ANALYSIS OF THE CORRELATION BETWEEN THE FINANCIAL STABILITY OF LARGE TAXPAYERS AND TAX ARREARS

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ABSTRACT

This article examines the correlation between the financial stability of large taxpayers and the level of tax arrears. Financial stability indicators such as liquidity, solvency, and profitability are analyzed in relation to tax debt formation. The study highlights that financially stable large taxpayers tend to demonstrate higher tax compliance and lower levels of tax arrears. The findings emphasize the importance of financial monitoring and risk-based tax administration in preventing tax debt accumulation among large taxpayers.

Large taxpayers play a crucial role in ensuring the stability of state budget revenues, as they contribute a significant share of total tax payments. However, despite their economic potential, tax arrears among large taxpayers remain a persistent challenge for tax authorities. Tax arrears not only undermine fiscal sustainability but also indicate underlying financial or managerial problems within enterprises.

Financial stability is considered a key factor influencing a taxpayer's ability to meet tax obligations on time. Understanding the relationship between financial stability and tax arrears is essential for improving tax administration, designing early warning systems, and implementing preventive measures. Therefore, this study aims to analyze the correlation between financial stability indicators and tax arrears among large taxpayers.

The study is based on financial and tax reporting data of large taxpayers. The data include balance sheets, income statements, and tax records, which provide information on tax liabilities and arrears. Aggregated and anonymized data are used to ensure confidentiality. To assess financial stability, the following indicators are used:

- ✓ Liquidity ratios (current ratio, quick ratio);
- ✓ Solvency ratios (debt-to-equity ratio);
- ✓ Profitability indicators (return on assets, net profit margin).

Tax arrears are measured as the amount of unpaid tax liabilities outstanding at the end of the reporting period.

A correlation analysis is applied to determine the relationship between financial stability indicators and tax arrears. Pearson's correlation coefficient is used to measure the strength and direction of the relationship. The analysis focuses on identifying whether improvements or deteriorations in financial stability are associated with changes in tax arrears.

The results of the correlation analysis indicate a significant relationship between financial stability and tax arrears among large taxpayers:

✓ Liquidity indicators show a negative correlation with tax arrears, suggesting that enterprises with higher liquidity levels are less likely to accumulate tax debt.

✓ Solvency ratios demonstrate a positive correlation with tax arrears, indicating that highly leveraged companies face greater risks of delayed tax payments.

✓ Profitability indicators reveal a strong negative correlation with tax arrears, confirming that profitable enterprises are more capable of fulfilling their tax obligations in a timely manner.

Overall, the findings suggest that financial instability increases the probability of tax arrears formation among large taxpayers.

The results confirm the theoretical assumption that financial stability is a critical determinant of tax compliance. Large taxpayers with stable cash flows and sustainable capital structures tend to prioritize tax payments and maintain better relationships with tax authorities.

The identified correlations highlight the importance of financial monitoring within tax administration systems. By integrating financial stability indicators into risk assessment models, tax authorities can detect potential tax arrears at an early stage and apply preventive measures, such as tax monitoring, restructuring of tax liabilities, or advisory support. Moreover, the findings support the transition from traditional enforcement-based tax control to risk-based and preventive approaches, particularly in the context of large taxpayers.

Table-1. Key Financial Stability Indicators Used in the Study

Current Ratio =	• Current Assets / Current Liabilities
Quick Ratio =	• (Current Assets – Inventory) / Current Liabilities
Debt-to-Equity Ratio =	• Total Liabilities / Shareholders' Equity
Return on Assets (ROA) =	• Net Profit / Total Assets
Net Profit Margin =	• Net Profit / Revenue

The table-1 presents the main financial indicators applied to assess the financial stability of large taxpayers. These indicators reflect liquidity, solvency, and profitability dimensions of financial stability.

Conclusion. This study demonstrates that there is a significant correlation between the financial stability of large taxpayers and the level of tax arrears. Strong liquidity and

profitability are associated with lower tax arrears, while high leverage increases the risk of tax debt accumulation. The results suggest that enhancing financial stability monitoring and adopting risk-based tax administration tools can contribute to reducing tax arrears among large taxpayers. Future research may focus on econometric modeling and cross-country comparisons to further explore this relationship..

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