

Contribution of tax audit to the right choice of the legal form of a company

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Abstract:

Undeniably, Tax laws are crucial tools to determine and define the objectives and strategy of companies which is possible by applying a decisive tax auditing so as to verify the contribution of this element in achieving company's objectives and rationalizing its choices. The starting point for tax optimization in the firm lies in the choice of its legal forms when designing the idea for its creation.

In order to understand the degree of contribution of the tax auditing in minimizing the cost of the companies creation by optimizing the choice of the legal form, the purpose of this article is to highlight the concept of tax auditing and its different components by trying to answer the following question: how can the tax audit contribute to optimizing the cost of setting up and starting up the business?

To answer this question and on the basis of a hypothetical-deductive approach, a survey was conducted among 60 SMCs located in the city of Meknes. This choice is justified by the number of failing businesses in Morocco, according to a report by INFORISK¹ which shows that between 2009 and 2021, business failures increased significantly by 33%, from 2,541 to 10,546 concentrated mainly on 99.5% of VSCs and 0.5% of SMCs, according to the same report.

This research has shown that it is possible to deduce that the use of tax audits is essential for any company wishing to take advantage of the leeway offered by tax law.

Key words: Tax auditing, legal form, SMC (Small and Medium Company), tax choice.

¹INFORISK STUDY, INSOLVENCIES MOROCCO 2020: AN EXCEPTIONAL YEAR.

Apport de l'audit fiscal au bon choix de la forme juridique d'une société

Résumé :

La prise en compte du droit fiscal intervient en amont et en aval de la définition des objectifs et de la stratégie de l'entreprise. L'audit fiscal doit permettre de vérifier que l'utilisation qui est faite du droit fiscal contribue à atteindre les objectifs de l'entreprise et à rationaliser ses choix.

Afin d'appréhender le degré de contribution de l'audit fiscal à minimiser le coût de création de l'entreprise par l'optimisation du choix de la forme juridique, l'objet de cet article est de mettre en évidence le concept de contrôle fiscal et ses différentes composantes en essayant de répondre à la question suivante : Comment l'audit fiscal peut contribuer à l'optimisation du coût de constitution et de démarrage de l'entreprise ?

Pour répondre à cette question et sur la base d'une approche hypothético-déductive, une enquête a été menée auprès 60 PME localisées sur la ville de Meknès. Ce choix est justifié par le nombre d'entreprises défaillantes au Maroc, selon le rapport d'INFORISK qui montre qu'entre 2009 et 2021, les défaillances d'entreprises ont connu une hausse significative de 33%, passant de 2 541 à 10 546 concentrées principalement sur 99,5% des TPE et 0,5% des PME.

Cette recherche a fait ressortir qu'il est possible de déduire que le recours à l'audit fiscal est indispensable pour toute entreprise souhaitant profiter des marges de manœuvre offertes par le droit fiscal.

Mots-clés: Contrôle fiscal, forme juridique, PME (Petite et Moyenne Entreprise), choix fiscal.

Introduction:

In the current state of complex and interrupted tax legislation, the company that manages to honour its tax obligations has already fulfilled an outstanding achievement to remain protected from penalties, fines or adjustments.

However, it is important for the company to integrate the tax variable directly into its management to achieve tax efficiency. To taking into considering the upstream and downstream of tax law when setting up the company's objectives and strategy. Also, the search for tax optimization is part of the company's strategy; as underlined by" (CHADEFAUX, 1987, p. 58) "the law then becomes an auxiliary technique of management, a science of management, it is indeed the law management relationship and practically the "taxation-management" relationship within the company, which is at the centre of the control of efficiency within the framework of a tax auditing mission".

The starting point of tax optimization in the firm consists in the choice of its legal form during the creation's conception. The audit permits therefore to make it possible to verify that the use made of the law and mainly tax law contributes to optimizing the company's choices in this area.

Consequently, this paper tends to answer the following question: what are the contributions of the tax audit for the company in terms of the choice of its legal form? In other words, how can the tax audit contribute to optimizing the cost of setting up and starting up the business?

As long as law becomes an auxiliary technique of management, a science of management, it is indeed the relationship between law and management and practically the relationship "tax-management" within the company, it was crucial to refer to the risk analysis theory in our research.

For our research methodology, we have opted for a qualitative approach. The reasons for this choice are essentially the ability of exploratory qualitative research to highlight the link between audit standards and performance indicators in the firm. In this regard, we have chosen a qualitative approach by using the questionnaire survey.

This article is structured as follows: first, we review the concept of tax audit and legal form as presented by the literature, and then in a second studying determinants of the choice for the company at the time of its establishment in order to manage the possible risks better, which will

lead us to examine the different legal forms recognized by Moroccan law by highlighting the contribution of the tax audit to the company in terms of choosing the appropriate legal form, and finally we present in a third time the results of the empirical study carried out with 60 SMCs located in the city of Meknes.

1. Literature review

1.1. Audit term's delimitation

On the whole, the word "audit" is vaguely described in general works like dictionaries or encyclopedias, and the existing academic definition is very much influenced by the export of the term to Anglo-Saxon countries where the word has been used to describe the control of accounts. The Larousse Dictionary, for example, states that auditing means "a process of control of the objectives of a business". The Robert Dictionary states that auditing refers to "the review and control of the company accounts and management".

Nonetheless, the Universalis Encyclopaedia states that an audit is "an investigation aimed at the evaluation of the accounting, administrative or other procedures in force in a business in order to guarantee to one or more groups concerned, managers, shareholders, staff representatives, third parties (banks, public bodies), the regularity and sincerity of the information made available to them and relating to the operation of the business".

The twentieth century has witnessed major economic, political, cultural, sociological and technological upheavals which have provided a vivid demonstration of the growing interest in auditing. This is why it requires the present definition proposed by the French Institute of Consultant Auditors: "A specific investigation and evaluation approach based on a reference framework, including a diagnosis and possibly leading to recommendations. This approach, carried out independently and under mandate, contributes to the control of an organised activity".

1.2. The emergence of tax audit

Auditing evolution can be divided into two distinct stages, a first and long period which allowed the development of accounting auditing and which dates back to the third millennium before our era when the Sumerians were already carrying out cross-checks, and who practised auditing without knowing it since the term only appeared later with the Romans.

Subsequently, auditing techniques developed in close connection with accounting, a second period during which the concept was broadened, because with the development of the economy, the importance of information in the management of the company increased and the interest in collecting opinions on the quality of information was affirmed and thus gave birth to financial auditing (CHADEFAUX, 1987, p.40).

According to MASTOURI (1992, p.67), « the tax audit makes it possible to carry out the diagnosis of the tax obligations of the company, to update on the final strategy of the company and propose, if necessary, solutions likely to make the final management more efficient by reducing the tax burden ».

The extension beyond the accounting and financial audit led tax. There are many reasons for this, starting with the intensity of the link that taxation has with accounting to the point of being what snobbery is for art, according to PENGLOU (1947). Moreover, tax seems to have some predispositions for auditing, notably because of its quasi-permanent influence on a company's life, the complexity of the subject and the financial risk attached to non-compliance with the tax rule.

LARAQUI (1999, p. 39) considers that this combination of favourable elements was sufficient for the emergence of the term "tax audit", which was formulated as a proposal to respond to the company's tax concerns. However, the application of this audit is still wide-ranging and in one way or another equivalent to the field of application of the whole company tax system. However, its practice is not dedicated to a well-defined category of specialists; there are many practitioners.

1.3. The objectives and importance of the tax audit

According to MESNAOUI (2006)², there are two main objectives of a tax audit for any company:

- To assess the tax risk incurred by the company and its financial impact, in this case, it is a tax compliance audit;
- To judge the quality of the company's tax management, in particular, to see if it fully benefits from the advantages provided by the tax law within the framework of a particular status or following facilities relating to its sector of activity. To ascertain if the tax variable is integrated into

² Publications of cabinet MESNAOUI, Tax audit, p.8.

the strategic and operational decisions related to the management of the company. This is what corresponds to an efficiency audit.

Due to the twofold objective of the tax audit mentioned above, the tax audit provides information to the prescribers of the mission. This is information on the existence or absence of tax risk and the extent of such a risk (BUISSON, 2011, p. 140).

The interest of a contractual audit of tax regularity thus lies in the possibility given to the prescriber of obtaining more transparent, more refined vision of the company's tax situation, explain BELBACHIR (2018). This knowledge result from a methodical examination; a thorough check carried out by a specialist in tax matters.

The tax audit, while not providing information on the probability of the tax risk occurring, does inform the prescriber of the characteristics of such a risk. Audit conclusions are valuable because they shed new light on the accounting and financial information. By informing the prescriber about the risk and about the key points, the audit provides the latter with a key to make a new reading, a fiscal one, of the financial statements. LAHYANI (2018, p.254) explains that the tax audit is, in a way, a means of accessing the tax intelligibility of the accounts.

Managing taxation is therefore, a matter of choosing among the tax options available to the company. Given the technical nature and multidisciplinary complexity of tax law, the role of the "tax audit" is essential. Francis Lefebvre, the principal author on the subject, describes this role in the definition he gives to this branch of audit: "The tax audit is an exercise whose purpose is to validate a company's tax burden and to identify and quantify the tax risks to which the company may be exposed as a result of non-compliance with tax rules" (LEFEBVRE, 2008, p.58).

The task is to verify that the audited company's tax obligations have been correctly fulfilled. If this is not the case, to ensure that the tax risks incurred have been accurately quantified and provided for in the accounts.

In this sense, the added value to be achieved for the company by the tax auditor is the advice. The auditor should provide useful advice to the company for the present and for the future. For the present, this includes, for example, the tax advantages of each legal form, which influence the choice of the appropriate legal status. For the future, this advice may relate to the company's operating policy, investment choices or even organisational choices.

1.4. Tax choices and risk management

As the company's tax choices may generate risk, the control of tax choices involves the search for these possible risk factors: this is the role of the efficiency audit. In practice, as strategic choices are involved, the control of risk starts with the best choice of a manager of the legal form of his new company. The role of the auditor in this stage is to show the legal form best suited to the position of the manager and their contributions, and possibly to examine in depth the legal arrangements to which the firm may adhere in order to decide on the risk of subsequent challenge by the tax authorities.

1.4.1. Risk theory

According to KAST (1992), risk theory aims to analyse and partly automate the decision-making process in an insecure universe by formalising the uncertainty and by trying to describe the decision-makers' behaviour. It is called normative because it enables description and prediction³.

According to DIONNE and GARAND (2000), the main arguments provided on a theoretical basis to justify why risk management is needed are: Maximising the value of the company.

BARTHELEMY (2002) assumes that "the company which manages its risks is a company which doesn't run into the mist, but knows how to both protect itself from dangers over which it has poor control, and to analyse the intangibles of their activities and decision-making to control them more effectively. She is not as vulnerable as others. Its stakeholders are more confident. Their image is improved, as they are more sustainable and protect the jobs of their employees.

In this case, the first risk for the decision maker is to choose the incorrect legal statute for the new project. The choice of status has various consequences, particularly legal ones, for a company. Indeed, it has an impact on the structure's tax regime and that of its manager, but also the applicable social security regime. In addition, the legal status influences the regulations on decision-making and operating processes within the company as well as on its accounting obligations. It is in that respect that tax auditing can be a powerful planning tool, a priori planning how much even a posteriori.

³AMANSOU, S. (2019). Gestion des risques : fondements théoriques et analyse critique : Insurance and Risk Management, 86(2-3), 265–287. <https://doi.org/10.7202/1068509ar>

1.4.2. Planning theory for emergency management

Planning is described by FALUDI (1973) as "the process of identifying suitable future actions". Thus, all planning usually involves a selection of objectives, the identification of alternatives compatible with objectives and resources, the choice of the best alternative and action. This planning philosophy is normally applicable to all areas of business, and applies to private as well as to public organisations.

Planning Theory, says WILDAVSKY (1973), enables us to understand a situation and to take the most adequate measures to deal with a crisis. This author thinks planning is "the application of a science-based approach to management policy-making". In other words, planning provides a better control of the future and a more effective solution.

2. Different legal forms of businesses that are recognized by the Moroccan law

By definition, the legal form of a company is the legal framework imposed on an economic activity. The applicable rules governing the activity of the company are dependent on this status. Moroccan law offers newly created businesses a wide range of legal forms, starting with the sole proprietorship and ending with the various categories of partnerships or even hybrids.

These types of companies can be divided into two categories:

- Partnerships where the personal factor is predominant, such as limited partnerships, general partnerships or joint ventures.
- Capital companies such as public limited companies (SA), limited liability companies (SARL) and partnerships limited by shares.

2.1. Joint stock companies

2.1.1. Public Limited Company (SA)

The SA is governed by law n° 17-95 (art 425 to 440) of 30 August 1996 relating to public limited companies, as amended and completed. The SA is a commercial company that requires at least five shareholders. The latter's liability in the company is determined by the amount of their contribution. This liability also applies to debts. The minimum capital of a public limited company is 300,000 dirhams, this amount increases to 3,000,000 dirhams if the company wishes to make a public offering.

On incorporation, a quarter of the capital may be paid up, and the remainder within three years by the board of directors or the management board. The operation of this type of company is generally cumbersome and rather complex (Fouguig, 2019).

2.1.2. The Simplified Joint Stock Company (SAS)

A SAS is governed by Law No. 17-95, formed by two or more companies to create or manage a joint subsidiary or to create a company that will become their familiar company. This status is reserved for large companies, and the shareholder companies must have a capital of DH 2,000,000.

2.1.3. The Limited Liability Company (SARL)

The SARL is governed by Law No. 5-96 of 13 February 1997 on the general partnership, the limited partnership, the partnership limited by shares, the limited liability company and the joint venture company, promulgated by the Dahir of 13 February 1997, as amended and supplemented.

A SARL is a commercial company that presents an intermediate model between partnerships and joint-stock companies. It acquires legal personality by being registered in the Trade Register. A limited liability company can be formed by a single shareholder or by several shareholders, provided that the number of shareholders does not exceed 50.

The amount of money is freely determined by the partners. The capital is not blocked as long as it does not exceed 100,000 DH. Above this number, the shares representing cash contributions must be paid up by at least a quarter of their amount.

As in the case of the public limited company, the partners are liable for the amount of their capital contributions. The company is audited by an auditor if the turnover of a financial year exceeds 50,000,000 dirhams. The SARL can also be constituted by a single natural person and, in this case, it is called a SARLAU (SOUAIDI, 2017, p. 157).

2.1.4. Partnership Limited By Shares (SCA)

The limited partnership by shares is defined by Article 31 of Law 5-96 as "a company whose capital is divided into shares, is formed between one or more general partners, who have the status of traders and are indefinitely and jointly and severally liable for the company's debts, and limited partners, who have the status of shareholders and bear the losses only up to the amount of their contributions".

The SCA is a company whose capital is divided into shares. It is comprised of general partners who are merchants and limited partners who are shareholders (HOUDA, 2018).

The general partners are jointly and severally liable for the company's debts, while the limited partners are only liable for the amount of their capital contribution.

2.2. Partnerships

2.2.1. Sole Proprietorship

This type of business is operated directly by an individual in his name. It is mainly characterized by its simplicity of creation and operation, as well as by the freedom of action of the company director, whose liability is unlimited.

This type of enterprise is not considered a company, as the latter requires more complex legal formalities. The example of the status of the auto-entrepreneur illustrates this (LAHYANI, 2018, p. 139).

2.2.2. General Partnership (SNC)

Regulated by Articles 3 to 18 of Law 17-95, the SNC is a commercial company whose partners are all merchants and who have unlimited joint and several liabilities for the company's debts. An SNC does not require minimum capital and is characterised by the simplicity of the formalities of its constitution.

2.2.3. Limited Partnership (SCS)

The SCS is a partnership made up of general and limited partners. The general partners must all be merchants. They participate in the management and life of the company, and are jointly and severally liable for the company's debts. The limited partners participate in the company's capital without being involved in the life of the company and their liability for the company's debts is limited to the amount of their capital contribution.

2.2.4. Joint Venture (SEP)

A joint venture is a company that the partners have agreed not to register. It does not have a legal personality and is not subject to publication formality (art 89 of law 5-96).

The joint venture is a company that exists only in the relationship between the partners. It is not subject to registration or publication because it is not intended to be known by third parties. Its existence can be proven by any means.

At least two people are required to set up a joint venture. And each partner must make a contribution (in cash, in-kind or the industry).

The objects of a SEP and the rights and obligations of the partners who set it up are freely defined by them.

2.2.5. Economic Interest Grouping

The Economic Interest Grouping is an intermediate form between an association and a company, but it cannot be considered a company.

It is made up of two or more legal or natural persons who wish to manage an activity and generate profits for the members of this EIG.

2.3. The Auto-entrepreneur Regime

The auto-entrepreneurship is governed by law n° 114-13 of 19 February 2015 promulgated by Dahir n°1-15-06 of 19 February 2015 and relating to the status of auto-entrepreneur.

This status is intended to be a legal framework recognised for any natural person who carries out, on an individual basis, a commercial, industrial or artisanal activity or a service provision while benefiting from fiscal and social advantages favorable to business development, and this through the following measures (DELEPORTE, 2016, p. 89):

- The simplification of the procedures of creation and cessation;
- Exemption from the obligation to register in the Trade Register and to keep accounts;
- Non-subjection to VAT;
- Reduced taxation: 1% of the turnover for industrial, commercial and craft activities and 2% for services (it should be noted that the declaration of its turnover is mandatory from April 2017 at the agencies of Barid Al Maghrib).

3. Contribution of the tax audit to the company in terms of optimizing the choice of its legal

BRUSHWOOD (2018, p.27) precise that any decision to create a company is preceded by the choice of a legal form, thus attributing a legal personality to the said structure.

The Moroccan legal system offers a wide choice of structure to the entrepreneur with an investment project to set up his firm: the individual company, partnerships and capital companies, which have different characteristics.

Regardless of the legal form chosen and the activity undertaken, a series of steps are involved in the process of setting up the company. In order to remain faithful to the problem raised, we will limit ourselves to the one involving the company in relation to the tax authorities in the context of the choice of its legal form.

In this sense, LORENZ (2021, p.77) confirm that the tax auditor aims to advise the prescriber on the most advantageous form through the tax formalities for each type of company, by distinguishing between the different contribution methods permitted by the tax system and the possible option systems and their consequences on the company's results and on the tax costs to be borne during its operation.

3.1. Consequences of converting from a form to another one

3.1.1. From a sole proprietorship into a company

LAMI & al (2021, p. 59) note that an entrepreneur wishes to convert his sole proprietorship into a company, has two options:

- The transfer of his business to a company in which he holds the capital;
- The contribution of his assets and liabilities to another entity in exchange for the shares;
- The contribution of assets and liabilities to another entity in exchange for the shares.

The contribution makes registration duties and stamp duties necessary for the registration of the documents for the cessation of activity and the constitution of the new company payable (YAKOUBI, 2015, p.16).

It can therefore be costly if the contribution is partly for consideration or if it concerns a business and the beneficiary entity is subject to corporation tax. Moreover, the contribution gives rise to immediate taxation of the capital gains generated.

3.1.2. From a partnership to a corporation

The conversion of a partnership into a corporation has consequences both from a tax and an accounting point of view. For example, if the partnership has not opted for the corporation

tax, the adoption of the structure of a capital company will result in the company being subject to the corporation tax (VANHALEST & LANNOY, 2016, p. 123).

In addition, contributions of real estate or rights, goodwill and clientele are subject to registration fees. Where the transformation does not result in a change in the value of the assets recorded in the accounts, there will be no need to tax the unrealised capital gains.

In conclusion, the transformation from one legal form to another condemns the company to a tax audit following an accelerated procedure which exposes it to an additional financial risk.

3.2. Recommendation for the choice of legal form by the tax auditor

The identification of the characteristics inherent in each form of company leads the tax auditor to identify the main differences in terms of taxation of the result and the choice of regime.

In order to better guide the prescriber's choice, for illustration purpose, a comparative overview of the properties of the SA and the SARL is a tool to help in the decision-making process concerning the selection of the optimal legal form.

3.2.1. Recommendation for the choice between the SA and the SARL

In view of these different characteristics, the tax auditor produces recommendations for the choice of the appropriate legal form for the activity carried out. Thus, as an indication and not as a limitation, the choice between the SARL and the SA is based on several criteria. Indeed, the SA remains the ideal instrument for developing activities requiring significant capital, and its organization allows management control by external partners (YAICH, 2007, p.74).

However, the legal formalism is more burdensome in the SA than in the SARL, which is designed for small and medium-sized companies.

From a tax point of view, the remuneration of the managers of a SA is considered as wages without any particular limitation as to the size of the capital held, which is not the case in the SARL.

However, with reference to the Moroccan reality, the tax auditor can produce another proposal, given that most SMCs are family businesses, as explained by GHORFI (2016, p.87), he must explain to his prescriber that the SA form remains more or less the most complicated to adopt.

Indeed, in the framework of a public limited company the minimum number of shareholders is 5 and the legal requirements specify that the election of board members and board meetings must be held periodically and that a recorded minute must be drawn up.

The entrepreneur may be constrained by the rigid form of the SA, which does not lend itself well to the need for quick decisions by SME managers, as the articles of association and legal rules are restrictive rather than flexible, especially as the SA structure is more expensive to run than any other legal form (CHRISTENSEN, 2020, p.11).

On the other hand, the structure of the SARL is quite suitable for the exercise of a liberal profession or even a commercial and craft industry in the Moroccan context, since it can be constituted by a single partner or several, the number of partners cannot be higher than 50, and they can be natural persons as well as legal entities, and they may or may not be resident in Morocco.

4. Methodological approach and Analysis of the survey results

4.1. Methodological approach

In carrying out this work we first opted for the positivist paradigm because it seeks to explore reality by basing itself in part on empirical research ABERDEEN (2013). Indeed, the positivism is characterized by two main points: first, reality has a proper essence and second, reality is subjected to the universal law. Moreover, since this paradigm relies on a hypothetico-deductive approach that privileges the formulation of a problematic and the formulation of field-tested hypotheses, we have taken this approach. In this respect, our task is to examine the interaction relationship between the dependent variable (tax audit) and the independent variable (legal form).

In order to strengthen this analysis, a comparative approach was adopted, highlighting a sample of 60 SMCs in the city of Meknes, represented mainly by 43 SARLs, of which 7 were single-member SARLs, 10 were sole proprietorships and 7 were other miscellaneous enterprises

Thus, at certain stages of the analysis of the data collected via the questionnaire, we will integrate statistics of a fiscal nature, necessary in our opinion for the formulation of conclusions.

4.2. Analysis of the statistical tests for the validity and reliability of the data

In view of testing the quality of the data, we proceeded to test the reliability and validity of the measurement scales using SPSS software. V.24. The validity was checked by an explorative principal component test, while reliability was verified by the calculation of the Cronbach's alpha coefficient. Table 1 summarises the result of the two tests.

Table 1: Validity & reliability test result of the measuring instrument

Variables	KMO Indice	Signification	Totale Variance explained	Cronbach's alpha
TAX AUDIT	0,786	0,00	76,527	0,867
LEGALL FORM	0,821	0,00	62,934	0,737

Source: Output SPSS 24.0

The findings in the table below show that the values of the KMO and Bartlett's test are both significant, as the values of the former are all higher than the 0.5 level and the latter is significant at a p-value < 0.05. This means the data are suitable for factor analysis.

Total variance explained: The eigen value rule of greater than 1 has been used to estimate the explained variance. The obtained results show that all the factors related to the research variables are significant as the total explained variance of every variable yields more than 50%. Cronbach's alpha: The findings in Table1 indicate a good reliability of the measuring instruments, as the Cronbach's alpha values for the selected factors are all significantly higher than the required threshold ($\alpha > 0.70$).

Table 2: Reliability statistics for the ethics and compliance variable

	TAX AUDIT	LEGAL FORM
Alpha de Cronbach	,827	,798
Nombre d'éléments	5	4

Source : Output SPSS 24.0

The results achieved (Table 2) show a very high reliability of the measuring tools, as Cronbach's alpha records a value higher than the recommended minimum threshold ($\alpha > 0,6$).

Table 3: Pearson Correlation Coefficient between variables: "Tax Audit" and "Legal Form".

Correlation			
		Tax audit	Legal for
Tax-audit	Pearson Correlation	1	,893**
	Sig. (two-sided).		,000
	N	60	60
Leg-fo	Pearson Correlation	,893**	1
	Sig. (two-sided).	,000	
	N	60	60

** The correlation is statistically significantly at the 0.01 level (two-sided).

Source : Output SPSS 24.0

On the basis of this observation, we can state that the tax audit has a positive impact on the legal form, as the Pearson Correlation Coefficient is ($p=0.893$). This correlation is statistically important as the significance is 0 and well below 0.05.

Table 4: Regression between the " Tax Audit " variable and " Legal Form ".

Model	R	R-two	R-twoadjusted
1	,893 ^a	,837	,824

Source : Output SPSS 24.0

The regression test reveals that $R^2_{adjusted} = 0.824$. This finding shows that tax audits explained 82.4% of the legal form.

Based on the results of both the bivariate and the adjusted R-two correlation, we can conclude that the hypothesis is valid since tax audit has a positive impact on the effectiveness and efficiency of firms.

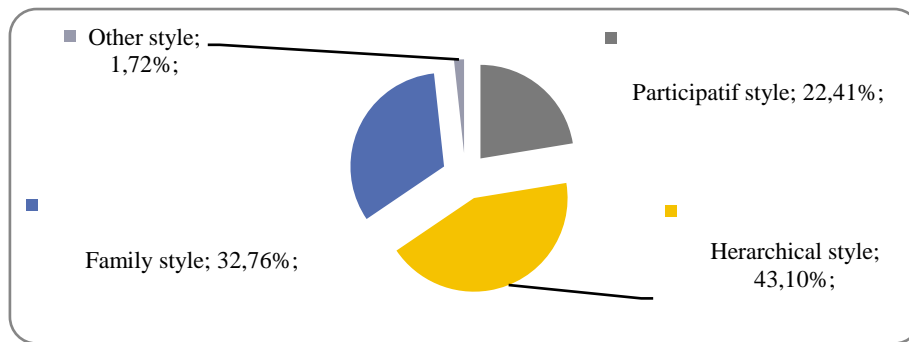
4.3. The SMC's perception of the tax variable and the tax audit

The integration or not of tax management by the SMC requires a decision on the part of the managers, hence the need to bring into play the management mode adopted by the companies under investigation (Fig. 1).

The general observation made is that 75% of the companies surveyed are partnerships, 43% of the limited companies and all of the capital companies surveyed adopt a hierarchical management style, a mode recognized as archaic and generating palpable dysfunctions within the company, hindering effective decision-making and neglecting the consideration of real needs, in the same way as the family management mode adopted by 50% of the individual companies, which is marked by disadvantages whose repercussions are inescapable.

As for participatory management, it is rarely adopted by companies, despite the advantages it provides in terms of collegial decision-making, coordination and horizontal and vertical collaboration between members of the company who are aware of the organization's development requirements.

Fig. 1. Management style adopted

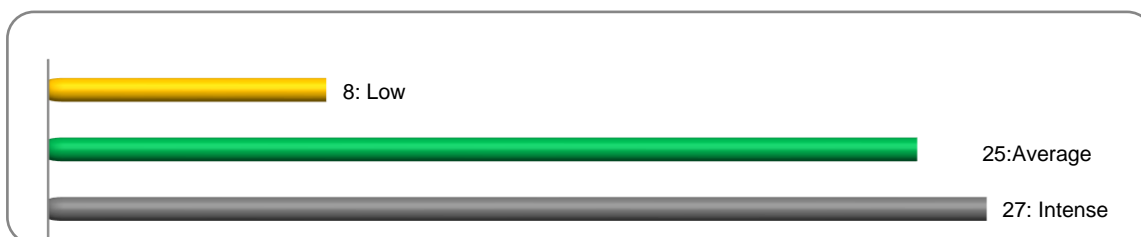


Source: authors

4.4. The study of the tax characteristics of SMCs surveyed

The second aspect of the analysis of the place of the tax variable in the SMCs stems from its effect on the daily management of the enterprise (Fig. 2). Indeed, the first finding is that 45% of the SMCs surveyed feel the intense impact of taxation on their management and 42% consider that taxation has a lesser effect on their management, while the rest of the sample is not aware of its importance.

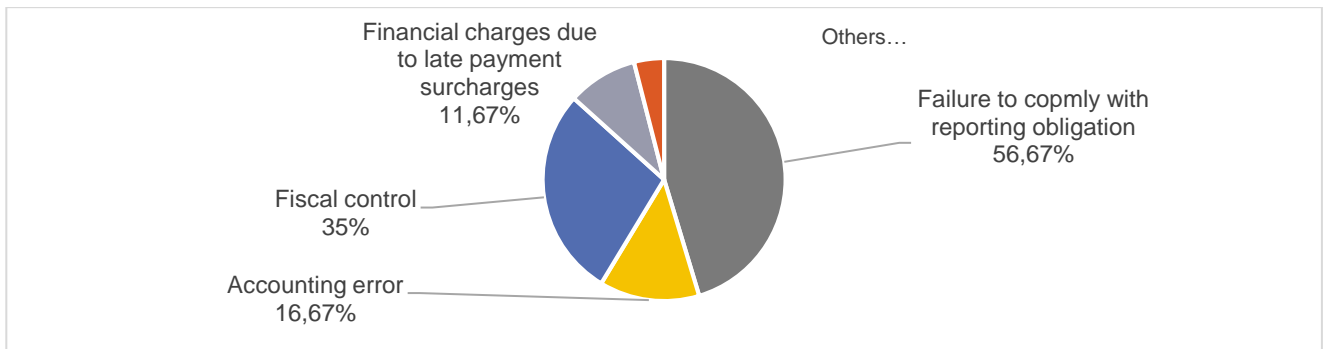
Fig. 2. Impact of the tax variable on the management of SMCs



Source: authors

Given the important impact of taxation on the life of SMCs, it was essential to quantify this impact using several criteria, chief among them the perception of tax risk (Fig. 3). The latter is perceived exclusively as a simple failure to comply with reporting obligations, or as a concern about being subjected to an unexpected tax control by the company. This has led us to measure the need to use tax audits as an alternative to tax management in the absence of an internal tax information system.

Fig. 3: Materiality of tax risk

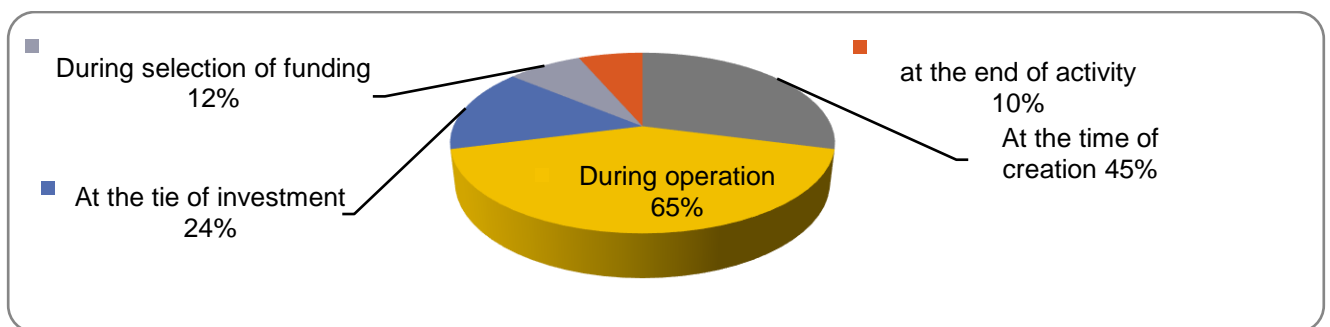


Source: authors

The degree of importance attached by SMCs to the tax parameter determines the degree of recourse to tax audits (Fig. 4). Indeed, 57% of the SMCs surveyed raise the need for a periodic tax audit, led by limited companies at 64%, followed by individual companies at 18%. While 23% of the SMCs are indifferent and do not attach any importance to this type of mission, the rest of the sample, represented by 20%, show a strong need for this type of mission, represented mainly by joint stock companies.

SMCs have a strong need for tax auditing throughout the life of the business, with 65% of SMCs claiming the need for tax auditing during the development phase, and 45% at the time of creation, compared to 10% at the end of the activity.

Fig. 4: Degree of reference to the tax audit when making tax choices



Source: authors

Consequently, it was also necessary to study the main choices made by SMCs, as well as the reasons that guide these choices (Table 5), and the tax considerations taken into account by the company in order to make judicious choices.

When setting up a company, legal considerations prevail in the choice of the legal form of the company at 77% and remain the most decisive, while tax considerations only come into play at 42%, followed by financial considerations at 14%, without giving great importance to

managerial and technical requirements. The tax variable, therefore, has less influence on this choice.

Table 5. The extent to which tax auditing is used

Choice of legal form	Nb. Citations	Frequencies
Legal considerations	46	76,67%
Tax considerations	25	41,67%
Financial considerations	8	13,33%
Managerial considerations	2	3,33%
Technical considerations	1	1,67%
TOTAL OBS.	93	

Source: authors

Making legal choices seems to be a less delicate decision for the SMC, where it integrates several parameters in addition to the tax one, which minimizes the contribution of the tax audit to the optimization of its choices.

Indeed, 59% of the choices made did not require recommendations from a tax auditor, while 41% of SMCs sought the advice of a chartered accountant or auditor. This explains the existence of constraints blocking the use of a tax audit mission capable of guaranteeing efficient tax management and relevant tax choices capable of deflecting any kind of tax risk.

Conclusion and perspectives:

At the end of this research, it was deduced that recourse to a tax audit is therefore essential for any company wishing to take advantage of the room for manoeuvre offered by tax law. Nevertheless, the survey carried out among a sample of SMCs in the city of Meknes revealed some paradoxical conclusions.

On the one hand, the perception of the role and interest of the tax audit in leading to a rational tax management and therefore to an efficient global management, is rarely admissible by the SMCs, due to a lack of knowledge of this profession still in its development stage, or due to mistrust of all that refers to the word "taxation".

On the other hand, the need felt for this mission, by some taxpayers who are more or less aware of its scope, is constrained by several handicaps relating to the institutional environment and the entity's internal capacities.

In short, the use of a tax audit to optimize the choice of this or that legal form is not on the SMC's agenda; firstly because of a lack of knowledge of the advantages of this discipline,

secondly because of a lack of fiscal civic-mindedness capable of establishing a culture of rigorous tax management, and thirdly because of a lack of human skills and financial means.

The measure of the incidence, perception and degree of recourse to a tax audit mission at the time of the firm's creation decision, mainly targeted the SMC. This selection is justified by the predominance of this type of business in the architecture of the economic fabric of Morocco, as well as by its remarkable role in the country's economic, social and environmental promotion. However, the city's SMCs of Meknes do not constitute on their own a reference to confirm the assumptions of our research.

The main limitation of this research remains the size of the targeted sample which remains limited for the generalization of the results obtained. The outlook consist in lifting this limit in order to be able to carry out a quantitative study to be carried out on a large sample of companies located in other cities. Also, the hypothesis of our research should be reconsidered in order to study the impact of tax audit's use all along the life of the company, and not just at the time of its establishment and the choice of its legal structure.

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