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Younis A. Battal Saleh

Abstract- The relationship between corporate monetary and In-kind donations and tax incentives is not apparent" hidden" and can only be deduced through the hypothetical comparison. This relationship may be a justification for the lack of scientific contributions on this relationship, as well as accounting standards that govern how to disclose that relationship in the reports and financial statements. This relationship also justifies the corporations' insistence on using the same usual method of disclosing such donations. The careful analysis of the relationship- based on the hypothetical comparison, between endowments "grants" and tax incentives, will confirm the existence of the following two facts: (1) There is a mandatory partnership between corporations and government. According to this partnership, the government is a forced partner " obliged partner "; (2) Achieving economic gains "tax savings" for corporations. Achieving economic gains means that the value of donations paid does not reflect the value of real sacrifices incurred by corporations because of those tax gains. Since the usual method of disclosing donations is an old and undeveloped, this means that it will not include any explanation about the effects of that relationship. Therefore, the usual method of disclosing donations can be considered deficient and does not meet the requirements of comprehensive " full " disclosure. To address this deficiency through the development of the process of accounting disclosure of donations in the presence of that relationship to be in line with the standards and requirements of the comprehensive " full " disclosure, this study developed a vision on how to disclose those donations in the reports and financial statements. This vision will contribute to improving the quality of the corporate social performance evaluation process due of the objective data that is not misleading and "deceptive" that can be provided by the full disclosure of such contributions.

Keywords: corporate philanthropy "corporate social responsibility." taxation. accounting disclosure.

I. Introduction

People have been and continue to help each other since human life began on this earth, and since human societies have emerged and have taken their place in existence. Religious faith throughout the ages and the succession of times and generations has had the obvious impact on the urging and motivating people to help each other" the rich people help the poor ,and the strong people support the weak." As a result of" the development of life, the emergence of modern countries with their modern institutions, terrible population explosions, the multiplicity of social and economic problems, the emergence of market competition" competitive market" among corporations, with new requirements previously unknown, the emergence of roles and strong influences for stakeholders, that are not known in the past, the emergence of non-profit organizations and charities, the emergence of laws that did not exist in the past, and governments are unable to meet the needs of their people in a satisfactory manner for their peoples," the donations of corporations and businessmen have become one of the tools used to solve many problems within those communities, and they have become one of the tools to gain the satisfaction and loyalty of the stakeholders for gaining competitive advantage- and that is why corporations and businessmen are interested in disclosing these donations in all media. Given the importance of donations and their effective role in social and economic development within societies, governments in most countries of the world developed a set of laws to regulate donation activities, which also include tax incentives to encourage donors to pay attention to charitable activities. However, this development was not accompanied by a similar development in the process of accounting disclosure of those contributions, especially about the hidden *(invisible/can be deduced)* relationship between donations and tax incentives.

a) *Official "binding" disclosure and unofficial "non-binding" disclosure*

The official disclosure is the accounting disclosure in the financial statements and reports. It is usually regulated by a set of criteria that must be

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followed, and it is binding. Informal "unofficial disclosure is publicity and advertisement in the known means of advertising. It is not binding and is not regulated by certain criteria.

People often hear and read through the familiar media such as "television, radio, social networks, newspapers, magazines and advertising posters" about donations of corporations and businessmen, without the awareness of most people that, these propaganda campaigns are a kind of disclosure of the social performance of those corporations and businessmen" It is said that Mark has donated $ 1 million to build a school in New York State." Often, those advertisements and disclosures are deceptive" misleading" because they ignore the real sacrifice incurred by corporations and businessmen (the value of donations - the value of tax savings), and the mandatory partnership of government in these charitable activities(where these contributions" donations" contribute to reducing the value of the tax invoice payable and thus reducing the government revenues from taxes). In the presence of tax incentives, according to the researcher's belief, the disclosure of these donations, while ignoring the tax savings and real sacrifice, is considered to be contrary to the principle of transparency and adequate presentation of data and financial information. The non-disclosure of tax savings and real sacrifice is what can be called misleading or incomplete disclosure. The correct advertising" disclosure" is," It is said that Mark has donated $ 1 million (without deducting tax incentive value gained in favor of the donor) to build a school in New York State." Advertising in an honest manner has never happened in practical life. And will not be expected to happen in the future.

Disclosure of social performance is the means by which evaluators can evaluate the extent to which corporations are committed to their social responsibility towards all stakeholders. The corporate social cost is one of the most important elements of the evaluation process and as one of its requirements, which depends on it to a large extent in the process of extracting findings. Donations as a class of those costs must be subject to a comprehensive disclosure process, because that donations may hide behind it many unwanted behaviors. The researcher believes that the process of disclosing donations should include the real sacrifice incurred by the donors when there are tax incentives. Always corporations - to gain loyalty and satisfaction of stakeholders, disclose the values paid as donations without addressing" without referring to" the real values of those contributions to amplify the numbers to fool people. Amplifying the numbers to deceive people is contrary to the principle of transparency in the presentation of data and financial information.

Users of financial statements and social performance evaluators may be fooled by published and untreated figures on corporate donations in reports and financial statements. Whereas the presentation of financial data on donations without addressing tax savings- resulting from such expenditures, will show exaggerated figures and then the results will be misleading. And if these tax savings were excluded" deducted " from those expenditures, the value of those expenditures will appear less than what was paid; this may be undesirable for corporations that are looking for anything that strengthens their position in the society in which they operate. As corporations want to improve their image within their communities through the total figures of those expenditures without treatment or reduction. Amplifying the numbers may be inconsistent with the principle of transparency in the presentation of data and information. Thus, this requirement may be problematic for corporations when disclosing their social performance. This study will discuss this issue and show how to address this problem in theory, in line with the comprehensive "*full*" disclosure concept of the social performance of corporations.

II. Literature Review

a) *The Corporate Social Responsibility (CSR)*

The idea of CSR is nothing new. The new is the evolution that has occurred in the content of its thought over time. Social Responsibility of corporations - which means the need to conduct business in a socially responsible manner, evolved from an era of philanthropic initiatives to an epoch of strategies and policies that meet the demands and ambitions of the communities in which they operate. CSR was no more than charitable actions "initiatives" by employers to help workers and the poor. And with the emergence of trade unions and social pressures, corporations began to pay attention to improving working conditions. With the advent of competition among corporations and consumer protection organizations, corporations have been and continue to pay great attention to consumer protection. And with the growing phenomenon of environmental pollution which is caused by industrial processes, and the emergence of environmental protection organizations, As well, political and social pressures, corporations have begun to pay more attention to ecological protection. Last but not least, and with the emergence of sustainable development ideas, corporations have become aware of the importance of achieving their objectives by adhering to the requirements of sustainable development, which takes into account the rights of living of present and future generations on Planet Earth.

The charity provided by employers to the poor and their employees in the past centuries has had a clear impact on the emergence and development of CSR thought. Among the general public, there is still confusion between the concept of Philanthropic

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responsibility and CSR; the first is considered one of the components of the second; it contributed to its development. Development does not only include the concept of CSR but also encompassed the connotation of philanthropy - as one of its components, to transform from a mere practice into an effective strategy.

From charity to strategic philanthropy: This notion contends that organizations should find social needs that align with their particular expertise (or core competencies). For example, it would seem to make little sense for a computer manufacturer to spend funds on building homeless shelters. This view is not to suggest that the computer manufacturer should not engage in philanthropy, but rather that" better than that" when it does so, it should engage in an activity or issue closer to its area of expertise. Companies that focus on the causes in their area of expertise will almost certainly be more efficient at addressing social needs (Wyk, 2011: 65).

There are many definitions of CSR with similar meanings. In this study, the researcher has developed a definition that includes almost all those meanings. *The researcher defines CSR* in its general sense as follows: Corporate Social Responsibility (CSR) means exercising economic activities with legal guidance and ethical behavior by corporations when achieving their desired goals that ensure the growth and continuity for them. Taking into account compliance with the following requirements: Contributing to the continuation of life and improving its quality, and achieving prosperity on the planet Earth for present and future generations; not to inflict material and moral damage on others, and fruitful interaction with them to achieve common interests, and taking into account that they are an important and irreplaceable part to ensure the process of their continuation and achievement of their objectives; Commitment to everything that makes life organized in the environment in which they work.

b) Corporate Philanthropic Responsibilities

If a company can meet all of its other responsibilities (Economic, Legal and Ethical), it can begin to face philanthropic responsibilities. Philanthropic responsibilities are responsibilities that go above and beyond what is normally required or what the company believes is right. They involve making an effort to benefit society-for example, by donating services to community organizations, engaging in projects to aid the environment or voluntary financial contributions to charitable causes (Scilly, n.d).

The philanthropic responsibilities are the voluntary responsibilities of the enterprise. They reflect the current expectations of the public towards the enterprise(Grigore, 2010: 170). Corporate philanthropy includes all forms of business giving. Corporate philanthropy embraces business's voluntary or discretionary activities. Philanthropy or business giving may not be a responsibility in a literal sense, but it is normally expected by businesses today and is a part of the everyday expectations of the public. Certainly, the quantity and nature of these activities are voluntary or discretionary. They are guided by a business's desire to participate in social activities that are not mandated, not required by law, and not generally expected of business in an ethical sense. Having said that, some businesses do give partially out of an ethical motivation. That is, they want to do what is right for society. The public does have a sense that businesses will "give back," and this constitutes the "expectation" aspect of the responsibility. When one examines the social contract between business and society today, it typically is found that the citizenry expects businesses to be good corporate citizens just as individuals are. To fulfill its perceived philanthropic responsibilities, companies engage in a variety of giving forms – gifts of monetary resources, product and service donations, volunteerism by employees and management, community development and any other discretionary contribution to the community or stakeholder groups that make up the community (Carroll, 2016: 4).

The researcher defines Philanthropic responsibility as a component of CSR as follows: it is a set of the initiatives that includes philanthropic "material and non-material donations" that contribute to improving the quality of life within the communities in which they operate, which is voluntarily provided by corporations without any legal coercion. This result in response to the aspirations of contemporary societies and their urgent desires to develop the role of corporations to be the ideal partner who will bear part of their worries and problems due to the inability of governments - in most countries of the world, to meet all the needs of their contemporary societies and achieve all their aspirations.

c) Corporate Philanthropy/Corporate Giving/Corporate Donation

Philanthropy is a term connected with the American tradition of charitable giving. At first, it was associated with a person- philanthropist, but today the term corporate philanthropy is more developed, meaning the business sector's voluntary giving (Mihaljević and Tokić, 2015: 804). Philanthropy stems from the Greek word which means love of humanity. Popular interpretations today refer to private initiatives for the public good (J. W. Gardner) or initiatives directed at the improvement in the quality of human life (Robert Bremner). Colloquially, philanthropy is the most commonly used interchangeably with charitable giving. – WINGS(John et al., 2017: 136). Corporate philanthropy is the act of corporations donating a portion of their profits or resources to various non-profit organizations (Madrakhimova, 2013:125). This definition may be consistent with the laws in some countries that require

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the payment of donations to non-profit organizations to prevent fraud and deception. This definition is limited, it excludes direct donations to poor people, completion of some public projects such as building schools and hospitals, etc. as well as non-material help for the public good" volunteer work," unless the laws of the State so require, where the public interest so requires. Here, nonprofits will play the role of mediator. Another definition is the use of discretionary financial and human resources for primarily public benefit while recognizing that the impact might also accrue for the company's shareholders and employees (John et al. , 2017: 133). *The researcher defines corporate philanthropy\giving\a donation as follows:* It is all material donations" money, assets and goods" and non-material "services," which are provided to non-profit organizations or the poor and the needy or for the public good to improve the quality of life in the community. These donations may result in the achievement benefits for corporations such as exemptions and tax incentives, in addition to enhancing the competitive advantage. There is increasing interest by corporations in their philanthropic responsibility, especially in developed countries, where many studies have shown that corporate giving has been on the rise in recent years. For example, a study on corporate donations in the United States in 2005 has shown that 62 biggest companies in the U.S. gave $8.4 billion last year, an increase of 14% from 2004. Also, 87% of the companies surveyed indicated that they have an employee volunteer program, with 44% of them offering paid time off to employees who volunteer (Man, 2006:1; Perry, 2006). The global survey of CSR spending over the period 2011 – 2013 by Dattani et al. (2015) revealed that the top 10 most generous companies worldwide gave US$ 17.7 trillion towards CSR spending annually. An estimated 28 percent of this sum (nearly US$5 trillion) was in the form of grants rather than in-kind donations or volunteering (John et al. , 2017: 18).

What Might be Hidden behind the Corporate Monetary and in-Kind Donations?

Donations may be a stone for more than a bird "*more than a purpose.*" They may hide behind them many unwanted behaviors in addition to legitimate purposes. The purpose of the donation depends on the intentions of the donor. In general, donations can be a tool to achieve the following purposes:

i. *Embezzlement* "*Collusive Embezzlement*"

Donations may use as a means of embezzlement through the collusion "*conspiracy*" of both the management of the corporation and the recipient of the donations" a charity\charitable organization." This immoral behavior occurs as a result of the following factors: (1) Separation of ownership from management; (2) A malicious administration manages the affairs of the corporation; (3) Weak internal and external control systems ; (4) Excessive trust given to management.

ii. *Tax Evasion*

Through subsidies received for false declarations of charitable donations. Taxpayers in many developed countries can deduct grants to charities from their income tax and reduce their tax liabilities by reporting higher cash or gift donations (e.g., clothes, cars) to charities than they have actually made, and thus evade income tax(Nell,n.d.:7). The contributions of the corporations may be one of the tools of economic crimes such as tax evasion and smuggling of money, etc. In Russia, the law was far imperfect, as stated by many educated people in the issues of taxation. In the early 2000s, the government began to deal with this state of affairs as a result of the abolition of many benefits for donors. Before a period of directing up to 5% of their income to charity, this legislation establishes that donation by firms and organizations can only occur at the expense of net profit. The Ministry of Finance has decided that companies providing charitable activities through the provision of free services or delivery of goods are exempted from VAT, but payments to the state treasury are not reduced. To avoid the transfer of funds through bogus charities against government charity, double taxation was introduced. According to the Tax Code of the Russian Federation, donation recipients have to pay income tax, but people can avoid it if they obtain a grant in the field of education, science, culture and art (Madrakhimova, 2013: 128). On 5 December 2015, Al-Sharq Al-Awsat published an article entitled" Donations by America's billionaires: Are they donations or tax avoidance?". This article discussed the suspicions surrounding the America's billionaires, the policy of "*giving by the right hand and taking by the left hand*" and the economic benefits that will be gained by those billionaires (Al-Kholi, 2015).

iii. *Political Gains*

Acquisition of the influence of the government and its administrative agencies and use that influence to pressure the government to make decisions in favor of the donor corporations. Philanthropy may be a way for political businessmen\Businesswomen to gain power, where their charitable work will help to show them as good men who are good at managing their country's affairs. Bertrand et al. in their study in 2018 in the USA, their empirical results implied that 8.8 percent of corporate charitable giving is politically motivated.

iv. *Tax Incentives*

In many countries, charitable contributions benefit from a favorable tax treatment that may take the form of a deduction from taxable income or of a tax credit. Recently, these tax incentives have been further promoted by the governments of several European countries, as a way to increase private funding for fields

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like education, research, and culture(Fack and Landais ,May 2010:117). "Charitable giving by individuals and businesses is an important source of funding for nonprofit organizations. These charitable donations are influenced by various factors. For donors in the state of Michigan." Some of the more common reasons to give to nonprofits are to help others, to support an organization or cause they believe in, and felt it is morally obligatory to contribute." While these factors vary for each individual or business, research indicates that tax implications influence the size of the donation. Donors receive economic benefit from a reduction in the amount of paid taxes. The motivation to reduce taxes by contributing to a nonprofit is known in economic terms as a tax incentive. The most common tax incentives are either tax deductions or tax credits, as in the USA "(Enders, n. d). In developed countries, governments have recognized the importance of donations to charities or nonprofit organizations in solving many social problems and also to encourage corporations to continue their noble activities "*humanitarian and charitable works.*" Many tax-related laws have been reformed and improved in those countries, while in other countries - especially in developing countries - claims are still increasing the need to amend the tax laws to be consistent with charity. The United Kingdom, the United States, Canada, and Australia, since the beginning of their income tax regimes, have all permitted a deduction or tax credit for gifts to certain public purpose organizations. In the last decade all these countries have used policy measures such as nonprofit fundraising capacity building, publicity campaigns, and tax incentives to encourage philanthropy (Lyons and Passey 2006; McGregor-Lowndes et al., 2006: 496).

v. *Competitive Advantage*

Increasingly, philanthropy is used as a form of public relations or advertisement to promote a company's image or brand through cause- related marketing or other high-profile sponsorships- arguing that "social and economic goals are not inherently conflicting, but integrally connected (Porter and Kramer, 2002: 1). Whereas, philanthropy can be a source of competitive advantage (Porter and Kramer, 2002: 1; Henderson and Malani, 2008: 7).

vi. *Improving the Quality of Life*

Corporate philanthropy is a key component of a corporation's broader social responsibility, and includes cash gifts, product donations, and employee volunteerism. It serves as a major link between the corporation and its communities. Corporations support their communities in numerous ways-foundation giving, providing local volunteers, donating goods and services, and even pro bono assistance (without charge). Corporations work hard to help improve the quality of life in their communities and have a strong sense of responsibility to the people in their communities(JA Worldwide\online). Donations provided by corporations to non-profit organizations are often used to achieve the following goals: (1) Contributing to solving the social problems of certain categories of people within communities such as orphans, elders, alcoholics and drug abusers, etc. (2) Economic assistance to the poor and needy within communities. (3) Combating some negative phenomena within societies and correction of deviant behaviors. (4) Supporting public attitudes that are in the interest of society. (5) Supporting public awareness and educational programs on some issues within societies. (6) Combating all types of pollution "environmental/ moral/noise, etc." resulting from economic and technical developments. (7) Completing some other projects such as construction, maintenance, and development which are in the interest of society. Certainly, these achievements will contribute to improving the quality of life within these communities.

vii. *Distracting the Attention of the Public Opinion on a Particular Issue*

Through charitable donations and using excessive media propaganda, some corporations try to distract the public opinion about some of the scandals and immoral practices they have committed, or due to the nature of harmful products produced by those corporations" such as the tobacco and alcohol industry," or as a result of environmental damage caused by those corporations, in order to alleviate the anger of the public towards those corporations in an attempt to convince the public that they are good citizens, their benefits for the society" financial support provided by them" are more than their harms.

viii. *To Reduce or avoid Losses Resulting from Obsolescence or Expiration of Inventory*

When the inventory (products/machines/ materials, etc.) expiration date is close to completion, or when the stock is outdated due to the emergence of new models "as in clothes," corporations will try to get rid of it with the least economic losses, by donating the stock and achieving tax savings.

III. Income Tax and CSR

Income tax is a key source of funds that the government uses to fund its activities and serve the public. That funds of the taxes are part of the revenues of the state government; without that funds the government cannot manage the state affairs. As is well known, the government uses that funds to pay staff salaries in the public sector, constructing of the schools, hospitals, roads and bridges, parks, etc. therefore, corporations must be committed to supply "pay" the values of taxes to the tax administration\IRS. That commitment comes from the reality of the legal responsibility of corporations to the community and its institutions. Also, non-compliance with tax laws and tax evasion by corporations means facing sanctions by the

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law of the State's economic crimes." Academics have advocated including the paying of taxes in CSR. For example, the American professor Avi-Yonah adamantly maintains that companies bear a social responsibility that includes loyally paying taxes. He also argues in favor of companies refraining from business transactions whose sole objective is to minimize taxes" (Avi-Yonah, 2014; Svernlöv, 2016: 8). On the contrary, in previous years, calls for the development of tax laws in many countries of the world have emerged. Reform of tax systems calls for the need to change the Laws to conform to the strengthening requirements the idea of the practice of CSR by corporations through the creation of a system of incentives to achieve tax justice between the corporations and contributes to encouraging corporations to adopt the idea of social responsibility. For example, Jordanian Al- Rai newspaper published an article on 18 - 11- 2014 under the title" The private sector calls for legislation to stimulate the adoption of the idea of CSR." Also, there were some actual initiatives in many countries aimed at reforming tax systems, for example, tax reform in France in 2003 about incentives for corporate giving\corporate philanthropy (Lordemus, 2013: 16). The Sudaress website published an article in 2013 under the title "Donations for Taxes." This article was an invitation to the Sudanese government to develop the tax code to encourage taxpayers to donate as is the case in the United States. This article stressed the need to find a law that allows deducting the contributions of corporations and businessmen\ businesswomen from the taxes imposed on them (Sudaress, 2013). To encourage taxpayers to contribute to charity and community service. In 2017, the Sultanate of Oman carried out tax reforms "Amendment to the Tax Code" under Royal Decree No. 9/2017. Those reforms ncluded the tax treatment of donations. In- kind donations are as costs, that must be deducted when determining taxable income. Those amendments were as incentives for donors (Ministry of Finance\General Secretariat of Taxation "Sultanate of Oman." 2017).

a) Tax Treatment Methods of Corporate Monetary and In-Kind Donations

Corporate income tax laws differ from country to country, especially about how the tax treatment of monetary and in-kind donations incurred by corporations. In fact, all tax laws in this area cannot be studied for all countries of the world. All laws could not go beyond one of the following three scenarios: (1) Deducting the value of monetary and in-kind donations from the value of revenues "*in varying percentages according to the tax law of the State; where the rate of deduction varies from state to state*" to determine the taxable income. Tax exemption according to this method is in the sense of deduction\reduction, and not in the sense of restoration\return. The value of such donations shall not be excluded from the total expenditures value "by the granted tax exemption rate," with no any tax exemptions in the sense of restoration\ return. This method can be called the Method Of Society's Rights And Then Government's Rights (Tax Exemption In The Sense Of Deduction); (2) This method is similar to the previous method, but the exemption is in the sense of restoration\return and not the in the sense of deduction\reduction. According to this method, the tax treatment is by deducting the value of monetary and in-kind donations from the value of the income tax. This method can be called the Method Of Society's Rights And Then Government's Rights "The Tax Exemptions In The Sense Of Restoration\Return." This method may be rarely used in the countries of the world. This method means the restoration\return of the values of donations to corporations before fulfilling the rights of the government," Before paying the value of the tax invoice, which is calculated without taking into account the value of donations when determining the taxable income, and reduced by the value of those donations "; (3) Deduction of monetary and in-kind donations from distributable income after deduction of income tax. This method pays no attention to monetary and in-kind donations when determining the value of the tax invoice. This method can be called the Method Of Government's Rights And Then Society's Rights.

b) Types of Tax Exemption for Donations

It is often misunderstood the meaning of tax exemption in exchange for monetary and in-kind donations. The tax exemption may be for reduction " *in taxable income*" or for restoration\return "*through the final tax invoice, which is calculated without taking into account any donations*" - according to the legal text. Both "reduction and restoration\return" contribute to the reduction of the value of the tax invoice payable. But they differ in meaning and method of calculation. As a result of this similarity, the researcher sees the need to define the difference between the two terms to remove the state of ambiguity. As the deduction means a reduction in the value of taxable income by the number of donations or part of them. In other words, donations (or part thereof) are treated as other expenditures in the statement of income to determine the net accounting income, which represents the taxable income. While restoration\ return means reducing the value of the tax invoice "*which is calculated without taking into account any donations*" by the value of such monetary and in-kind donations.

c) The Method of Society's Rights and then Government's Rights (Tax Exemption in the Sense of Deduction)

The method of society's rights and then government's rights (tax exemption in the sense of deduction) is the most widely used method in most corporate income tax laws; it is extensively used in

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many countries of the world. According to this method, corporate monetary and in-kind donations are considered as expenditures which must be deducted from revenues "*according to the deduction rate*" to determine taxable income. This method allows deducting the value of monetary and in-kind donations from the value of revenue to determine the value of taxable income and the value of the tax invoice, if certain conditions are met in those donations, according to the tax law in force in the State. In other words, deduction of community rights" donations" from revenues and then deduction of income tax" government's rights. "The tax exemption according to this method is to reduce the value of the tax invoice by reducing taxable income by the value of monetary and in-kind donations.

d) Tax Saving and the Real Sacrifice Resulting from the Hypothetical Comparison

Social expenditures" donations " incurred by the corporations - which seek to achieve the profits- at the end of the accounting period are treated as other expenditures for the purpose of determining the value of the taxable income- in accordance with the traditional accounting approach - where donations contribute to reducing the value of the income tax that will be paid to the fiscal administration according to the law and tax regulation used in the State. Also, the non-mandatory social expenditures (in the field of corporate philanthropy) may contribute to achieving some tax reliefs (tax exemptions) for corporations. This incentive will lead to a reduction in the value of income tax- which must be paid to the IRS. As it's known, donations are financial amounts incurred by the corporation for the purpose of contributing to the achievement of the social benefits for other parties in the society - within the framework of mutual benefits and the corporation. Thus, these expenditures will not contribute to producing the income nor achieving any direct economic benefits to these corporations such as the contribution of other expenditures (general and administrative expenditures, distribution and sale expenditures, manufacturing expenditures, etc.). Although social expenditures" donations" differ from the other expenditures incurred by the corporations in terms of the goal of the spending process, however, the accounting treatment of these expenditures in the income statement - for the purpose of determining taxable income - is not different from the treatment of other expenditures, according to the traditional accounting approach and the method of society's rights and then government's rights (tax exemption in the sense of deduction). As it is shown in the income statement, those expenditures are excluded from the value of revenues *(to determine net accounting income).* Generally, this treatment leads to a reduction in the value of taxable income resulting from such expenditures incurred by the corporation during the accounting period, and then a decrease in the value of the income tax paid to the fiscal administration. If the corporation did not incur any non-mandatory social expenditures" donations" during the ended accounting period, the value of the taxable income and the value of the income tax paid to the fiscal administration would be higher than the value of the taxable income and the value of the income tax paid to the fiscal administration in case the corporation incurred non-mandatory social expenditures during the ended accounting period. That is to say that, according to the hypothetical comparison, the corporation which incurs non-mandatory social expenditures will pay an income tax less than what will be paid, if it does not endure non-mandatory social expenditures. As a result of this, the corporation achieves a tax saving as a result of decreasing in the value of the taxable income resulting from the value of the non-mandatory social expenditures "donations."

Tax saving is (The value of the tax must be paid to the fiscal administration under the assumption that the corporation did not incur any non-mandatory social expenditures" donations during the ended accounting period) – (The value of the tax must be paid to the fiscal administration in the case that the corporation incurred non-mandatory social expenditures" donations" during the ended accounting period). Tax saving resulting from donations can be defined as follows: It is the amount of the decrease in the value of the income tax paid by the corporation to the fiscal administration on a definite financial period as a result of incurring non-mandatory social expenditures during that period. Also, it can be defined as the difference in value resulting from comparing the value of the income tax paid to the fiscal administration – under the assumption, that the corporation did not incur any non-mandatory social expenditures during the ended accounting period –with the value of the income tax paid to the fiscal administration in the case that the corporation incurred non-mandatory social expenditures during the ended accounting period. The hypothetical comparison method is used to indicate the paid amounts with the right hand and the collected amounts with the left hand. (Saleh,2018:85). The Real Sacrifice is the difference between the value of monetary and in-kind donations and the value of tax savings. The Real Sacrifice = The Monetary And In-Kind Donations - Tax Savings.

The Hypothetical Comparison (a comparison depends on the assumption "*existence and non-existence of a variable.*" Comparison of the result in the presence of a variable with the result in the absence of that variable): The hypothetical comparison method is used to indicate the amounts paid by the right hand and the amounts taken by the left hand " policy of *giving by right hand and take by left hand or what is given by one hand is taken back by the other.*" Comparison of the result in the presence of a variable with the result in the absence of that variable. This type is intended in this study. Comparison of the value of the income tax in the

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presence of monetary and in-kind donations with the value of income tax in the absence of such contributions. In other words, tax savings are the result of a comparison of the amount of the tax invoice payable (in the case of donations are incurred\made) with the amount of the tax invoice payable (in the case of donations are not incurred\ made).

e) A Hypothetical Example

To indicate how to determine the value of tax savings and the value of real sacrifice resulting from the tax incentives granted to donors for their monetary and in-kind donations, the researcher suggests the following hypothetical example of a corporation, which can be considered as a hypothetical state that simulates" mimics" reality to a large extent: Suppose that the tax rate imposed on the income of the corporations in a country was % 40 of the value of taxable income. The state tax law allows deduction of the total value of monetary and in-kind donations from the value of revenues" as a tax incentive granted to donors." The value of revenue achieved by that corporation during a financial period was $ 100000. The total value of expenditures incurred by that corporation during the same financial period was $ 60000 (including $ 10,000 the value of monetary donations, as follows: $ 4,000 the value of the contribution to the construction of a school for the people of the region.$ 3,000 the value of a monetary donation to a recognized charity.$ 3000 the value of the contribution in the public hospitals maintaining. By relying on these data, the value of tax savings and real sacrifice can be determined, as in table 1.

Table 1: How to calculate the tax exemption in the sense of deduction and also determine the value of tax savings and real sacrifice.

A Statement	Assuming That The Corporation Did Not Incur Any Donations During A Financial Period	The Tax Exemption In The Sense Of Deduction, Under The Assumption That The Corporation Incurred Donations During A Financial Period
Revenues	$100000	$100000
Expenditures	$50000	$50000
Donations		$10000
Taxable income	$50000	$40000
Income Tax "Tax invoice value"	$20000	$16000
Tax savings ($ 20000 - $ 16000)		$ 4000
A real sacrifice ($ 10000 - $ 4000)		$ 6000

Through the results listed in the table above, it can be argued that, when the corporation incurred donations at a value $ 10000, it achieved a tax saving at a value $4000. Achieving tax savings means that the real sacrifice incurred by that company is a value of $ 6000, not a value of $10,000. As government revenue from taxes reduced by $ 4,000 due to those donations, this is what can be called compulsory partnership. Where the total value of the donations is the result of two contributions are a voluntary contribution (by the corporation at a value $ 6000); and a compulsory contribution (by the government at a value $ 4000).

f) The Government as a Forced Partner

The careful analysis of the relationship between donations and tax incentives reveals a state of compulsory partnership between the government and donors. That partnership is by tax law. Corporate income tax laws in most countries of the world allow deducting of donations from revenues "*taxable income.*" This tax treatment results in a decrease in the value of the tax invoice payable to the tax authority. Deducting of donations from revenues means a reduction in government tax revenues by the amount of that earned tax savings by corporations as an incentive to

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encourage them to make more voluntary contributions in future periods. The tax savings achieved by corporations in exchange for their charitable contributions are equal to the amount of such a reduction in the value of government revenues from taxes. Achieving tax savings means that the value of donations paid by corporations is not equal to the real sacrifice incurred by those corporations. The total amount of voluntary contributions will represent the actual voluntary contribution "*real sacrifice*" by the corporation *(which is equal to the value of contributions actually paid - the value of tax savings) in addition to the compulsory contribution of the government (which is the value of the decrease in income tax, and which is equal to the value of tax savings achieved by corporations).* The compulsory partnership is the result of a decline in the value of contributions paid due to tax savings achieved by corporations and, which represents the amount of the decline in the value of government revenues from taxes as a result of tax incentives granted to corporations.

g) The Usual Disclosure Method

Publication of news for advertising and publicity "*propaganda* " in the media about monetary and in-kind donations is different from accounting disclosure in the financial statements and reports. Advertising and publicity are intended to inform people that there is a donation process made by a corporation, businessman\ businesswoman or wealthy man\woman to send a message to the public that, that rich or that corporation is a good citizen who strives to do good in the society in which he\she\it lives\operates. These advertising campaigns often hide behind them a lot of interests and purposes, which the donor seeks to achieve, whether they are legitimate or not. Also, advertisements may be false and baseless, for example, The Information Center of the Council of Ministers- in the Republic of Egypt, denied on Thursday, 22 Nov. 2018, what was published about the donation of a businessman to build 1000 schools for the Ministry of Education. The Information Center said that, through its communication with the Ministry of Education and Technical Education, which denied the news. Where the ministry confirmed that it had not received any donations from any businessman on the construction of some schools for the ministry. The ministry said that all news were rumors, that this alleged news were unfounded. And that the Ministry wishes the contribution of businessmen\businesswomen and civil society in this project (Almasryalyoum, 2018). As well as, the announcement of donation does not mean the commitment to implement it by the donor. The donors- after announcing their donations, may back down on their donation decisions. For example, Akhbar 24 Newspaper" News of the Kingdom of Saudi Arabia 24- hours " on August 11, 2018, published the case of a businessman retracted his donation decision to the Orphan Care Society for 20 million riyals and the reasons for retreat "retraction" on earlier promises (Akhbar 24, August 11, 2018).

Based on the foregoing, the following three facts can be inferred: The announcement of donations in the media does not mean that donation processes have been made; The announcement of donations in the media does not impose any legal obligation on the donor in the event of a decline "*retraction non-fulfillment* " in the decisions of the donation; The media hype about donations may conceal intentions "*moral/immoral*" that the public will not understand.

While the accounting disclosure of monetary and in-kind donations used by corporations means proving and recording the donations in the book group, the financial statements "the statement of income" and the tables and reports attached to the financial statements for the financial period ended in a more detailed manner. Contributions "*donations*" during the financial period are shown as a total amount - included as a balance in the contributions account, in the income statement. While the detailed data and full information about those contributions appear in the tables and reports attached to the financial statements. These tables include the value of each donation and the type of donation" monetary contributions\in- kind contributions", payment method "Cash/check", recipients of donations and their addresses and permanent headquarters, Communication tools with recipients" telephone numbers\mail boxes "*postboxes*"\ permanent headquarters location: state, city, area ,and street". Purpose of donation. Disclosure is all detailed data that give the readers of the financial statements full knowledge about that total amount of contributions appearing in the income statement. It should be noted that there is a difference between the process of accounting proving "recording" and the process of accounting disclosure. Proving in accounting books is the recording of financial transactions- after they are completed, by relying on a set of supporting documents. Disclosure means providing all the detailed data on these transactions to create sufficient knowledge about them for the readers of the financial statements. The following is a hypothetical case- simulates the reality, which describes how familiar accounting disclosure about donations in most corporations of the world. Assuming that: Total value of the donations account balance of Green Mountain Company for the beverage industry - Benghazi - Libya, for the financial period ended on 31 December 2018 was $ 20000. This value is a total amount of three donations made during the financial period ended, its detailed data as follows:(1) $ 6,000 is the value of a donation for the maintenance of a public school in the city of Benghazi, the value was paid by a check "check number 23434543. "A number of payment authorization is 55567. The Ministry of Education in Benghazi received

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the value on 3 March 2018. In addition to the means of communication with the Ministry of Education" Phone Numbers\Email\Mailbox"; (2) $ 7000 The value of a donation to build a bridge in the city of Benghazi, the value was paid by a check "check number 23439993. "A number of payment authorization is 77767. The Municipality of Benghazi received the value on 3 May 2018. In addition to the means of communication with the Municipality of Benghazi "Phone Numbers\Email\ Mailbox"; (3) $ 7000 The value of a donation to for the maintenance of a public hospital in the city of Benghazi, the value was paid by a check "check number 23555543. "A number of payment authorization is 89867. The Ministry of Health in Benghazi received the value on August 7, 2018. In addition to the means of communication with the Ministry of Health "Phone Numbers\Email\Mailbox"; (4) The company's revenues during 2018 were $ 200,000. The company's expenses during 2018 were $ 90,000 "without the value of donations." Suppose that the tax rate imposed on the income of the corporations in a country was % 40 of the value of taxable income. Based on the above mentioned financial data, the manner of usual accounting disclosure by companies can be determined as in table 2.

Green Mountain Company For The Beverage Industry - Benghazi – Libya
Income Statement for the Financial Period Ended On 31 December 2018

Table 2: Income Statement for the Financial Period Ended on 31 December 2018

Account / Statement	Value
Revenues	$ 200000
Expenses	$ 90000
Donations	$ 20000
Income Before Taxes	$ 90000

For the accurate evaluation of the total amounts in the financial statements, it is necessary to have detailed data on those amounts. This aim is achieved only through what is known as accounting disclosure, using the tables "detailed accounts recorded in general ledgers and subsidiary ledgers," notes and interpretations attached to those statements. Regarding the accounting disclosure of the value of donations can be presented as in table 3.

Green Mountain Company for the Beverage Industry - Benghazi – Libya
Balance of Donations Account on 31 December 2018

Table 3: The Accounting Disclosure of Donations

Description of the Donation	Value $	Check Number	Number of Payment Authorization	Recipient
The Maintenance Of A Public School In The City Of Benghazi	$ 6,000	23434543	55567	The Ministry Of Education In Benghazi On 3 March 2018
To Build A Bridge In The City Of Benghazi	$ 7000	23439993	77767	The Municipality Of Benghazi On 3 May 2018
The Maintenance Of A Public Hospital In The City Of Benghazi	$ 7000	23555543	89867	The Ministry Of Health In Benghazi On August 7, 2018
Total	$ 20000			

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According to the researcher's belief, in the absence of tax incentives granted to donors - which are permitted by the State Tax Code, or before paying the value of the tax invoice" before tax treatment of donations " in the presence of such tax incentives, this amount of accounting disclosure can be accepted. However, after the tax treatment of donations and the acquisition of these incentives and the payment of the value of the tax Invoice cannot admit this amount of disclosure because it does not contain the value of the tax savings and real sacrifice incurred by corporations in order to interact with the issues and aspirations of the communities in which they operate.

IV. Highlight the Problem

To describe the problem of this study in a way that helps to understand its nature through the logical discussion, the researcher defined the discussion style by dividing it into two separate parts: the first part relates to the nature of the relationship between monetary and in-kind donations and tax incentives, and the second part associated with the implications of that relationship.

1) *First:* The nature of the relationship between donations and tax incentives.

The relationship between donations and tax incentives is not apparent "*hidden relationship*" and can only be deduced through the hypothetical comparison. This relationship may be the reason why there is no literature on this relationship and also accounting standards that govern how to disclose that relationship in financial reports and statements. As a result, companies rely on the usual disclosure method of monetary and in-kind donations "*disclosure without reference to the relationship between donations and tax incentives.*"

2) *Second:* The implications of that relationship.

Most tax laws in most countries of the world allow deduction of monetary and in-kind donations from revenues "taxable income" as a tax incentive to encourage donors to make more donations. This tax treatment results in a decrease in the value of the tax invoice payable to the tax authority because of that treatment. This treatment results in a tax benefit "*tax saving*" for the donor, whether a corporation or a businessman. As a result of these tax gains "tax savings," government tax revenues will be reduced by the amount of those savings. Also, the values of donations made by donors will not reflect the value of the real sacrifice paid as a donation, because donors achieve "acquire" tax savings. This tax treatment produces the following effects: (1) The emergence of what can be called a mandatory partnership between the government and the donor. Where a part of the monetary and in-kind donations will be incurred by the donor and another part incurred by the government through the decline in tax revenues by the amount of that part. (2) achieving economic gains "*tax saving*" for donors. Those gains are hidden and can only be deduced by hypothetical comparison. (3) The values of donations paid do not reflect the real sacrifice that donors make because of those tax savings "*economic gains.*"

As a result of this relationship among the values of donations paid, tax gains and government revenues from taxation, disclosure by the traditional method" *familiar disclosure*" *referred to above in this study may not meet the requirements and criteria for comprehensive disclosure of such contributions. The traditional method may not be considered the optimal method of disclosure. It will not include any data on tax savings and real sacrifices, and thus it may contribute to reducing the quality of the evaluation process by all parties interested in evaluating and studying the social performance of corporations in the field of interaction with the issues and ambitions and aspirations of communities.*

a) The Objectives of the Study

In recent years and in many countries of the world, governments have become aware of the importance of corporate donations and their role in economic and social development within societies. As a result of this importance, legislative bodies in the field of taxation in those countries, have embarked on reforms in tax laws relating to the tax treatment of donations by providing the tax incentives to encourage corporations to continue in philanthropy. These tax incentives result in the acquisition of tax savings "economic gains" in favor of the donor. Tax savings are gains for donors "*corporations/businessmen,*" and economic sacrifices incurred by the government, which are equivalent to the amount of reduction in its tax revenues as a result of those contributions. Accordingly, it can be said that there is a state of compulsory partnership that accompanies donation activities. As the government can be considered a forced partner (by law) to bear part of those donations. The relationship between tax incentives and donations is a hidden relationship that cannot be easily understood. The hidden relationship may be the reason why this relationship is not highlighted during the disclosure of monetary and in-kind donations in reports and financial statements.

Developments in the income tax law about the tax treatment of donations have not been accompanied by similar developments in the accounting disclosures of such contributions. The traditional disclosure methods used by corporations do not refer to the economic gains achieved by the donor and the economic sacrifices incurred by the government. These gains contribute to a reduction in the real value of donations paid "real sacrifice" incurred by corporations and also reduce government revenues from taxes. These decreases in the value of the sacrifices are

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considered to be of high importance to the users of financial statements and statements. As a result, the researcher believes that the dependence of the disclosure process on recording the values of donations paid without reference to economic gains (whether with intent or not) in the financial statements and reports will be inconsistent with the requirements and standards of comprehensive "*full*" disclosure. This measure will also affect the quality of the disclosure process. The usual methods contribute to inflating the figures of donations in the financial statements and reports and thus deceive the users of those statements and the evaluators of the social performance of corporations. Based on the above, in the context of enriching the thought of accounting for corporate social responsibility, as well as in the context of improving the quality of social performance evaluation of corporations that will depend mainly on the quality of the disclosure process, the objective of this study can be defined as follows: A statement of the hidden relationship between tax incentives and donations; A statement on how the monetary and in-kind donations are disclosed in the financial statements and reports in order to be consistent with accounting disclosure standards and requirements in light of the relationship between donations and tax incentives to improve the quality of the disclosure process and thus improve the quality of the social performance evaluation process.

b) The Importance of Study

The application of the idea of this study by corporations will contribute to improving the quality of the disclosure process of monetary and in-kind donations and thus improve the quality of the process of evaluating corporate social performance.

c) The methodology of the study

To show the meaning of the two terms "tax savings" and "the real sacrifice" resulting from the tax incentives, as well as to explain how the comprehensive disclosure of monetary and in-kind donations in the financial statements and reports, in the presence of such tax incentives, the researcher will use hypothetical numbers for an income statement for a corporation that simulates "*mimics*" reality to a large extent to show how to determine the tax saving and real sacrifice. As well as, a statement on how the comprehensive disclosure of donations. And the use of the results of this treatment to promote the controversial discussion that will be raised by the researcher to support the idea of this study, which lies in need to develop the process of disclosure of monetary and in-kind donations to be more comprehensive.

V. Solve the Problem "A Justified View"

There is no doubt that the traditional method used by corporations to disclose donations, no longer meets the requirements of full disclosure of these social contributions, especially after referring to the issue of the hidden relationship between donations and tax incentives. Comprehensive disclosure of monetary and in-kind donations means providing all financial and non-financial data in detail to the users of financial statements and reports for the purpose of improving the quality of the process of evaluating the corporate social performance in the field of interaction with the issues and aspirations of the communities in which they work, as well as in order to verify the validity of those contributions.

a) Financial data

There are three financial values that must be disclosed in the tables and reports attached to the financial statements: The value of donations actually paid by corporation; The value of the tax saving "economic gain" achieved by corporation in return for the charitable donations; The value of the real sacrifice incurred by the corporation (the worth of contributions actually paid- the value of tax saving). There is no doubt that each value has a utility in the process of evaluating the social performance of corporations, which can be reviewed as follows:

1) The worth of donations paid by the corporation.

Regardless of any economic gains "tax savings" achieved by corporations from the activities of donations, this value will indicate the amount of economic sacrifice " *the sacrifice of the corporation and the sacrifice of the government*" incurred to produce a certain amount of social benefits for the benefit of society. Those social benefits achieved for the benefit of society were produced by a certain amount of money. In other words, there is a certain amount of social benefits that must be produced by a certain amount of money "*which is the value of donations paid by the corporation.*"

2) The value of tax saving "economic gain" achieved by the corporation in return for the charitable donations.

This value represents the economic gain achieved by the corporation in return for their charitable donations. Through this value can know the real sacrifice incurred by corporations to fulfill its social responsibility towards the community in which it operates, as well as the amount of shortfall "*reduction*" in government revenues from taxes.

3) The value of the real sacrifice incurred by the corporation.

This value indicates the amount of economic sacrifice that corporations incur to fulfill the requirements of their social responsibility towards their communities in which they operate. It refers to the amount of real reduction "*shortage*" in corporate assets. As the donations value paid by donor corporations does not

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reflect the real sacrifice, because of tax incentives earned by those corporations.

b) Non-Financial Data

Non-financial data are to prove the validity of donation operations to ascertain the credibility of charitable activities and their conformity with the conditions stipulated in the tax law. They are often needed by regulatory bodies such as check number, a number of payment authorization in addition to the means of communication with the recipient "phone numbers\email\mailbox, etc.

By using the data in the above example, the researcher showed how to make a comprehensive disclosure of monetary and in-kind donations, as in table 4.

Green Mountain Company for the Beverage Industry - Benghazi – Libya
Balance of Donations Account on 31 December 2018

Table 4: Comprehensive Disclosure of Monetary and in-Kind Donations

Description Of The Donation " Full Information"	Value	Tax Saving\ the Government as a Forced Partner	Real Sacrifice Incurred By Corporation	Check Number\ Number Of Payment Authorization
The Maintenance Of A Public School In The City Of Benghazi. The Ministry of Education in Benghazi received the value on 3 March 2018	$ 6,000	$ 2400	$ 3600	23434543 \ 55567
To Build A Bridge In The City Of Benghazi. The Municipality of Benghazi received the value on 3 May 2018	$ 7000	$ 2800	$ 4200	23439993\77767
The Maintenance Of A Public Hospital In The City Of Benghazi. The Ministry of Health in Benghazi received the value on August 7, 2018	$ 7000	$ 2800	$ 4200	23555543\89867
Total	$ 20000	$ 8000	$ 12000	

VI. Conclusion

This study showed the hidden relationship between donations and tax incentives, as well as the effects of this relationship. That relationship is not taken into account when disclosing monetary and in-kind contributions by corporations. Given the importance of this relationship and its impact on the quality of the evaluation process of corporate social performance. The disclosure of contributions in the financial statements by the usual "common" method no longer meets the requirements for a comprehensive disclosure of such donations in the presence of that relationship. And to address this deficiency, this study showed how to disclose these donations to include all the financial data that will contribute to improving the quality of the disclosure process and thus ameliorate the quality of the process of evaluating the social performance of corporations.

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