

Evaluation of the Reality of Tax Governance in Algeria

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Abstract:

This study aims to discover the extent to which the Algerian tax system applies the principles of tax governance, as the application of tax governance has become an international trend because it aims to increase tax revenues, eliminate various challenges of tax systems, and reduce tax problems that lead to the erosion of the tax base. In this context, it was concluded that the level of tax governance in the Algerian tax system is low and still needs to enhance the requirements of tax governance, and better instill its concepts, despite the availability of the appropriate legislative and guiding framework and the presence of some initial indications and indicators that encourage the beginning of awareness of the importance of applying the principles of tax governance, but commitment to these principles has not reached the required level, especially in the absence of a guide to tax governance.

Keywords: Tax governance - Algerian tax system - Tax revenues.

Introduction

Given the great importance that the concept of governance has occupied in light of the great development that the world is currently witnessing, many international institutions have been keen to study and analyze this concept, most notably the Organization for Economic Co-operation and Development (OECD) by setting guidelines to support management to monitor work performance and enhance disclosure and transparency in the service of all stakeholders, and given the role that taxes play as the main pillar and primary source of public revenues, which enables the state to cover public expenditures, and an important tool of the financial policy tools that it uses to influence economic activity, and on the other hand, most tax systems in countries, especially developing ones, face challenges that stand in the way of increasing tax revenues, so tax systems are trying to find a way to achieve effectiveness in mobilizing tax revenues to finance the general budget and achieve the desired goals, so the trend was towards tax governance and using its mechanism to suit all parties and distribute the tax burden on all taxpayers fairly, leading to developing the proceeds and attracting investments and thus increasing the effectiveness of the tax system.

Algeria, like other developing countries, suffers from weak tax revenues, due to the exacerbation of many challenges facing the Algerian tax system, especially after the severe economic crisis that the Algerian economy was exposed to in late 1986, which was primarily caused by the collapse of oil prices, as well as within the framework of the trend towards a market economy. To keep pace with these developments, this period witnessed several economic reforms, the most important of which was reforming the tax system in a way that makes it consistent with the general policy of the state and the needs of the economy, which necessitated resorting to the tax reform of 1992 by introducing more advanced taxes and searching for tax mechanisms that guarantee tax justice and redistribution of income, and abolishing taxes that distort the economy. Therefore, it became necessary to review the tax system from time to time and restructure it in line with the efforts of economic reform, all in order to reach a more effective tax system through which the state seeks to replace regular taxation with oil taxation. These reforms coincided with the general trend of the Algerian state to establish the

principles of governance in Algerian institutions, which would instill confidence in state institutions. From all of the above, the research problem can be formulated in the following main question:

- What is the reality of tax governance in Algeria under the Algerian tax system?

In order to cover the subject and address this problem, we raised the following sub-questions:

- What is meant by tax governance and what are the principles of tax governance?
- To what extent are the principles of tax governance applied in the tax system?
- What are the most important suggestions for improving tax governance in Algeria?

Importance of the study:

The research derives its importance from the importance of the concept of tax governance as a modern concept at the international level, in addition to its importance in increasing tax revenue by applying the principles of tax governance to the tax system, as tax governance is one of the successful tools that support the confidence of taxpayers in the tax administration and increase their tax awareness and provide transparency, thus increasing tax revenue.

Objectives of the study: This research aims to:

- Identify tax governance as a newly emerging concept.
- Evaluate the reality of governance in Algeria and identify the extent to which the principles of tax governance are applied in the tax system.
- Contribute to developing proposals for the governance of the Algerian tax system.

To address the main problem and sub-questions, the research was divided into:

First - The concept of tax governance and its principles

The concept of governance in the tax field appeared for the first time through the results of the European Commission meeting, where it published its recommendations on improving tax efficiency on April 28, 2009, addressed to: the European Parliament, the European Council, and the European Economic and Social Committee, where it was defined as: "based on transparency, exchange of information, and fair tax competition".

Definition of tax governance and its parties:

The concept of tax governance is a newly emerging concept compared to corporate governance in its general sense.

1-1 Definition of tax governance:

The Tunisian Ministry of Finance defined tax governance as: "The process of establishing and implementing (creating, amending, canceling) tax laws while taking into account the basic principles of governance to achieve its objectives, including transparency and accountability. "

Sandrine Groult defined it as: "The new roles and institutions of tax administrations and the transparency adopted to transfer and transfer tax information to the public. "

It was defined as: "The set of rules and procedures practiced by the tax administration to ensure the smooth running of work and improve it and increase confidence among those dealing with it to achieve justice and provide transparency and activate oversight and accountability for all employees in order to achieve the objectives of tax legislation and increase confidence in the state's tax and economic system. "

It is also defined as: "A set of principles, foundations, executive rules, and regulatory procedures that ensure performance control in the system as a whole, through a clear definition of the role of the relevant parties, and the nature of the independent and influential relationship between them, which each party must perform voluntarily, with penalties imposed in the event of a breach".

From the previous definitions of tax governance, we conclude the following:

The application of the concept of governance in the tax field allows for enhancing trust between the tax administration and taxpayers through commitment to transparency, justice, and accountability;

Tax governance works to achieve a balance between the conflicting interests of both the tax administration and taxpayers, as it preserves the rights of the public treasury to mobilize tax revenues, and takes into account the rights of taxpayers and protects their interests on the other hand;

Tax governance allows taxpayers to contribute to the formulation of tax legislation and the making of tax decisions;

1-2 Actors in the embodiment of tax governance:

The embodiment of tax governance requires the combined efforts of a group of parties represented by:

Tax administration: The tax administration is one of the most important stakeholders in the application of tax governance, as it constitutes the body responsible for implementing tax legislation and verifying the integrity of that application to protect the rights of the state on the one hand and the rights of taxpayers on the other hand, in addition to proposing amendments and tax legislation with the aim of improving the efficiency of the tax system. Therefore, the tax administration may play an important role in creating an appropriate tax environment in society and it can contribute to the effectiveness of the tax system, as the best-conceived tax system has no value except thanks to the administration that applies it.

-Tax legislation: It is a set of legal rules that regulate the tax process in its successive stages from legislation to assessment to collection. Tax legislation also determines the nature of the tax system in a particular country, and its features differ in a capitalist society from a socialist society, and its image differs in an economically advanced society from a backward one. However, most countries are keen not to impose or cancel a tax except by a legal text issued by the legislative authority. Tax legislation is what regulates the relationship between the tax administration and taxpayers, regulates the rights and duties of each of them, and aims to ensure the smooth running of all aspects related to the tax, starting from its imposition to its collection, through the process of oversight and tax disputes. **- Tax community:** The tax community includes all natural and legal persons who meet the conditions for tax liability under the tax law, and from there we must identify the terms related to the tax community:

-Legal taxpayer: This means the person who bears the legal burden of the tax, which is the person specified by law and who carried out what he was charged with and the amount of tax due on him was deposited into the state treasury and then succeeded in transferring its burden to another person, we call him in this case the legal taxpayer or the bearer of the legal burden of the tax because he did not bear the actual burden of the tax.

-Actual taxpayer: This is the person who has settled the final tax burden, and therefore this person was unable to transfer the tax burden to another person, who is called the actual taxpayer or the bearer of the actual tax burden of the tax.

2- Principles of Tax Governance:

Tax governance is framed on a set of principles derived from the principles of corporate governance in order to enhance governance in the tax field, and they are:

2-1 The principle of transparency and tax disclosure:

The method through which various tax laws, regulations and instructions can be presented to various taxpayers accurately and clearly and shown at the appropriate time, and this will lead to an increase in their cognitive ability to understand the amount of tax imposed on their income and their level of awareness.

2-2 The principle of legality:

The legal legality of the tax means that the legislative authority alone has the right to decide the tax and determine its base, as well as the right to amend and cancel it, and that it is fair. It expresses in one way or another the participation of the people through the elected parliament, as the people alone have the right to impose taxes through their representatives in the legislative authority. The draft finance law is not taken into account unless it passes through the stages of the administrative ladder to reach its final stages of discussion and voting in the National People's Assembly, then to become an applicable law it must be published in the Official Gazette. Parliament must ratify the laws in a trustworthy manner. Therefore, the principle of legality is based primarily on two pillars: protecting the interests of the taxpayer and protecting the interests of the state.

2-3 The principle of accountability: Accountability is not just about accounting and tightening control over the spending and collection of public funds, but it is broader than that, including democracy, the right to popular representation, and transparency in governance. Accountability is considered one of the most important standards by which the government in any country is measured, which means the commitment of the state and its institutions to submit reports and necessary

information about its exercise of the duties assigned to it with the aim of raising its efficiency and effectiveness, and providing answers or explanations for the reasons for its failure at the same time that it obtains confidence in success. Government accountability can be achieved through internal systems (internal accountability) that govern the behavior of various government agencies, in order to protect public interests. Government accountability can also be achieved through direct means (external accountability), and this is done by questioning the government and its agencies about their actions, performance, and results that concern members of society, considering that the government plays its role as an agent in the use of public resources, and has the authority to achieve and accomplish the required goals. Therefore, it must be held accountable for how these resources are used and what has been accomplished. Therefore, the government must submit periodic performance and financial reports, and ensure their accuracy and validity by an independent auditor. On the other hand, the principle of accountability must be applied and penalties must be imposed against anyone who exploits his powers and misuses public resources for purposes other than those intended.

2-4 The principle of the rule of law:

Tax is one of the manifestations of the state's sovereignty over its territory and its subjects, and thus the state can impose taxes by force on individuals based on the idea of sovereignty, as there is no tax except by law and no exemption from it except in the cases specified in the law. Therefore, the principle of the legality of the tax is a constitutional principle stipulated by the majority of constitutions in the world, as there is no tax except by law, which means that the tax is illegitimate if it is imposed by the executive authority. Therefore, the rule of law is considered a guarantee for the protection of rights and freedoms. Therefore, there must be a clear, fair and honest legal and regulatory framework, and the tax administration is obligated to respect and apply it continuously in a fair and systematic manner, and with neutrality in a way that protects the freedoms and rights of individuals. The tax administration that operates according to the law enjoys legitimacy and thus the ability to collect taxes payable in the correct manner, which makes this administration consistent in its activities, which leads to the creation of a positive climate for attracting investment.

Second - Evaluation of the reality of tax governance in Algeria

Tax governance is considered one of the most important ways and tools that help implement tax reforms effectively. It also expresses through its objectives the achievement of comprehensive tax reform and raising the level of tax awareness among taxpayers.

1- Algeria's efforts to establish the principles of tax governance:

1-1 The tax reforms that the Algerian tax system is distinguished by, whether from the legal or structural side, are considered a contribution towards encouraging the adoption and activation of the principles of tax governance, which is what we aim for through this requirement that works to highlight the most important reforms that can be classified in the category of activating the principles of tax governance.

1-1 The principle of transparency and tax disclosure in Algeria:

The application of the principle of transparency and tax disclosure is a necessary requirement in order to eliminate administrative corruption in general and tax corruption in particular. Indeed, its application in the tax administration serves the stated objectives and enhances confidence in dealing between taxpayers and the tax administration and in various state institutions. The Algerian tax legislator has approved, in support of the principle of transparency and tax disclosure, the reforms it has undertaken, represented in reorganizing the General Directorate of Taxes and dividing it according to taxpayer categories, to increase management effectiveness and avoid duplication of functions and overlapping powers between them, in addition to creating a website in which all tax laws, financial laws and regulatory texts of a tax nature are published, in addition to taxpayers' guides. In addition to this information, an interactive space has been opened that enables Internet users to receive answers to their tax concerns by using the following link: contactdgi@mf.gov.dz. The website of the General Directorate of Taxes also provides another service related to "subscribing to the General Directorate of Taxes' message." Once Internet users subscribe to this address, they receive new issues of this newsletter via their email.

It was also emphasized that transparency and credibility of information presenting the real financial situation of the state should be established within the reform introduced by Organic Law No. 18-15, the implementation and entry into force of which was postponed until 2023, as Article 70 stipulates that "financial laws present the total resources and burdens of the state explicitly, and this explicitness is assessed through the available information and the estimates that may result from it".

In terms of tax control, Article 20, paragraph 4 of the Tax Procedures Code stipulates that "no accounting investigation may be initiated without notifying the taxpayer in advance, by sending or delivering a notice of investigation against a

receipt attached to the Charter of Rights and Duties of the Taxpayer investigated in his accounting, provided that he benefits from a minimum period for preparation, of ten (10) days from the date of receipt of this notice".

In order to achieve transparency in the use of tax expenditure and avoid misuse and limit tax fraud, the Algerian tax legislator has stipulated that taxpayers who benefit from exemptions or reductions in corporate income tax and professional activity tax granted within the framework of investment support devices must reinvest an amount estimated at thirty percent (30%) of these exemptions or reductions within a period of four (4) years, starting from the closing date of the year whose results were subject to the preferential system. When it becomes clear that the investments included in the decisions granting tax privileges have not been implemented, or when the conditions on the basis of which these decisions were granted have not been met, this failure to implement leads to the withdrawal of the accreditation and the deprivation of the natural or legal persons to whom these tax privileges were granted under the accreditation, of the right to benefit from these privileges. The rights, fees and duties from which they were exempted become due immediately, regardless of all contrary provisions and without prejudice to the penalties for delay stipulated in Article 402 of the Direct Taxes and Similar Fees Law, which are calculated from the date in which it was required to be paid, and the provisions of the previous paragraph apply when the beneficiary of tax privileges has used fraudulent methods after the date of the decision within the meaning of Article 193-2 of the Direct Taxes and Similar Fees Code, and this violation is punishable by a judicial decision with the force of *res judicata*.

Within the framework of structural reform, the General Directorate of Taxes established in 2008 a sub-directorate for tax incentives and special tax systems under the supervision of the Directorate of Tax Legislation and Regulation, and among the tasks assigned to it are:

- Counting, controlling and evaluating tax privileges granted under financial laws and special laws and estimating their cost.
- Monitoring the application and follow-up of exemptions for tax privileges granted.
- Participating in the preparation of legislative and regulatory texts containing tax provisions applicable to special systems.

1-2 The principle of legality in Algeria:

The principle of legality means the necessity of respecting legal rules, so that all actions of the public authorities in the state are subject to the provisions of the law in its general sense, whether these authorities are legislative, executive or judicial.

Among the requirements of this principle is that the actions of the tax administration and all its procedures, actions and decisions are not valid and do not produce their legal effects stipulated for taxpayers unless they comply with the legal rules. If these or those are issued in violation of the law, they are illegal and turn into mere illegal material procedures. Therefore, it is necessary to decide on a penalty to be taken against them to protect the rights of taxpayers. This penalty consists of invalidating the action that violates the principle of legality.

Algeria's efforts to establish this principle can be explained through the following table:

Table No. 01: Algerian efforts to establish the principle of legality

Gaceta Oficial	Referencia legal	article	Text of the article
Official Gazette of the Algerian Republic No. 82 dated December 30, 2020	Presidential Decree No. 20-442 of December 30, 2020 promulgating the constitutional amendment	26 37 82	-The administration deals with the public with complete neutrality, within the framework of respect for legitimacy. -All citizens are equal before the law. -No tax shall be imposed except by virtue of a law. All taxpayers are equal before the tax, and the law shall determine the cases and conditions for total or partial exemption from it. No tax, levy, fee or any right of any kind shall be imposed retroactively. Any act aimed at circumventing the principle of equality among taxpayers shall be considered an infringement on the interests of the national group. The law shall punish tax evasion and fraud.

Official Gazette of the Algerian Republic No. 53 dated September 2, 2018	Organic Law No. 18-15 of September 2, 2018 relating to finance laws	16 17 18	-The license is granted annually to collect taxes, duties, fees, as well as various types of contributions, income, and other proceeds for the benefit of the state, in accordance with the Finance Law. The proceeds and the share allocated to the state's general budget are estimated in accordance with the Finance Law for the year. The proceeds of taxes, duties, fees, contributions and other charges shall be assessed in accordance with the Finance Law for the year, and this proceeds shall be adjusted or corrected when necessary, in accordance with the corrective finance laws. -The financial laws alone stipulate the provisions relating to the base, rates and methods of collecting taxes of any nature, as well as in the area of tax exemption.
Declaration of the Rights of Man and of the Citizen of 1789		13 14	-A general tax must be imposed in order to maintain the public forces and cover the costs of their administration. This tax is imposed equally on all citizens in proportion to their capabilities. -Citizens have the right to verify the general tax, declare it freely, monitor its use, decide its amount, assessment, method of collection and duration, whether they do so personally or through their representatives.

Source: Prepared by the researcher based on the laws mentioned in the table.

We note from the table above that Algeria has established the principle of legality, which includes a set of major basic principles of tax law, represented by the principle of equality in tax payment, and no tax may be imposed, nor may any amendment, cancellation or exemption from the tax be made except in accordance with the law.

1-3 The principle of accountability in Algeria:

Accountability is a means of ensuring good compliance with the laws, and its importance is linked to achieving democracy and transparency, and it must be applied at all levels of the state's highest authority before it is at the lower levels, because corruption begins at the top of the pyramid of power and then spreads under favoritism and bribery, so Algeria proceeded to issue a special law to address corruption issues, which is Law No. 06-01 dated February 20, 2006 related to the prevention and fight against corruption, as amended and supplemented.

Tax accountability is considered part of accountability in general, and it is a right of taxpayers towards the tax administration and is considered a tool for achieving tax justice, as it is necessary to commit to applying accountability at all administrative levels in the tax administration, which makes employees bear their responsibilities and commit to applying the content of the law and thus reduces the spread of tax corruption, and from there it can be said that the existence of effective oversight is considered one of the most important guarantees of the principle of responsibility and accountability, the most important of which is political oversight, as stated in Article 02 of Organic Law 18-15, which states: "The Finance Law, by referring to the framework and programming of the budget as specified in Article 5 of this law, contributes to the embodiment of public policies whose implementation is based on the principle of results-oriented management, based on clear and specific objectives in accordance with the goals of the public interest, which are the subject of evaluation." Article 6 also states: "The Finance Law for the year approves and authorizes for each civil year the total resources of the state and its burdens directed to accomplishing state programs according to the specified objectives and expected results that are the subject of evaluation." Therefore, the supreme audit bodies must have laws and regulations that are directed to be Accordingly, it is responsible and accountable.

The matter did not stop there, but the existence of judicial oversight that ensures strict respect for the law and its proper application is a safety valve in the face of tax corruption, which works to protect the rights of the state and individuals from any transgression, and thus it works to balance the public interest and the private interest.

1-4 The principle of the rule of law in Algeria:

The rule of law is considered one of the most basic guarantees of human rights and freedoms. The principle of the rule of law requires the existence of a legal state based on real pillars that derive their strength from the people as the source of

authority, and has a binding force derived from the constitutional rules on which its legal structure is based. In order to establish this submission to the rule of law, Algeria sought to achieve the extension of the rule of law through the legal texts included in the constitution, as Article 7 of the constitution states: "The people are the source of all authority. National sovereignty belongs to the people alone." Article 8 states: "The constituent authority belongs to the people. The people exercise their sovereignty through the constitutional institutions they choose. The people also exercise this sovereignty through a referendum and through their elected representatives. The President of the Republic may resort directly to the will of the people." Article 9 states: "The people choose for themselves institutions whose purpose is the following:

- Preserving and supporting national sovereignty and independence.
- Preserving and supporting national identity and unity.
- Protecting fundamental freedoms For the citizen, and the social and cultural prosperity of the nation.
- Promoting social justice.
- Ensuring transparency in the management of public affairs.
- Eliminating regional disparities in the field of development.
- Encouraging the building of a diversified economy that values all the country's natural, human and scientific capabilities.
- Protecting the national economy from any form of manipulation, embezzlement, bribery, illegal trade, arbitrariness, acquisition, illegal confiscation or smuggling of capital.

The rule of law means the application of the rule of law to the ruler and the ruled alike and is based on the principle of equality among its citizens, as stated in Article 82: All taxpayers are equal before the tax, and the law determines the cases and conditions for total or partial exemption from it. Tax is a duty of citizenship, and no tax, fee, or right of any kind is imposed retroactively. Any act aimed at circumventing the principle of equality among taxpayers is considered an infringement on the interests of the national group.

2-Indicators of Weak Tax Governance in Algeria

Despite the efforts made by Algeria to achieve the effectiveness of the tax system by adopting the principles of tax governance, these efforts, despite their considerable importance, are still weak, as is evident from the following indicators:

1-High rates of tax evasion and the expansion of the scope of parallel (informal) activity: Tax evasion is considered a manifestation of the lack of trust between the state and the taxpayer, as the high rates of tax evasion in itself means that the taxpayer lacks tax education. As for the spread of the phenomenon of tax evasion in the Algerian economy, the Director General of Taxes announced that the total amounts owed by taxpayers (individuals and companies) amounted to 2,500 thousand billion dinars for the years 2015 and 2016, indicating that some of those required to pay these taxes have no effect, while some companies have disappeared and no longer have any legal entity. He explained that tax evasion is mainly the result of import operations, as dealers try to hide the real value of their imports, in addition to industrial units that operate illegally, and without submitting any declaration about these activities.

As for the expansion of the scope of parallel activity, there are no accurate studies and statistics on the parallel market in Algeria, which was estimated at about 21.30% of the gross domestic product outside hydrocarbons. That is, about 3486.97 billion dollars for the year 2019.

2-Distortion of the structure of tax revenues in Algeria:

Tax revenues in Algeria are divided into two parts: oil taxation and regular taxation, which in turn are divided into direct and indirect taxes. Most recent tax studies indicate that good tax systems are those whose proceeds come from regular taxation, especially direct taxes, but the practical reality shows that tax revenues in Algeria are dominated by oil taxation.

2-1 Dependence of revenues on oil taxation: Oil taxation is considered the effective driver of the Algerian economy, as it relies on the oil sector to finance its programs, which leads to the possibility of its exposure to imbalances as a result of the continuous change in oil prices. The contribution of both oil taxation and regular taxation to public revenues can be explained as follows:

Table No. 02: Composition of tax revenues in Algeria during the period 2008-2019

Petroleum tax/public revenues%	Regular collection/general revenue%	Public revenues billion DA	Petroleum tax billion DA	Regular tax 1 billion DZD	Years
59,25	33,10	2.895,19	1.715,40	958,27	2008
58,83	34,99	3.275,37	1.927,00	1.146,13	2009
49,13	41,89	3.056,73	1.501,70	1.280,49	2010
44,02	43,51	3.474,11	1.529,40	1.511,45	2011
39,93	50,24	3.804,46	1.519,04	1.911,21	2012
41,53	52,12	3.890,81	1.615,90	2.027,74	2013
40,21	53,26	3.924,06	1.577,73	2.089,77	2014
37,75	51,72	4.563,80	1.722,94	2.360,37	2015
33,48	49,58	5.026,13	1.682,55	2.491,99	2016
35,03	43,83	6.072,32	2.126,99	2.661,69	2017
36,68	42,36	6.405,24	2.349,69	2.713,15	2018
38,19	43,21	6.594,65	2.518,49	2.849,22	2019
42,84	44,98	Average			

Source: Prepared by the researcher based on the budget settlement laws for the years 2008-2019.

It is noted from the table above that petroleum taxation constitutes an essential part of the structure of public revenues in Algeria, as its average contribution to public revenues for the period 2008-2019 is about 42.84%, which means the continued dependence of the general budget on petroleum taxation, which is one of the indicators that indicate:

- The inability to attempt to replace ordinary taxation with petroleum taxation despite the many tax reforms.
- The inability to enhance ordinary taxation due to the imbalance between increasing the size of public revenues through taxes and fees on the one hand, and encouraging investment through incentives and tax exemptions on the other hand.
- Lack of tax awareness among taxpayers in Algeria.
- The ineffectiveness of economic policies in creating a more productive economy for added value and compensating for the economy based on oil rents.

2-2 Distortion of the structure of regular tax revenues:

Tax systems in developing countries are characterized by an imbalance between direct and indirect taxes, as indirect taxes are preferred to obtain the largest part of their revenues because they do not raise complex problems in their organization and collection, although they are considered unfair taxes because they do not take into account the personal circumstances of the taxpayer, and this can be explained as follows:

Table No. 03: Structure of regular tax revenues in Algeria during the period 2008-2019

Indirect taxes / regular proceeds %	Direct taxes / regular collection %	Direct taxes/regular proceeds %	Regular revenue billion DA	tax billion DA	Indirect taxes billion DA	Direct taxes billion DA	Years
65.36	34.64		958,27		626.31	331.97	2008
59.64	40.36		1.146,13		683.59	462.54	2009
56.23	43.77		1.280,49		720.08	560.42	2010
54.67	45.33		1.511,45		826.26	685.19	2011
54.85	45.15		1.911,21		1048.31	862.90	2012
59.41	40.59		2.027,74		1204.72	823.02	2013
57.79	42.21		2.089,77		1207.60	882.17	2014
56.15	43.85		2.360,37		1325.25	1035.13	2015
55.45	44.55		2.491,99		1381.77	1110.22	2016
54.63	45.37		2.661,69		1454.01	1207.67	2017
55.64	44.36		2.713,15		1509.51	1203.65	2018
55.57	44.43		2.849,22		1583.29	1265.93	2019

Source: Prepared by the researcher based on the budget settlement laws for the years 2008-2019.

From the table above, it is clear that indirect taxes constitute the largest percentage of tax revenue, and the weakness of direct tax revenue is due to the following reasons:

-Low level of individual income, which increases the possibility of evading income tax, which makes the tax legislator rely on consumption taxes to increase tax revenue.

-High percentage of foreign trade contribution to the gross national product, which leads to higher customs taxes.

-The inability of the tax administration to monitor direct taxes because it relies on the declarations submitted by those responsible for them in their collection.

-The lack of tax bases that contribute to increasing tax revenue, due to the lack of diversity of economic activity.

-The many amendments issued in the financial laws, which investors, especially foreigners, fear, and thus the decrease in the volume of investment in Algeria.

-The lack of return of the tax incentive policy, despite the fact that the tax legislation contains many tax exemptions in favor of industrial activities, this did not contribute to expanding the tax base.

2-3 Lack of justice in distributing the tax burden among taxpayers:

Although the various Algerian constitutions since independence to this day stipulate justice in distributing the burden among citizens, by examining the current Algerian tax system, we notice that it is characterized by weak justice in distributing the tax burden between natural and legal persons on the one hand, and within the framework of the tax on total income between the category of salaries and wages and the rest of the categories on the other hand, as salaries and wages are deducted at the source and therefore there is no tax evasion, while the rest of the other categories of a

declarative nature, tax evasion is the result of the lack of efficiency of the tax administration in tracking the validity and credibility of the tax declarations submitted and controlling the income of taxpayers, in addition to relying on relative rates "free of tax" because they eliminate the idea of tax justice on which the tax on total income is based.

Table No. 04: Contribution of the tax on salaries and wages to direct taxes for the period 2012-2019 Unit: billion Algerian dinars

Tax on salaries and wages / Total direct taxes %	Tax on salaries and wages / Total income tax revenues %	Total Direct Taxes	Gross income tax revenue	Wages and salaries tax	Years
64,03	90,96	862,90	607,42	552,522	2012
60,07	88,86	823,02	556,36	494,366	2013
60,30	88,18	882,17	603,30	531,968	2014
57,62	86,98	1.035,13	685,703	596,435	2015
57,21	88,98	1.110,22	713,76	635,137	2016
56,78	89,17	1.207,67	769,03	685,735	2017
58,77	88,33	1.203,65	800,862	707,364	2018
61,18	89,69	1.265,93	863,504	774,51	2019
59,49	88,89	Average			

Source: Prepared by the researcher based on the evaluation report of the Accounting Council for the years 2012 to 2019.

We note from the table above the increase in the proceeds of the tax on salaries and wages and its control over the tax revenues on total income, as it represents an average of 59.49% of the tax on total income, which includes six other categories, and it also represents 7.42% of direct tax revenues. This high percentage is due to the method of collecting this tax (deduction at the source), which makes it difficult to evade it, unlike the other categories of total income and the tax on corporate profits, where determining the tax base is based on the statements submitted by those liable for it, which makes it difficult to monitor and prove its accuracy.

2-4 Failure of the Voluntary Tax Compliance Program: The Algerian government sought to attract capital circulating in the parallel economy through the Supplementary Finance Law of 2015, where Article 43 stipulated that "the Voluntary Tax Compliance Program shall be established and the funds deposited in this framework with banks by any natural person, regardless of their status, shall be subject to a lump sum tax, which shall be paid at a rate of 7%. These funds or transactions must originally be from a legitimate source and not be linked to any act criminalized by the Penal Code and the legislation regulating the fight against money laundering and terrorist financing. The actual entry for the implementation of this procedure is set at December 31, 2016, and at the end of this period, Persons who hold funds eligible for this program and have not been subscribed to are subject to re-evaluation according to the terms of the general law, with the application of the fines and penalties stipulated in this regard. It was implemented through Ministerial Instruction No. 02 dated July 29, 2015 specifying the methods for implementing the voluntary tax compliance program during the period from August 2, 2015 to December 31, 2016. This process includes a significant number of legal and technical guarantees that lead to freedom of disposal of funds deposited in banks as well as the settlement of the tax situation through the mandatory submission of a certificate issued upon payment of a flat fee of 7%. The compliance process, which was completely boycotted by operators, failed, as its proceeds on December 31, 2015 amounted to approximately 5 billion DZD alone, with tax proceeds estimated at approximately 0.360 billion DZD.

3- Lack of comprehensiveness and homogeneity of tax privileges: Algerian legislation is characterized by lack of comprehensiveness and heterogeneity with regard to tax privileges, as there are many laws under which tax privileges are granted, namely: the law on direct taxes and similar fees, the law on fees on turnover, the registration law, the law on indirect taxes, the stamp law, the investment law, the hydrocarbons law and various partnership agreements (with the European Union, the Arab Free Trade Organization) in addition to many tax provisions not included in the tax legislation issued in the annual and supplementary financial laws in Chapter Three, Section Four under the title of Various Provisions. Parliament does not ratify the bilateral agreements concluded by the National Agency for Investment Development, nor the conditions under which exceptional tax privileges are granted for investments classified as of special importance to the national economy, as they are granted within the framework of an agreement negotiated in accordance with the Investment Promotion Law (Law 09/16) - Law No. 09 of 29 Shawwal 1437 corresponding to August 3, 2016 relating to investment promotion (and therefore the conditions on the basis of which the privileges were granted). The exceptional tax lacks legal force, and therefore it can be said that the tax spending policy in Algeria does not comply with the OECD guidelines referred to above.

Third: Suggestions for improving tax governance in Algeria

The adoption of governance principles in the tax system is still very weak, but this does not mean completely abandoning the idea of governance in tax administration as long as it contributes to activating the tax system and improving its performance. It is necessary for the Algerian state to take a set of measures to reach the application of tax governance to the tax system and establish its pillars, including what is prior and what is subsequent:

1-Prior procedures to establish tax governance:

There are a set of prior standards that must be adopted to establish tax governance -:Qualifying the legal framework: This is done by:

Eliminating the conflict, contradiction and ambiguity that surrounds many tax legislative texts.

Correct application of legal texts.

Enacting laws that emphasize the need for the tax administration to adopt electronic governance in order to achieve optimal collection of tax resources and improve the quality of public service.

Updating tax laws to be consistent with the use of electronic documents and transactions.

Encouraging representative and participatory consultation procedures to narrow the gap between tax policy and tax governance by involving the tax community in preparing tax laws.

Focus on the human aspect: The human element must be focused on as the main driver of any agency through:

Selecting tax administration employees and officials based on clear criteria and standards, far from mediation, favoritism and favouritism.

Developing and training by organizing training courses in line with the modernization of tax administration.

Activating the wage system, which helps motivate workers, increase their efficiency and develop a spirit of initiative.

Rationalizing the behavior of tax administration employees, reducing favoritism and transforming the values of transparency into a basic rule, which allows for the rapid provision of information and ease of access by taxpayers.

Benefiting from the experiences of countries in the field of tax consultation, such as the British experience, which gave consultation an official character by setting the necessary deadlines for consultation and studying the effects of implementing measures, as well as benefiting from the Spanish experience when it provides the conceptual framework for the rules and principles of tax submission.

Keeping pace with global work methods by relying on applications and computer programs to simulate draft amendments to tax measures before implementing them, similar to the French experience of creating a tax simulator (le simulateurfiscal) used by parliamentarians. In the United States, it is used by Congress (the Budget Office) and allows anyone to determine the economic, social and general budget impact of any tax amendment, at a very high speed not exceeding a few seconds.

- Post-measures to establish tax governance:

- These measures include following up on the rules for the correct application of the tax law by respecting the rules of transparency and combating forms of tax corruption, in addition to the post-measurement evaluation of tax procedures by emphasizing the oversight and evaluation role of Parliament and the Audit Council and conducting evaluation studies of tax measures and facilitating communication processes between the tax administration and the tax community.

- Developing the spirit of tax citizenship among taxpayers:
- Tax awareness among taxpayers in Algeria is still far from the required level to achieve comprehensive tax reform. Therefore, the tax administration must remove the psychological barrier between the tax administration and the taxpayer and create trust between it and the tax community and spread tax awareness and tax culture and sensitize them to the importance of tax revenues in financing public spending. This is done by following the following:
 - Providing information: The tax administration must announce all applicable laws, instructions and regulations to all citizens through official publications issued by the tax administration, which must contain the basics of taxes and the rules adopted in application. This information must also be simplified and easy for taxpayers to access. Given the development of media and communication at the present time, the Algerian tax administration must use them to educate taxpayers by creating special websites and providing them with all amendments and developments from time to time, while adopting transparency and clarity, in addition to conducting awareness courses on the importance of tax and explaining the provisions of tax laws and instructions.
 - Providing assistance: The tax administration must pay greater attention to the concerns of taxpayers and respond to their complaints, while simplifying the procedures for managing the tax file for each taxpayer. It should also show flexibility in its dealings with taxpayers within the framework of protecting their interests without compromising the interests of the state.
 - Continuously evaluating the performance of employees working in the tax administration: The General Directorate of Taxes periodically sends management inspectors periodic evaluations of performance levels in the tax administration in Algeria, as well as reports on the discipline and efficiency of employees and the level of work accomplished. However, although these reports describe the real situation in the administration, they do not bear fruit, and are covered up by officials at the highest levels of authority so that they do not receive blame or are not subject to accountability. Therefore, some incompetent employees may find a sense of psychological comfort in realizing that there is no point in these evaluations.
 - Involving civil society in enhancing tax duty: Civil society plays an important role in activating the taxpayers' performance of tax duty by using educational institutions to instill tax culture from an early age by introducing the subject of taxes into educational programs from elementary to university. Mosques must also play an effective role in spreading tax awareness by working to promote and support Islamic and moral values in a way that achieves self-control that ensures that all matters are set straight, especially since self-control stemming from a person's conscience and belief is stronger than external control, and making him aware of the importance of the tax as a manifestation of solidarity among members of society, which makes him feel that paying the tax is a moral obligation before it is a legal obligation.
 - Granting broader powers to the tax administration: The tax administration is committed to implementing the legal texts and instructions issued by the guardianship. However, it encounters situations that are not covered by the legal texts. This necessitates opening the way for tax diligence to take tax measures and make appropriate decisions regarding these situations, while imposing strict control on employees who have been granted this authority.
 - Actual embodiment of modernizing tax administration: Algeria must abandon the traditional methodology followed by the tax administration and work on updating and modernizing it in line with modern trends, by focusing on the process of digitization and electronic management of tax files and providing a national information network that allows administrations to communicate with it and obtain information at the appropriate time, especially the card file, which constitutes the most important data that can be exploited to reduce tax evasion.
 - This requires political will and institutional measures, and perhaps the first step is to study the tasks and duties assigned to those in charge of management or the supervisory body as a whole.
 - Activating performance-oriented accountability: The term accountability is still often understood as compliance with financial rules, official procedures and the use of funds. Therefore, it is sometimes believed that supervision means only reviewing financial accounts. Accordingly, in cases where there are accountability committees, their work is almost limited to financial integrity issues. However, accountability should be linked to achieving results, i.e. the tax administration must be held accountable for the differences between estimates and achievements in the collection process and held accountable for the extent to which the objectives achieved through granting tax incentives are achieved.
- Procedures related to tax spending: There is a set of information that must be provided by the tax legislator about tax spending to achieve transparency and justice, including:

Accurately determining the estimated cost of tax spending, which provides reliability to the estimated cost, as well as determining the type of information on which the estimate is based.

-Determining the source of tax spending, for example, tax spending resulting from the provisions of the tax law, tax spending resulting from administrative application, tax spending resulting from a tax agreement.

-Determining the duration of tax spending, whether it is granted for a temporary period or permanently.

-Determining the type of tax spending granted, for example, tax spending in the form of an exemption, tax spending in the form of a refundable tax loan, tax spending in the form of a reduction.

-Full inclusion of the cost of tax spending in the general budget of the state so that it can be viewed by the public and monitored by the legislative authority.

-Preparing tax spending by the ministry in charge of finance and through the finance law so that it can be compared with direct budget spending, given that the latter is prepared by the Ministry of Finance based on the finance law.

-19 Suggestions and recommendations of the Organization for Economic Cooperation and Development for good tax governance:

-Combating tax evasion: so that tax transparency can be achieved in the tax system and tax discipline can be imposed;

-Stopping illicit capital flows: Efforts must be coordinated between society and government to manage illicit capital, especially towards tax havens;

-Combating the abuse of transfer prices;

-Effective management of the tax system: Effective management of the tax system allows for the mobilization of resources for economic development. It also generates confidence in the management of public finances and is an important element of good governance;

-Combating tax corruption: It is a priority to create legitimacy for the tax system, as corruption destroys tax awareness and tax revenues;

-Preparing measures to establish a culture of tax discipline through:

-Applying penalties when cases of tax fraud are discovered;

-The tax administration sees taxpayers as clients and not as criminals.

Conclusion

By addressing this topic, we found that the principles of tax governance contribute directly to activating the tax system, so embodying these principles on the ground is necessary to raise the efficiency of tax administration and improve its relationship with the tax community, and this is what Algeria has sought in various new procedures, whether from a legislative or structural perspective, by simplifying procedures, activating the control system, establishing legal accountability, and rationalizing tax spending, which is primarily a means of encouraging investment, expanding the tax base, and modernizing tax administration.

From the above, we find that Algeria, from an institutional and legal system perspective, has many legislations through which it seeks to embody tax governance, but it lacks the correct application of the law and respect for its sovereignty by taxpayers in particular, so it needs political will, seriousness, and the involvement of the tax community in embodying tax governance.

Study results:

-Tax governance works to coordinate and integrate roles between the parties to the tax system through the principles it includes, which are transparency, tax disclosure, rule of law, legitimacy, accountability, responsibility, and effectiveness.

There are many reasons for applying tax governance in the tax system, and most studies, including the current study, have agreed that the reasons are due to the following:

-The inability of taxpayers to understand tax laws due to the instability of tax legislation due to the many amendments issued in the financial laws.

-The weakness of the tax administration in managing the large number of taxpayers.

-Protecting taxpayers from the possibility of the tax administration's abuse of the powers granted to it by law.

-Access to new tax sources and thus higher growth in tax revenues.

-Improving the relationship with the tax community.

-The level of tax governance in the Algerian tax system is low and still needs to strengthen the requirements of tax governance and better instill its concepts, despite the availability of the legislative framework.

Recommendations:

- Work on updating the corporate governance guide issued in 2009, and speeding up the issuance of a guide for tax governance, so that it becomes a measure for the practice of tax administration in Algeria and a reliable reference.
- The necessity for the tax administration to raise the level of governance by adopting plans related to employment, appointment and development of human resources by holding training courses for its employees with the aim of providing them with sufficient knowledge of the subject of governance.
- Disseminating and enhancing the culture of tax governance, by the tax administration conducting training programs that enhance the culture of governance and its practice, and sensitizing the taxpayer to the importance of tax as a manifestation of social solidarity among members of society.
- Academic interest in the subject of tax governance, by increasing studies in this field and calling on universities to offer a course that deals with tax governance, so that the student heads to the labor market with a high level of culture in the subject of governance, to raise its level within the institution in which he works.
- The necessity of providing full professional care by the state in the field of obligating institutions to the principles of corporate governance and the instructions issued by it.

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