-time updated data from smart devices connected to transaction points (Kitsios et al., 2022). Conversely, tax evaders can leverage that technology to orchestrate complex fraudulent computer games, often through intelligence creation of government systems, administrative loopholes, and weaknesses.

The truth is that while digitization has spread new methods of plagiarism, this fashion has additionally strengthened the form of management by providing certain tools to try quickly go ahead by looking at business system computer games And for companies to engage in counter-espionage technique is to use the thief's technique under the satisking the tax. This effort requires intelligent integration between fintech experts, regulatory groups, virtual forensic teams and Aboriginal innovators .. The ongoing virtual transformation of companies rests on the ability of societies to balance the benefits of the immense facts of corporate reform and activate their role as smart compliance tools to stumble upon tax evasion and neutralize its consequences.

3. Research Method

This study adopts a descriptive-analytical approach to researching the perceived impact of digital transformation on tax avoidance. It is important to be clear that this study measures the subjective assessment and perceived effectiveness of virtual tools from the perspective of tax authorities, instead of monitoring actual, marketable changes in taxpayer behavior or audited financial facts. In this study, digital transformation refers to the extent to which leading tax practices in Babylon were changed with the help of automated systems, as mentioned by employees. Meanwhile, the reduction in perceived tax evasion refers to the extent to which tax authorities actually recognize the superiority of digital tools in their ability to detect non-compliance and illicit financial activity.

A structured questionnaire was designed as the primary statistical instrument. The system has officials who shoot business decisions about the fame of digital transformation in small tax holes. The dependent variables are perceived cut price in tax avoidance and perceived performance in sales collection . The independent variable is the level of digital transformation (automation, digital delivery, and digital monitoring). The population studied includes tax authorities working within the Babylon

tax bureau. The decision of these people is due to the fact that they could potentially be the number one customers of virtual tax systems and have expert information to evaluate their operational activities. A convenient random sample of 172 employees was found to be used. This form of the model is considered advisory for the frontline administrative workforce that immediately engages with virtual audit and collection processes.

4. Results and Discussion

4.1 Results

Distribution of The Research Sample

Table 1 demonstrates the detailed distribution of the demographic and professional features of the individuals participating in this sample.

Table 1. The Distribution of The Research Sample Depends on The Demographic Variables

Variable	Variable levels	No.	%
Qualification	Diploma	38	% 22
	Bachelors	114	% 66
	Master degree	20	% 12
Years of experience	Under 5 years old	45	% 26
	5-15 years old	82	% 48
	16 years and older	45	% 26
	Under 5 years old	45	% 26
Training courses	One Training course	55	% 32
	Two courses	67	% 39
	Three or more courses	50	% 29
	Total	172	100%

The result means that the sample has a majority of good proportions, with some (114) representing employees (66%). This is followed by those with a diploma, numbering 38 employees, representing (22%), while people with a master's degree (master's) make up the lowest percentage, (12%). This academic awareness shows that the tax agency of the workers of the Babylon Government has the necessary expertise needed to understand the level of virtual transformation and to work with modern accounting systems. The analysis showed that the most represented group is those with experience ranging from (5-15) years, totaling (82) employees, representing (48%). The percentage of new employees (less than 5 years) is equal to that of those with extensive experience (16 years or more), each representing (26%). This distribution indicates higher levels of disclosure when looking at the model. Almost half of the publications have sufficient subject experience to bridge the gap between traditional techniques and advanced digital studies, thereby increasing the reliability of the answers of those approaching the performance of the tax instrument.

With regard to specialist treatment including suspensions, 39% of coworkers completed one school code, 32% completed one, and 29% completed 3 or more. These opportunities reiterate the obvious challenges that point to the regular institutional popularity of workers' general performance growth. This is an important requirement to strengthen the digital transformation system and reduce tax evasion by

using empowering employees to use the best control technologies. The pattern of observation shows the well-known balanced disciplinary and educational diversity dominated by and among the use of levels of student enjoyment. Staff integrate instructional understanding with rational skills.

Reliability Analysis of The Measurement Instrument

Cronbach's alpha coefficient was used to measure the reliability of each axis of the questionnaire to ensure that the appearance of the instrument changes what this measurement is.

Table 2. Cronbach's Alpha Coefficient Results Regarding The Study Instrument's Dependability

Research Variables	Alpha value
The Role of Digital Transformation in Developing the Tax System	0.84
The Role of Digital Transformation in Increasing Tax Revenue	0.81
The Role of Digital Transformation in Reducing Tax Evasion	0.89
General Study Tool	0.85

All studied variables achieved reliability values ranging from 0.81 to 0.89, exceeding the minimum acceptable level in humanities and social sciences research (which is typically 0.70). This leads to high internal stability of some objects on each axis. The axis recorded the highest reliability value (zero.89), reflecting the accuracy of the instruments designed to measure this variable and their ability to produce robust results when the instrument is reused under the same conditions The general reliability coefficient of the instrument was found to be zero.

Measurement of Descriptive Reports to Observe Variables

Table 3. Standard Deviations and Arithmetic Methods for Tax Evasion and Digitalization

Areas and variables	SMA	SD	Degree
The Role of Digital Transformation in Developing the Tax System	3.84	0.72	High
The Role of Digital Transformation in Increasing Tax Revenue	3.76	0.81	High
The Role of Digital Transformation in Reducing Tax Evasion	4.12	0.65	High
Total Score	3.91	0.73	High

Table 3 presents the descriptive statistics for the study's themes. These results can be analyzed as follows.

1. This theme emerged in the 2d area with a moderate rating of (3.eighty-four), reflecting the brilliant importance of virtual transformation in upgrading infrastructure within tax departments and simplifying administrative policies, and shifting from traditional to digital operations. The second theme (Increasing Tax Revenues): This theme recorded a mean score of 3.76, confirming that digital technologies have effectively contributed to improving the efficiency of tax collection and reducing financial losses, which has necessarily led to maximizing state revenue.
2. The third theme (Reducing Tax Evasion): This subject obtained the highest mean score of 4.12, indicating very high conviction of the Babylonian tax authorities that digitization is the most appropriate means of preventing illegal practices and

accurate control of economic games. The low standard deviation (0.65) also indicates a high degree of consistency in the sample's opinions regarding this role.

Standard effects, with typical normal and high ratings of (3.91), imply that the digital transformation within the tax departments of Babylon Governorate is not always just technological development, but an effective method that resulted in progressive institutional overall performance and expanded the controls and opportunities for harm.

Testing the study hypotheses

In order to decide whether to accept or reject the impact hypotheses, this part deals with testing them. Simple and multiple regression coefficients will be used.

Table 4. Demonstrates The Outcomes of The Basic Regression for The Development and Modernization of the Tax System and Digital Transformation

Independent variable	α	β	R^2	F	P-value	Dependent variable
Digital transformation	1.746	0.520	0.459	137.331	0.000	developing and modernizing the tax system

Table 4 reports the results of a simple regression estimation to investigate the impact of digital transformation on tax system reform. The regression coefficient (β) was 0.520, suggesting that the development of the tax system was positively (directly) impacted by the digital transformation. According to statistics, the development of the tax system will rise by 0.520 for every unit increase in the degree of digital transformation.

The coefficient of determination (R^2) was 0.459, meaning that digital transformation can explain 45.9% of the variance (changes) in the dependent variable of tax system modification and development, while the remaining 54.1% is attributed to other factors and variables not addressed by this model. The model is statistically significant, as shown by the p-value threshold of 0.000; the computed F-value of 137.331 indicates that the model is statistically significant, confirming its validity. We reject the null hypothesis and accept the alternative hypothesis, which verifies the presence of a statistically significant influence of digital transformation on the evolution of the tax system, because the probability value is smaller than the chosen significance threshold (0.05).

Table 5. The Results of The Simple Regression Test for Digital Transformation and Increasing Tax Revenue.

Independent variable	α	β	R^2	F	P-value	Dependent variable
Digital transformation	0.438	0.616	0.517	173.2	0.000	Increasing tax revenue

The results of the simple regression test, as evidenced in Table 5, show that a strong positive (direct) impact of digital transformation on raising tax income is shown by the regression coefficient (beta), which reached a value of 0.616. According to statistics, every unit increase in the degree of digital transformation implementation would inevitably result in a 61.6% rise in tax collection efficiency and income.

The coefficient of determination (R^2) reached a value of 0.517, which means that the "digital transformation" variable is able to explain 51.7% of the variance (changes) in the increase of tax revenue in the tax departments of Babylon, while the remaining 48.3% is attributed to other factors and variables outside the scope of this explanatory model. The model is statistically significant, as shown by the F-value of 173.2, which confirms the validity of the model as a whole, demonstrating statistical significance at a p-value of 0.000. Since this p-value is less than the specified significance level of zero.05, we reject the null hypothesis and obtain the possibility hypothesis, which confirms the statistically good-sized and large effect of virtual change on maximizing tax sales and reducing economic waste .

Table 6. The Results of the Simple Regression Test for Digital Transformation and Reducing Tax Evasion.

Independent variable	α	β	R^2	F	P-value	Dependent variable
Digital transformation	1.66	0.616	0.545	194.158	0.000	reducing tax evasion.

The regression estimation results are presented in Table 6 , regarding the combination between virtual transformation the independent variable and tax avoidance the established variable .. The regression coefficient (beta) was 0.616, confirming a statistically significant positive relationship. This indicates that the expansion of digital transformation technologies directly contributes to enhancing the ability to reduce tax evasion. Explanatorily, a one-unit increase in the focus on digital transformation contributes to a 0.616 increase in the efficiency of detecting and preventing tax evasion.

The coefficient of determination (R^2) was 0.545. This means that digital transformation has a high explanatory power, accounting for 54.5% of the total changes and variations in the phenomenon of reducing tax evasion in the tax departments of Babylon Governorate. The remaining 45.5% is attributed to other regulatory or legal factors not included in this model. The model is statistically significant, as indicated by the F-value of 194.158, which indicates the efficiency and significance of the statistical model used. This result is further supported by the p-value of 0.000. Since this value is less than the standard significance level of 0.05, we reject the null hypothesis and accept the alternative hypothesis. This confirms, with high statistical confidence, the substantial impact of digital transformation in curbing tax evasion practices and reducing the tax gap.

4.2 Discussion

The analytical reading of the statistical facts shows the necessary and important roles for the virtual transformation in the transformation of the tax system within the tax agencies of Babylon. Examination of the results of the simple regression shows that digital transformation has very high explanatory power, peaking in the "reduction of tax evasion" axis. This means that digitalization is capable of explaining more than half of the variables associated with the phenomenon of tax evasion. This finding reinforces the conclusion of the study by Gitaru (2017) that digital modeling of financial data

creates a "transparent" regulatory environment that reduces opportunities for information manipulation.

Regarding maximizing financial resources, the results revealed a strong positive impact of digital transformation on increasing tax revenues. This aligns with the scientific arguments of the study by Khurana et al. (2022), where the transition from traditional systems to smart platforms contributes to narrowing down tax bases and expanding the tax base by integrating "gray" economic transactions into the formal system. Moreover, the variable's very common suggestion level, with a score of "high", shows a great response of tax staff towards the modernization of tax machinery. It helps the research results through Alshira'h et al. (2021) on the importance of digitalization and performance of compliance.

However, despite the crucial statistical importance of this digital flight, which thrives in a Babylonian tax environment, there is still a need for a full-fledged institutional framework. Experience (mildly aided by global influences and sources) emphasizes the need for a balance between maintaining the fight against taxation and building sustainable legislation. This is consistent with the take a look at through warnings Bird and Zolt (2008), which indicates that technological success should be accompanied by strict audit regimes that can protect you from the emergence of the latest breed of virtual thieves. Based on the above, the study shows that the primary driver for the transformation and modernization of the tax apparatus is digital transformation, provided that the crime profile and continuous schooling are in close proximity.

5. Conclusion

The stusy establishes that digital transformation is a pivotal driver for modernizing tax systems, enhancing revenue collection, and significantly mitigating tax evasion within the Babylon tax directorates. The findings indicate that automation and electronic monitoring fundamentally strengthen administrative efficiency and non-compliance detection. However, as these results reflect questionnaire-based perceptions, they should be viewed as a strategic indicator rather than direct empirical evidence of taxpayer behavior. Ultimately, for digitalization to reach its full potential, it must be integrated with robust legal enforcement, institutional capacity building, and continuous professional training. Future research should prioritize the use of objective administrative data to empirically validate the long-term impact of these digital shifts on actual tax performance.

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