

# Chapter 7

## Examining Creative Accounting as an Explanatory Factor of Taxpayer Behavior: Evidence From Morocco

**Azzouz Elhamma**

 <https://orcid.org/0000-0003-3382-0278>

*Ibn Tofaïl University, Morocco*

**Fatima-Ezzahra Boutafrouit**

*Hassan II University, Morocco*

### **ABSTRACT**

*Tax minimization remains a critical concern for all taxpayers, particularly for businesses. To reduce this burden, various accounting techniques can be employed within the framework of “creative accounting.” While the relationship between taxation and creative accounting has been extensively studied in developed countries to better understand taxpayer behavior, such research is largely lacking in developing nations. In this context, the objective of this article is to explore the extent to which creative accounting techniques can be considered explanatory factors of taxpayer behavior in Morocco. Through a survey conducted with 50 companies, the study finds that 92% of respondents use creative accounting techniques to minimize their taxes liabilities. The most commonly employed techniques include depreciation (or amortization) and expense spreading. The findings of this study offer valuable theoretical and managerial implications for both academics and policymakers.*

### **1. INTRODUCTION**

Nowadays, taxes serve as the primary financial resource for modern states (Celikay, 2020). In Morocco, tax revenues accounted for an average of 20.7% of GDP (Gross Domestic Product) in 2019. These revenues constitute the primary source of financing for the state, covering approximately 74.5% of the general state budget (Alj and Ourahma, 2022). In France, according to the National Institute of Statistics and Economic Studies (INSEE), compulsory levies in France increased from 30.3% of GDP

DOI: 10.4018/979-8-3373-0422-9.ch007

in 1960 to 45.0% of GDP in 2018. However, on the opposite side, taxes are considered a heavy burden for taxpayers. In response to this situation, taxpayers typically engage in behaviors aimed at identifying and adopting techniques to minimize their tax burden. Among these techniques, accounting practices—particularly those commonly referred to as 'creative accounting'—are prevalent (Milesi-Ferretti, 2004; Abed et al., 2022).

In recent decades, a number of international financial scandals have highlighted the importance of the “true and fair view” provided by financial accounting. According to Esnault and Hoarau (2005, p. 3), accounting is defined as “an information system, and more precisely a formal system for identifying, measuring, classifying, and recording the transactions of organizations, intended to provide, after appropriate processing, information likely to satisfy the presumed needs of multiple users”. The American Accounting Association (AAA) defined accounting as: “the process of identifying, measuring and communicating economic information to permit informed judgment and decision by users of the information” ([www.aaahq.org](http://www.aaahq.org)). The American Institute of Certified Public Accountants defined accounting as “... the art of recording, classifying, and summarizing in a significant manner and in terms of money, transactions and events which are, in part at least, of a financial character, and interpreting the results thereof” ([www.aicpa-cima.com](http://www.aicpa-cima.com)).

Accounting regulations require that financial statements be transparent and reliable, accurately reflecting the company's economic, financial, and asset position. In Morocco, the General Accounting Standards Code (Code Général de la Normalisation Comptable - CGNC) stipulates that “the financial statements must provide a true and fair view of the assets and liabilities, financial position, and results of the company”. However, it allows companies some discretion in modifying the presentation of their financial statements. This “legal flexibility” is often viewed as creative accounting, which managers may use for various reasons to meet the expectations of the company's stakeholders (Stolowy et al., 2003).

Creative accounting techniques are generally employed to influence stakeholders' perceptions of a company's financial situation. These techniques may involve increasing earnings to benefit shareholders or decreasing earnings to minimize tax liabilities, among other strategies. According to Stolowy (1999, p. 161), creative accounting is defined as “a set of procedures aimed at modifying the level of earnings, with a view to increasing or reducing them, or altering the presentation of financial statements, without these objectives being mutually exclusive.” The detrimental effects of creative accounting are numerous. Marilena and Corina (2012) found that “creative accounting is seen as a negative creation, meant to lead to compiling financial statements that would answer managers' wishes regarding the financial position and enterprise performance”. In the same sense, Akpanuko et al. (2018) found that accounting creativity is a euphemism, contributing 90% to the misleading reporting of companies' operations. Recently, Gupta and Kumar (2020) demonstrated that “creative accounting, though legal and acceptable around the world, gives in the way to loopholes provided by the acts and rules governing the preparation of financial statements and eventually leading to financial crimes and hampering the economy as a whole”. In the field of taxation, creative accounting significantly influences taxpayers' behavior, particularly in efforts to minimize their tax liabilities. This is especially evident in countries where there is a strong connection between accounting and taxation, such as Morocco, for example. According to Cugova and Cug (2020), “companies are trying to underestimate their economic result in order to minimize the tax liability”.

The relationship between tax objectives and the choice of creative accounting has been extensively explored in numerous studies conducted in developed countries. However, this type of research remains almost absent in some developing countries, such as Morocco, for example. In this context, this study

18 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage:

[www.igi-global.com/chapter/examining-creative-accounting-as-an-explanatory-factor-of-taxpayer-behavior/376897](http://www.igi-global.com/chapter/examining-creative-accounting-as-an-explanatory-factor-of-taxpayer-behavior/376897)

## Related Content

---

### Further Formalization Attempts of Matte Blanco's Theory, of Other Psychoanalytic Ideas, and Their Possible Applications to Informatics

(2018). *Computational Psychoanalysis and Formal Bi-Logic Frameworks* (pp. 255-299).

[www.irma-international.org/chapter/further-formalization-attempts-of-matte-blancos-theory-of-other-psychoanalytic-ideas-and-their-possible-applications-to-informatics/195913](http://www.irma-international.org/chapter/further-formalization-attempts-of-matte-blancos-theory-of-other-psychoanalytic-ideas-and-their-possible-applications-to-informatics/195913)

### Exceptional Children

Ridvan Karabulut (2020). *Handbook of Research on Prenatal, Postnatal, and Early Childhood Development* (pp. 87-97).

[www.irma-international.org/chapter/exceptional-children/252645](http://www.irma-international.org/chapter/exceptional-children/252645)

### Bottom-Up Violence Work: Exploring the Case of Armed Racial Justice Counter-Protest

Musa Jalaland Matthew Jerome Schneider (2022). *The Reproduction and Maintenance of Inequalities in Interpersonal Relationships* (pp. 189-205).

[www.irma-international.org/chapter/bottom-up-violence-work/312311](http://www.irma-international.org/chapter/bottom-up-violence-work/312311)

### Examining the Impact of Human Resources Management Practices on Effective Supply Chain Management in Organizational Contexts

Rubel Amin, Rupali Arora, Ritu Sharmaand Quader Newaz (2025). *Navigating Bias in Human Resource Management* (pp. 187-224).

[www.irma-international.org/chapter/examining-the-impact-of-human-resources-management-practices-on-effective-supply-chain-management-in-organizational-contexts/374273](http://www.irma-international.org/chapter/examining-the-impact-of-human-resources-management-practices-on-effective-supply-chain-management-in-organizational-contexts/374273)

### Trauma-Informed Pedagogies of Co-Constructed Care: A Framework for Teacher Preparation Course Design

Romana M. Garrett Holbert (2025). *Pedagogies of Compassion and Care in Education* (pp. 165-200).

[www.irma-international.org/chapter/trauma-informed-pedagogies-of-co-constructed-care/365707](http://www.irma-international.org/chapter/trauma-informed-pedagogies-of-co-constructed-care/365707)