



The Mechanisms for Implementing Tax Control and Their Effectiveness in Reducing Tax Evasion According to Algerian Tax Legislation - A Case Study of an Institution in Algeria

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Abstract: This study aims to evaluate the effectiveness of tax control in reducing tax evasion among businesses, through a case study of a company that was found guilty of tax evasion and fined according to Algerian tax legislation. The study adopted a descriptive-analytical approach, using data collection and analysis to examine the impact of regulatory measures on tax compliance. The results showed that tax control measures play a significant role in reducing instances of tax evasion and increasing compliance with financial laws, particularly when fines and penalties are applied. The study also recommends updating tax control tools and adopting modern techniques to enhance the efficiency of tax collection. Additionally, it suggests strengthening cooperation between the relevant authorities to ensure a transparent and sustainable economic environment. This research highlights the importance of continuously improving tax enforcement mechanisms to achieve higher levels of compliance and contribute to economic stability. It also emphasizes the need for a dynamic approach to tackling tax evasion, focusing on both preventative measures and effective penalties. The findings of this study provide valuable insights for policymakers and tax administrators in Algeria and similar contexts.

Keywords: tax control; tax evasion; tax legislation; tax fraud; Algeria

1. Introduction

Tax control is one of the essential pillars for maintaining the financial sustainability of the state, aiming to ensure that businesses and individuals comply with their tax obligations in accordance with the prevailing laws and regulations. However, the phenomenon of tax evasion poses a significant obstacle to achieving financial and economic justice, as it leads to the loss of crucial resources for the state and negatively affects the investment environment and the national economy. In this context, this study aims to analyze how tax control is applied to a company found guilty of tax evasion, which was subsequently fined according to Algerian tax legislation. Based on this, the central research question can be formulated as:

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To what extent is the process of tax control effective in reducing tax evasion in Algeria, and how can the measures taken contribute to enhancing tax compliance by businesses?

Subquestion

- Does tax auditing contribute to uncovering tax evasion in Algeria?

Research Hypotheses

- Tax auditing effectively contributes to reducing cases of tax evasion in Algeria.
- Imposing fines and penalties based on Algerian tax legislation supports tax compliance among Algerian institutions.

Objectives of the Study

1. To examine how tax control is applied to businesses engaged in tax evasion.
2. To analyze the role of tax control in reducing the phenomenon of tax evasion.
3. To assess the impact of fines and penalties imposed on businesses' compliance with tax regulations.
4. To provide recommendations for improving the tax control system and enhancing its effectiveness.

Significance of the Study

This article is of particular interest to international readers because it addresses a globally relevant issue—**tax evasion and the effectiveness of tax auditing**—within the specific context of a developing country, while tax compliance is a shared challenge across nations, the study offers a rare, in-depth field analysis from Algeria, a country whose fiscal policies and enforcement mechanisms are not widely covered in international literature, by examining how legal frameworks interact with practical enforcement on the ground, this research provides valuable insights into the strengths and limitations of tax audit systems in emerging economies. These findings can inform comparative studies, international policy dialogues, and capacity-building efforts in tax administration across similar jurisdictions.

Methodology of the Study

The study adopted a descriptive-analytical approach for the theoretical part, relying on a review of literature including scientific articles, previous studies, academic conferences, specialized books, and other relevant sources to enrich the theoretical framework, clarify key concepts, and provide a comprehensive understanding for researchers. In the practical part, the study relied on a case study of a tax-evading company, examining the tax control procedures applied in the process of tax inspection.

The Additional Scientific Value of the Study

The scientific value of this study stems from its field-based approach to the topic of tax auditing in accordance with Algerian tax legislation, through the analysis of a real case involving an Algerian company. This allowed for an accurate assessment of the effectiveness of auditing mechanisms in reducing tax evasion. The study is distinguished from previous research by combining both legal and practical dimensions, and by offering actionable recommendations that are applicable within the Algerian tax context.

2. Theoretical Framework of the Study

2.1. Tax Audit

2.1.1. Definition of Tax Audit

Tax audit is defined as a series of processes and procedures conducted by the tax administration within the legal authority granted by the law. These operations aim to verify the accuracy and reliability of tax declarations submitted by taxpayers and correct any discovered errors, based on information legally available to the tax administration. The audit also seeks to reduce tax evasion practices and increase tax revenues (Khediri & Jneina, 2019, p 323).

Additionally, tax audit is described as a set of measures taken by the tax administration to ensure the accuracy and credibility of activities performed by taxpayers, such as tax declarations and accounting records. This audit also contributes to uncovering legal violations that result in penalties and sanctions for offenders (Chaouadi & Jarrad, 2024, p 164).

Based on the above definitions, tax audit can be defined as a regulatory mechanism that enables the tax administration to monitor and track taxpayers' financial activities to ensure compliance with tax laws and the accuracy of accounting declarations. This mechanism relies on a set of legal procedures designed to detect and correct errors or violations and impose sanctions when necessary, with the goal of protecting state financial resources and reducing tax evasion.

2.1.2. Objectives of Tax Audit

Tax audit aims to achieve several objectives, including:

- **Legal Objective**

Focuses on ensuring taxpayers' compliance with tax laws and regulations and monitoring the alignment of their financial activities with tax legislation. Tax audit is based on the principles of responsibility and accountability, where offenders are held accountable and penalized for any violations aimed at tax evasion.

- **Administrative Objective**

Tax audit contributes to improving the performance of the tax administration by providing accurate information to identify deviations and errors. This enables the administration to evaluate its performance, take corrective actions, and enhance its decision-making capacity to address emerging challenges.

- **Financial and Economic Objective**

Tax audit works to increase public treasury revenues by combating tax fraud and evasion, thereby augmenting resources available for public spending and promoting economic development.

- **Social Objective**

Aims to achieve social justice by ensuring fair competition among economic actors. By expanding the scope of tax audits to include all economic operators, it enhances equality of opportunity and protects societal interests (Hadaash & Charfi, 2022, p 176).

2.1.3. Types of Tax Audit

The forms of tax audit under Algerian legislation include several models, as follows:

A. Document Audit (Declarations)

This type of audit seeks to verify the accuracy of tax declarations and correct any errors contained therein, as outlined in Article 19 of the Tax Procedures Law for 2024. Its steps include:

- **Notification to Taxpayers:** A notice (C2) is sent to taxpayers requesting clarifications or additional information, specifying the points requiring explanation. A 30-day deadline is given for a response.
- **Verification of Responses:** The administration reviews the justifications provided by the taxpayer to ensure compliance with tax legislation.
- **Initiation of Audit Procedure:** If acceptable responses are not provided or no response is received, the administration begins an audit procedure to amend the declarations.
- **Proposed Adjustment Notice (C4):** This notice includes the reasons for the adjustment and the expected tax implications.
- **Response Period:** Taxpayers are given 30 days to respond to the proposed adjustment.
- **Final Settlement:** Negotiations with the taxpayer are conducted after receiving their response. Legal procedures can be avoided by determining the final tax due.
- **Issuance of Tax Schedule:** The due tax is recorded after the objection period ends. If no objection is made, the taxpayer is considered compliant. If not accepted, they can resort to appeals or disputes (Tax Procedures Law, 2024, Article 19, pp. 9-10).

B. Accounting Investigation

This type of audit allows the tax administration to verify the accuracy of accounting records and their alignment with tax declarations for specific financial years. It requires the participation of qualified personnel from the tax administration.

C. Targeted Accounting Investigation

This investigation focuses on specific types of taxes and for defined periods, following the same procedures applied in other accounting investigations.

D. Comprehensive Tax Situation Investigation

This type of audit verifies the credibility of total declared income by reviewing its consistency with the taxpayer's financial situation and lifestyle (Tax Procedures Law, *ibid.*, Articles 20 bis 1 and 3, and 21, pp 9-17).

2.1.4. Reasons for Applying Tax Audits

Tax audits are a fundamental measure introduced to combat tax evasion and fraud. Taxpayers often use these practices to evade their tax obligations, leading to reduced tax revenues. These two phenomena are examined as follows:

- **Tax Fraud:** Tax fraud is a blatant violation of tax laws, where the taxpayer employs illegal methods to evade taxes. It can be categorized into two types:
 - **Simple Fraud:** This involves deliberate actions or the omission of information to evade taxes, such as underreporting, delays in filing, or complete failure to submit declarations.

- **Complex Fraud:** This involves concealing financial transactions through false invoices or inflating financial results of non-existent operations.
- **Tax Evasion:** Tax evasion occurs when taxpayers exploit legal loopholes to avoid paying taxes fully or partially without breaking the law. For example, some companies distribute their profits as shares to avoid income tax. Tax evasion can be classified into two types:
 - **Legal Evasion:** This arises from errors in declarations, such as those related to taxable operations or inaccuracies in monthly or quarterly declarations.
 - **Illegal Evasion:** This involves concealing actual financial transactions or excessively inflating operating expenses to reduce tax liabilities (Tloush & Alloun, 2022, p. 37).

2.1.5. Methodology of Tax Audits in Measuring Tax Evasion

The methodology of tax audits is one of the approaches used to estimate the extent of tax evasion. It relies on calculating the difference between revenues uncovered through tax audit operations and those declared by taxpayers during the year. This approach aims to measure tax evasion by identifying the taxable income that was not declared.

Tax audits, in their various forms, provide an initial estimate of the funds evaded from taxation, representing a direct loss to the state treasury in the form of tax evasion, regardless of its forms. While tax audits are a broad authority granted to tax administration by lawmakers to uncover and correct tax evasion, their scope remains limited when dealing with unregistered economic activities in the informal market.

Such activities lack legal structuring, making it challenging tax authorities to integrate them into the tax system, even when applying a comprehensive audit of the tax situation. This is due to their lack of transparency and guarantees for those conducting these activities.

The extent of tax evasion can be estimated using the tax audit methodology through the following equation:

$$\text{Tax Evasion Volume} = \text{Value of Amounts Seized Through Tax Audits} - \text{Declared Amounts}$$

Tax audits remain limited in effect, as they focus on registered taxpayers. However, tax evasion is also linked to the informal market, which is not subject to taxation. Despite the comprehensive tax situation audits providing limited opportunities to track the income of unregistered taxpayers, such investigations rarely cover unregistered taxpayers due to the sensitive nature of this task and insufficient legal protection for investigators. Consequently, the estimates derived from tax audits remain relative and do not fully reflect the volume of funds circulating in the informal market unless such audits are strengthened, and efforts of specialized financial bodies are united (Bouzeid, 2016, p. 148).

2.2. Tax Fraud and Evasion

2.2.1. The Concept of Tax Fraud and Evasion

Tax evasion is defined as the behavior undertaken by taxpayers to avoid or reduce tax payments by exploiting loopholes or gaps in the tax systems, using legal techniques based on the freedom of choice

available in tax laws. This behavior allows taxpayers to achieve similar economic outcomes with lower tax obligations.

Tax evasion may include various behaviors, including manipulating tax procedures and avoiding compliance with tax laws unlawfully (Zahaf & Assoul, 2022, p. 176).

Tax evasion is a complex and multifaceted issue, with multiple definitions highlighting different aspects of the phenomenon:

- Delahaye Thomas: Tax fraud is any violation or breach of tax law.
- Margainaz André: Tax fraud occurs when methods are used to escape taxation. Broadly, fraud is any act with malicious intent aimed at deception and misinformation.
- Camille Rosier: Tax fraud encompasses all legal and accounting operations, as well as methods and arrangements used by taxpayers to evade taxes and contributions.
- Algerian Legislator: Defined tax fraud as any evasion or attempt to evade using deceptive methods in declaring and paying any tax, duty, or fee, whether fully or partially (Smain, 2019, p 576).

By examining these definitions, it is evident that if tax evasion occurs without violating tax laws, it is referred to as “tax avoidance,” as it relies on exploiting legal loopholes. However, if evasion involves breaching tax laws, it is termed “tax fraud,” which represents a clear violation of tax regulations.

2.2.2. Factors Contributing to the Spread of Tax Fraud and Evasion

Several factors contribute to the prevalence of tax evasion and encourage individuals to engage in it, including:

- Weak institutions and the state’s inability to enforce laws and assert sovereignty.
- Insufficient oversight to track tax violations and bring offenders to justice, compounded by the spread of corruption within state agencies, particularly tax administrations, where bribery replaces paying due taxes.
- Weak penalties imposed on those convicted of tax evasion, as the punishment often fails to deter, making evasion an attractive option if its anticipated gains outweigh the associated penalties.
- High tax rates and burdens, driving some individuals to evade taxes, especially when they feel they do not receive adequate or quality government services.
- A perception of illegitimacy of taxes, particularly in cases where the governing system lacks popular consent, fostering a belief that tax obligations are unfair or illegitimate (Awadi et al., 2019, p 73).

2.2.3. Classifications of Tax Fraud and Evasion

Tax fraud and evasion can generally be classified into three types:

A. **Legitimate Tax Evasion:** This refers to tax evasion conducted in accordance with legal frameworks, tax systems, and regulations, making it lawful and acceptable.

B. **Law-Sanctioned Tax Evasion:** This type occurs within the boundaries set by laws and regulations, such as in the system of the single business tax.

C. **Abstaining from Creating a Legal Event:** This involves refraining from generating

circumstances that would make taxation possible under the law (Zahaf & Assoul, 2022, p. 176).

2.2.4. Reasons for Tax Evasion

The reasons and motivations for tax evasion, as part of fiscal practices, vary across several dimensions, including:

A. Psychological Factors: Many countries experience a weak sense of moral commitment to taxes. Some individuals view tax evasion not as theft but as merely avoiding contributing to the state. This behavior harms compliant taxpayers by increasing their tax burden to compensate for the lost revenue due to evasion. Psychological factors and tax awareness play a role here; tax evasion tends to decrease with higher levels of tax awareness.

B. Political Factors: Political and economic instability is a significant driver of widespread tax evasion. Such conditions foster a perception of inefficiency in public authorities' ability to fulfill their responsibilities effectively, encouraging individuals to evade their tax obligations.

C. Economic and Financial Factors: Economic difficulties faced by taxpayers often lead them to resort to tax evasion, particularly in cases of low income. This behavior is prevalent in small businesses that attempt to conceal profits to sustain their operations.

D. Legislative Factors: The prevalence of tax evasion heavily depends on the nature of the tax system and the stability of its laws. High tax burdens or complex tax procedures increase the likelihood of evasion. Individuals tend to avoid taxes if penalties are not sufficiently deterrent compared to the financial savings achieved by evading taxes (Bouzeid, 2016, pp. 144-145).

E. Administrative Factors: The efficiency of the tax administration directly affects the scale of tax evasion. Weak material resources and a lack of qualified human resources facilitate evasion. Additionally, administrative corruption, such as bribery, undermines public trust in the integrity and efficiency of the tax administration, further encouraging tax evasion (Bouzeid, 2016, p. 146).

2.2.5. Mechanisms Used in Tax Fraud and Evasion:

Tax evasion encompasses a variety of methods employed by taxpayers to avoid paying taxes, whether illegally or in ways that go against the legal spirit of taxation. These methods can be classified into different patterns, including:

A. Accounting Manipulation: This involves altering financial and accounting records to reduce taxable profits and inflate expenses. Examples include exaggerating the costs of goods and services, failing to record revenues fully or accurately, creating fictitious wages and salaries, and inflating depreciation expenses.

B. Physical Manipulation: This type of evasion involves altering facts and activities in an unlawful manner. For example, it includes concealing funds through illegal means, such as creating fake operations, fabricating entities, or manipulating purchase or sales invoices.

C. Legal Manipulation: This type relies on exploiting gaps or loopholes in legal texts to evade taxes unlawfully. For instance, taxpayers may misregister contracts, such as recording a sale as a gift to receive a tax reduction.

The role of tax authorities is to combat these methods and ensure compliance with tax laws and regulations. There should also be a balance between taxpayers' rights and obligations by developing legal texts that achieve this equilibrium and reduce opportunities for tax evasion (Khedal & Kessi,

2021, pp 1054-1057).

3. Field Study

To deepen our understanding and investigate a real tax audit case involving a tax-evading company, we conducted an exploratory visit to the directorate of taxes in Ouargla province, specifically to the tax inspection office. It is worth noting that Ouargla province has not yet adopted digital tax management systems.

During our interview with the head of the tax inspection office, he welcomed us and agreed to provide a file of at least one case involving tax fraud and evasion, under the condition of maintaining confidentiality and not disclosing the company's name or any identifying details related to this field study. We accepted these terms and will present the details of the company under study and the procedures taken during the tax audit.

3.1. General Information About the Evading Company

3.1.1. Company Overview

The following table provides basic information about the company:

Table 1. Company Identification Information

Name	EURL MDF (hypothetical name to maintain confidentiality)
Date of Establishment	20/04/2018
Headquarters	700 Housing Neighborhood, Ouargla
Business Activity	Retail trade of household appliances and furniture (on installment)
Tax System	Real profit system

Prepared by the researchers based on the information provided by the company owner.

3.1.2. Details of Tax Fraud and Evasion

According to the tax officer, the company owner initially fulfilled all tax obligations, including declarations and payments within legal deadlines. Regular document inspections showed no shortcomings. However, the regional tax directorate received information indicating that the company achieved actual revenues for 2019 and 2020 through multiple bank accounts. This prompted the Tax Inspection Office to initiate a document audit for those years.

3.2. Document Audit Procedures

3.2.1. Issuance of the Preliminary Settlement Notice (C4)

A C4 notice proposing settlement was issued, requesting the company to submit supporting documents, including sales and purchase invoices, for 2019 and 2020. The company had declared an annual turnover of **24,991,593 DZD** for 2019 and **53,994,500 DZD** for 2020. However, information provided by the tax investigation team indicated that the company's actual turnover was **103,235,775 DZD** in 2019 and **95,791,727 DZD** in 2020.

The Tax Inspection Office requested the company to provide the missing declarations and supporting

documents within 30 days from the date of the preliminary notice. Failure to comply within the legal deadlines would result in penalties as stipulated in tax legislation.

3.2.2. Issuance of the Final Settlement Notice (C4 Definitive)

After the legal deadline for responding to the preliminary notice passed, the Tax Inspection Office took the necessary measures in accordance with tax legislation. The company was notified of the final settlement notice. In tax law, failure to respond to the notice within the legal timeframe is considered acceptance of the decision.

It was discovered that the company had been evading taxes by concealing multiple bank accounts through which it generated revenue without declaring them. The company had only declared one bank account to the tax authorities, which was used to calculate the declared turnover for 2019 and 2020.

The following annex outlines the adjustments and corrections made by the Tax Inspection Office to the declared turnover.

Annex 1. shows the first page of the settlement notice (C4)

Democratic People's Republic of Algeria		C n° 4
MINISTRY OF FINANCE General Directorate of Taxes		<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;">FINAL NOTICE OF ADJUSTMENTS</div>
<div style="border: 1px solid black; padding: 2px;"> STRUCTURE: [Professional secret] Reference: [Professional secret] </div>		
Ouargla, Date: [27/11/2022]		<div style="border: 1px solid black; padding: 2px;"> Mr.: EURL [Professional secret] Activity/Profession: [Professional secret] Address: [Professional secret] Article Number: [Professional secret] </div>
<p>I have the honor to inform you:</p> <ol style="list-style-type: none"> 1. That in the absence of a response within the deadline given for the notification of adjustment proposal No. [Professional secret], it has been decided to maintain the adjustments considered against you. 2. That based on your formal acceptance received on [date], it has been decided to definitively maintain the adjustments considered in the adjustment proposal notification no. [Professional secret]. 3. That after examining your response received on [date] to the adjustment proposal notification No. [Professional secret], in which you made observations regarding the proposed adjustments, it has been decided: <ul style="list-style-type: none"> ▪ To partially accept the reasons and justifications presented. ▪ To maintain the totality of the adjustments considered. <p>Reasons for which your observations and justifications were not accepted are explained on the reverse side.</p> <p>Additional Information: I inform you that a regularization order will be established against you, which can be contested within the framework of a contentious claim, in application of articles 70 to 72 and 172 of the Tax Procedures Code.</p> <p>Best regards,</p>		
		<p>[Signature of the responsible authority]</p> <div style="border: 1px solid orange; padding: 10px; width: fit-content; margin: 10px auto; color: red; font-weight: bold;"> Out of Respect for Professional Confidentiality </div>
P 1/3		

Prepared by the researchers based on the obtained results.

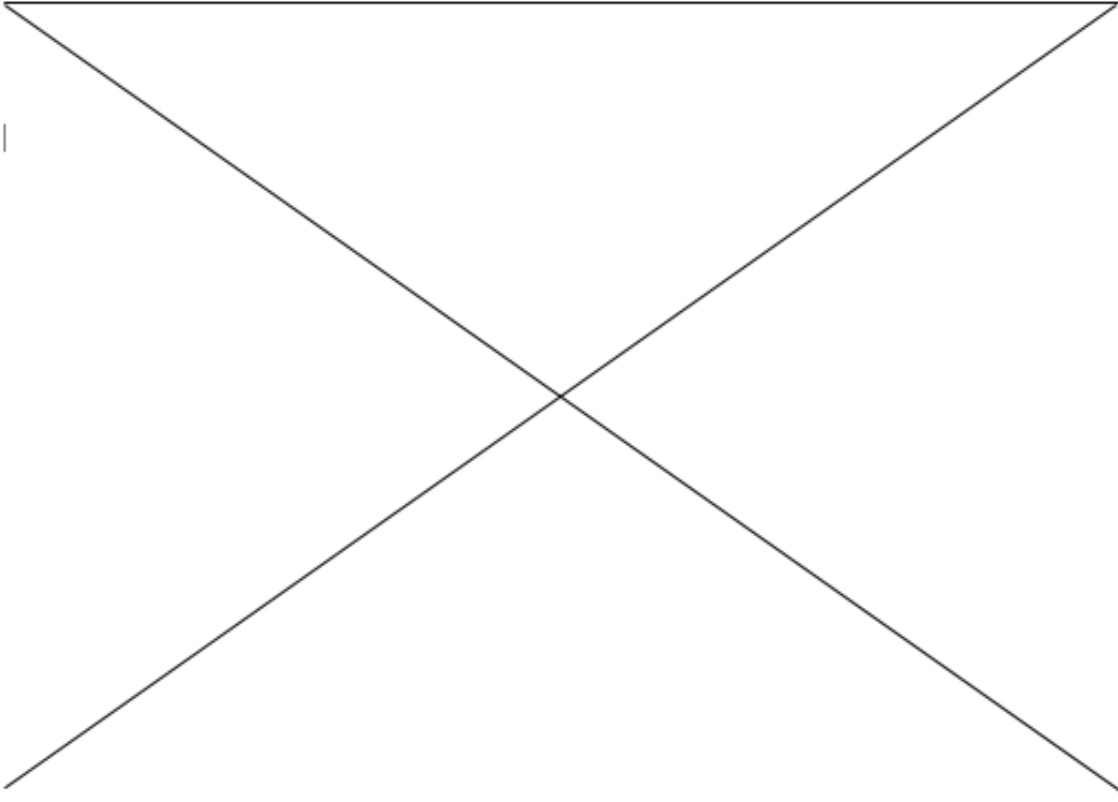
Annex 2 shows the second page of the settlement notice (C4)

Definitive Adjustments						
1) DESIGNATION OF THE AGENT PROPOSING THE ADJUSTMENT:						
Tax Assistant/ Name: Confidential (Professional Secrecy)						
Rank: Tax Inspector						
2) STRUCTURE OF THE NOTIFICATION OF THE PROPOSED ADJUSTMENTS (ARTICLE 19 OF THE CPF):						
<ol style="list-style-type: none"> 1. Accurate retrieval of observations and justifications provided per adjustment point. 2. Response to observations formulated by the taxpayer with legal motivation. 3. Calculation of the maintained adjustments and justification of penalties and/or applied surcharges. <p>Additional to the initial notification under form C04 and the index referenced on 2022/04/10, it was decided to maintain the adjustments on the grounds of lack of legal justification according to the provisions of Article 19 of the General Tax Procedures Code.</p>						
Elements of Annual Calculations						
Professional Activity Tax (TAP) (Articles 217 to 240 of the Tax Code):						
Year	Seized Turnover (DZD)	Declared Turnover by the Taxpayer (DZD)	Difference (DZD)	Rights 2% (DZD)	Penalty 25% (DZD)	Total (DZD)
2019	103,235,775	24,991,593	78,244,182	1,564,884	391,221	1,956,105
2020	95,791,727	53,994,500	41,797,227	835,945	208,986	1,044,931
Value Added Tax (VAT) (Articles 01 to 161 of the Tax Code):						
Year	Seized Turnover (DZD)	Declared Turnover by the Taxpayer (DZD)	Difference (DZD)	Rights 19% (DZD)	Penalty 25% (DZD)	Total (DZD)
2019	103,235,775	24,991,593	78,244,182	14,866,395	3,716,597	18,582,993
2020	95,791,727	53,994,500	41,797,227	7,941,473	1,985,368	9,926,841
Corporate Income Tax (IBS) (Articles 135 to 167 of the Tax Code):						
<ul style="list-style-type: none"> - For the year 2019: Tax Base = 20% × 103,235,775 = 20,647,155 DZD. - For the year 2020: Tax Base = 20% × 95,791,727 = 19,158,345 DZD. 						
P: 2/3						

Prepared by the researchers based on the obtained results.

Annex 3 shows the third page of the settlement notice (C4)

Year	Seized Turnover (DZD)	Declared Turnover by the Taxpayer (DZD)	Difference (DZD)	Rights 26% (DZD)	Penalty 25% (DZD)	Total (DZD)
2019	20,647,155	1,499,328	19,147,827	4,978,435	1,244,609	6,223,044
2020	19,158,345	2,210,856	16,947,489	4,406,347	1,101,587	5,507,934



Signature of the Agent Proposing the Adjustment

**Out of Respect for
Professional
Confidentiality**

P: 3/3

Prepared by the researchers based on the obtained results.

3.2.3. Issuance of the Payment Order (Individual Invoice)

Following the issuance of the final settlement notice by the Tax Inspection Office, a payment order is

issued on the same day and forwarded to the collection department after being processed by the relevant tax services. At this stage, the company is considered indebted and must either settle the payment or file an appeal if it does not accept the final decision.

3.2.4. Results of the Applied Study

The company was penalized by correcting the declared turnover and recovering the due taxes, along with additional penalties for late payments. The final decision, including the total fines imposed on the company, is summarized in the following annex:

Annex 2. Penalty Results After the Tax Audit Process

Designation	Tax on Professional Activity		Tax on Added Value		Tax on Corporate Profits		Tax on Total Income of Companies	
	Rights	Late Penalties	Rights	Late Penalties	Rights	Late Penalties	Rights	Late Penalties
2019	1,564,884	391,221	14,866,395	3,716,597	4,978,435	1,244,609	2,291,834	572,959
2020	835,945	208,986	7,941,473	1,985,368	4,406,347	1,101,587	1,881,171	470,293
Total	2,400,829	600,207	22,807,868	5,701,965	9,384,782	2,346,196	4,173,005	1,043,252

Prepared by the researchers based on the obtained results.

3.2.5. Response to the Hypotheses

- **First Hypothesis: Tax auditing effectively contributes to reducing cases of tax evasion in Algeria.”**

Yes, tax auditing effectively contributes to reducing tax evasion in Algeria. Through the implementation of precise and regular auditing procedures on Algerian institutions and companies, financial activities become more transparent, thereby reducing opportunities for manipulation or evasion. When discrepancies are found between declared and actual figures, corrective actions are taken and fines are imposed on violating companies, which reinforces compliance with tax obligations. Moreover, tax audits create a deterrent environment, as potential evaders fear being exposed, which encourages them to comply with the Algerian tax system and submit accurate financial data.

- **Second Hypothesis: Imposing fines and penalties based on Algerian tax legislation supports tax compliance among Algerian institutions.”**

Yes, the imposition of fines and penalties according to Algerian tax legislation is an effective tool for supporting tax compliance among Algerian institutions. Such sanctions act as a deterrent for institutions attempting to evade taxes. When a company is fined for tax evasion or for failing to submit declarations on time, it is encouraged to improve its tax practices and comply with tax laws. Furthermore, penalties motivate other institutions to comply with Algerian tax regulations to avoid fines and legal consequences that could harm their financial and commercial reputations.

3.2.6. Final Interpretation of the Results

- **Additional revenue for the institution:** The tax auditing process succeeded in uncovering tax evasion in Algeria, which allowed for the recovery of additional tax funds for the Algerian tax authority.

- **A warning to other institutions:** This case serves as a lesson to other institutions that tax auditing in Algeria can be effective in detecting tax evasion, and that Algerian institutions must fully comply with tax obligations without attempting to manipulate financial data.
- **Sanctions influencing institutional reputation:** Late penalties and final decisions can negatively affect the institution's reputation and its ability to conduct future business. Additionally, such manipulation may lead to audits that are more frequent in the future, resulting in greater legal and financial burdens for the institution.

3.2.7. General Result

The study highlights the importance of tax audits Algerian in detecting tax evasion and enhances understanding of how legal and financial procedures related to tax evasion operate. Through this case, it is evident that there is a significant difference between what the company reports and what it actually achieves, reflecting a failure to comply with tax obligations.

4. Conclusion

Through this practical case study, it was observed that the Algerian institution engaged in unlawful (illegal) tax evasion by attempting to conceal its total annual turnover for the years 2019 and 2020. However, the investigative department discovered that the same institution was receiving revenue through multiple bank accounts, raising suspicions and prompting the Algerian tax authorities to initiate a document audit process (declarations). After following the legal procedures and implementing the practical steps of tax auditing, it became clear that the institution was deliberately evading taxes.

Therefore, it can be said that tax auditing of tax-evading Algerian institutions represents a decisive step to ensure compliance with tax obligations and the effective enforcement of Algerian financial laws. Tax auditing helps detect tax violations and verify the accuracy of financial information provided by Algerian institutions, which leads to the protection of public treasury rights and the promotion of economic fairness in Algeria.

In conclusion the experience of fining the aforementioned institution, in accordance with applicable Algerian tax legislation, has demonstrated the importance of taking firm and effective measures against tax evasion to ensure the sustainability of state financial resources and to foster a transparent and fair business environment.

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