

## **The Effect of The Principle of Relevance on The Efficiency of Tax Debt Collection**

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**Abstract:** The tax system is one of the most important methods that countries rely on to finance their public expenditures in order to achieve their economic and social goals, For a tax system to succeed, it is not enough to simply impose taxes; it requires knowing how to collect them in a way that takes into account the circumstances of taxpayers and achieves efficiency and fairness in collection, From this standpoint, the role of the principle of suitability in the efficiency of tax debt collection becomes apparent, as it is considered one of the important and fundamental principles in modern tax policies.

**Keywords:** tax system, principle of convenience, tax debt

### **Introduction**

Taxation occupies an important position in the modern state because it represents a financial tool for achieving political, social and economic goals. The importance of efficient collection is demonstrated by reducing cases of delay and evasion of payment to ensure the regular flow of revenues. The principle of convenience is one of the most important principles in tax systems because it focuses on facilitating the procedures for paying the tax debt, in addition to choosing the appropriate time and method for the taxpayer in a manner consistent with his capabilities and financial circumstances.

First: The importance of the research

The importance of the principle of convenience is evident in easing the burden on taxpayers and increasing tax compliance. The more convenient the collection methods, the more committed the individual will be to paying taxes voluntarily, in addition to reducing tax evasion. Difficulty in payment may lead to evasion, However, fairness reduces this phenomenon, and more importantly, it strengthens

trust between the tax administration and the taxpayer. When the taxpayer feels that the tax is being levied fairly, their cooperation with the state increases.

Second: The research problem

The research problem lies in the following:

Does the principle of suitability affect the efficiency of tax debt collection, and will its application lead to achieving a balance between the rights of the taxpayer and the interest of the tax administration?

1- Is the principle of suitability an effective tool in collecting tax debt, or is it likely to be a source of arbitrariness by the tax administration?

Third: Research Objectives

The research aims to explain the concept of the principle of suitability and define its dimensions in the tax system, and then analyze the relationship between the principle of suitability and the efficiency of tax debt collection, and to explain the effect of the principle of suitability in increasing compliance with tax payment and reducing tax evasion.

## **Research Methodology**

Our research is based on the descriptive-analytical approach by presenting the concept and characteristics of the principle of suitability, then identifying and analyzing its role in achieving efficiency in tax debt collection and interpreting the relationship between them in light of tax legislation.

Fifth: Research Structure

This topic will be discussed through a scientific plan consisting of three sections. In the first section, we will explain the concept of tax and the application of the principle of suitability in imposing it. In the second section, we will address the parties to the tax debt. In the third and final section, we will explain the characteristics of the tax debt. Then we will conclude our research with a conclusion in which we show the most important conclusions and recommendations. And from God comes success.

## **Analysis and Results**

Chapter one

The nature of the tax and the appropriateness of imposing it

Taxation is considered one of the oldest sources of state revenue due to the large sums of money it provides to the state treasury. Its importance has increased with its growing share in the structure of public revenues, not to mention the significant role it plays in achieving the state's political, financial, social, economic, and developmental goals. Consequently, observing the principle of appropriateness has become essential in collecting tax debt in order to alleviate the burden on the taxpayer and avoid overburdening them with taxes. From this perspective, we will divide this topic

into two sections. The first section will be dedicated to defining taxation, and the second section will explain the application of the principle of appropriateness in imposing taxes, as follows:

## Section one

### Definition of tax

There are many definitions of tax. Some say it is a mandatory, non-punitive financial deduction determined by the state and paid by natural and legal persons to the state permanently and without direct special compensation, in order to enable the state to carry out its economic, social and political functions .[1]

Or it is a sum of money imposed by the state, paid compulsorily and permanently without compensation, for the purpose of achieving economic, financial, social, and political goals.[2]

Or it is a monetary levy that an individual is obligated to pay to the state or one of its public bodies as a final contribution to bearing public burdens and costs without receiving any compensation or special benefit. [3]

Regardless of the different interpretations, the meaning is the same: taxation means obligating the taxpayer to pay a sum of money to the state compulsorily, permanently, and without compensation.

## Second section

### Applying the principle of appropriateness in taxation

The principle of suitability means that the legislator, when drafting legal texts related to taxation, must consider considerations of suitability, whether in terms of determining the tax base, stating the tax rate, the method and date of collection, and other matters that govern the relationship between the taxpayer and the tax administration.[4]

This means that the legal provisions governing taxation should be designed to suit the individual circumstances of taxpayers regarding the timing, method, and procedures of collection. The legislator can ensure this suitability by precisely defining the taxable event, meaning that the tax is only levied after the taxable event has occurred [5], and that the tax rate is proportionate to the taxpayers' ability to pay, without being excessive , Likewise, the payment date should be suitable and appropriate for him so that the tax is collected at a later time than the income is obtained. It is obvious that the facilities provided by the state to the taxpayer should be in a way that does not harm the state's finances [6] .

This rule applies to income taxes due to direct interaction with the taxpayer, while such issues disappear in the case of indirect taxes , For the purpose of achieving efficiency in collection, the tax was imposed at source (withholding at source). In this method, the tax is deducted at the moment the taxpayer receives the income, where a specific person (the legal taxpayer) collects the tax from

the taxpayer and delivers it to the public treasury, as is the case with the entitlement to wages and salaries. Withholding at source has many advantages, including,

- 1- Reducing opportunities for tax evasion.
- 2- It provides a guarantee for the tax administration and the taxpayer, because it involves an accurate determination of the tax base, as the deduction is made from income before physical possession.
- 3- It reduces taxpayer sensitivity to taxes.
- 4- It ensures a steady and consistent tax revenue
- 5- This constitutes a guarantee for the public treasury's interest, as the law sets a specific date for tax collection. It also serves the taxpayer's interest by protecting them from injustice and arbitrariness on the part of the tax administration, not to mention giving the taxpayer the option to pay the tax amount in installments. The law also ensures that tax collection dates are appropriate. [7].

## Chapter two

### Tax debt parties

The relationship that arises between the state and taxpayers is a debt relationship originating from the law. This relationship involves two sides: a creditor (the financial authority) and a debtor (the taxpayer, whether a natural or legal person). Accordingly, we will divide this discussion into two sections. In the first section, we will explain the creditor (the state), and in the second section, we will focus on the debtor (the taxpayer), as follows:

#### Section one

##### Creditor (the State)

The purpose of law is to maintain the security and order of society. The role of law is to reconcile the interests of individuals, protect their rights, and impose duties upon them. Society is obligated to respect and obey the law,

The differences between societies are measured by how well they apply the law, and in each of these societies there is an authority that alone possesses the power to issue commands and prohibitions to all members of society [8]. One of the most important duties of the ruling authority is to satisfy the general needs of all members of society. This is achieved through the state's public spending. Under this relationship, the state is the party that imposes taxes, and thus assumes the position of creditor in the tax obligation [9].

The financial authority is simply the body that represents the rights of the public treasury in the state, acting as the state's agent in managing financial affairs [10].

It is possible for other local authorities to impose subsidiary taxes in addition to the main taxes imposed by the central authority, and then there would be two relationships: The first is a primary relationship between the taxpayer and the state, while the second is a subordinate relationship between the taxpayer and the local authority. The state's authority to impose taxes is, in principle, unrestricted, meaning that no obstacle should hinder its ability to fulfill its duties in collecting tax

debts and protecting the public treasury's rights from loss, However, this principle is subject to limitations for legal reasons, such as adhering to all procedures stipulated by law in establishing, imposing, and assessing the tax, as well as for economic reasons to prevent exemptions for economic reasons dictated by the public interest [11] .

## Section two

### Debtor (payee)

The party liable for the tax debt is the person legally obligated to pay the tax debt. Therefore, if the circumstances of being liable for the tax debt do not apply to a particular person, then he is not indebted to the public treasury for that amount. [12]

However, sometimes a person may bear the burden of tax debt even though they are not legally obligated to pay it. This is called "de facto taxpayer," and this phenomenon occurs in the case of customs duties. These duties are imposed on the importing merchant and the goods, who then passes the burden on to the consumer. Thus, the consumer is not legally obligated to pay the tax because the legislator did not stipulate that they must pay it. Rather, they bear it due to economic circumstances that have placed the burden on them. They are not legally obligated, but rather de facto obligated. [13]

The party liable for taxes may be a natural person or a legal entity. A natural person is a human being who must possess legal capacity and status. Status refers to a person's position within the human community, including their rights and obligations. Legal capacity is the person's eligibility to acquire rights and bear obligations [14].

The term "legal person" refers to a group of people coming together to achieve a specific goal. This grouping creates a legal entity that enjoys complete independence from the individuals who contributed to its formation. A legal person can also be a pool of funds intended to achieve a specific purpose, such that these funds become the responsibility of a new legal entity independent of the individuals who provided the funds [15].

Legal persons are of two types: public legal persons and private legal persons. Public legal persons are those persons that enjoy the features and characteristics of public authority and have their own independent entity and powers and are subject to the rules of public law.

Public legal entities are of several types, foremost among them the state, as well as local and municipal administrations, establishments and bodies, and companies that are characterized by publicity (public companies) [16] .

Private legal entities are those that do not possess the characteristics of public entities and do not enjoy the special authority and sovereignty enjoyed by public legal entities. Private legal entities are subject to private law, and may be a group of persons or a group of assets. They have an independent financial liability, have representatives, enjoy the right to litigate, and have a domicile and nationality [17].

## Chapter three

### Characteristics of tax debt

Given the importance of taxes as a major source of sovereign revenue for the state, the law has surrounded them with a number of privileges to ensure their full collection. This distinguishes tax

debt from other debts, particularly ordinary debts. To explain the most important characteristics of tax debt, we will divide this discussion into three sections as follows:

#### First section

##### Tax debt is portable, no requirement

It is an established principle in tax law that tax debt is assumed, not demanded. This means that once the tax debt is due, the taxpayer should voluntarily pay the outstanding amount to the public treasury without the tax authority needing to pursue or demand payment [18].

The aim is to collect the tax amount from the taxpayer on the legally prescribed dates without him being able to justify his delay and claim the invalidity of the enforcement procedures against him.

This asset is established for the benefit of the public treasury to obtain revenues on the legally specified dates that are necessary to satisfy public needs and achieve the economic, social and other goals of society.

However, there is an exception to this principle, as sometimes the tax debt is owed rather than carried. This occurs when the tax authority pursues the taxpayer, goes to their residence, and demands the amount owed. This is a procedure the authority takes at its discretion to expedite tax collection. [19]

It is noteworthy that the Iraqi legislator did not explicitly state that the tax debt is a liability, not a liability. However, by examining the texts of the Iraqi tax laws, it becomes clear to us that the Iraqi legislator intended this principle implicitly. The legislator, in the current Income Tax Law, referred to this principle, stating that “the tax on the company’s income is realized before any of it is paid to the shareholders, and the company and its manager in particular are considered ultimately responsible for collecting and paying the tax to the financial authority, submitting the required accounts and certificates, and all matters that must be done in accordance with the provisions of this law [20] .

The legislator also stipulated this principle in the current Real Estate Tax Law, as it stipulated that (the financial authority must notify the taxpayer in writing of the payment of a specific tax, its amount and due date, and the payment shall be made by the taxpayer to the competent financial department indicated in the payment notification). [21]

It is evident from these texts that the Iraqi tax legislator has implicitly codified this principle in the interest of the public treasury. The tax debt must be paid at the tax administration headquarters, and this is what is called the principle of a tax debt that is carried, not required.

#### Section two

##### Requiring the collection of the tax debt before settling the dispute

The taxpayer (the person liable for tax) must pay the tax debt whenever it falls due, even if there were errors in assessing the tax liability or if they believed they were not subject to such taxation in the first place. This is because one of the agreed-upon rules is the "pay first, then object" rule. The purpose of this rule is to enable the collection of tax revenues necessary to meet public needs and achieve the economic, social, and political goals of society, without allowing the taxpayer to stop

paying taxes on the grounds of a dispute with the tax authority regarding the debt or its amount. The very nature of tax law is what imposed this rule [22].

The Iraqi legislator has adopted this principle in the current Iraqi Income Tax Law, as the law stipulates that for an objection to be accepted, the taxpayer must pay the estimated tax due. If he is unable to pay it in full, the financial authority has absolute power in this regard to collect it in installments, provided that the amount paid is not less than 25% and does not exceed 50% of the estimated tax value. This is what the Iraqi legislator confirmed in the Income Tax Law, which stipulates that “the taxpayer’s objection shall not be considered unless he pays the estimated tax due within the objection period. In the event of his inability to pay the full estimated tax, the financial authority, after being convinced of this, may collect it in installments according to instructions issued by the Ministry of Finance...”[23] It is clear from this that the Iraqi tax legislator has prioritized the interest of the public treasury over the interest of the acknowledging taxpayer by requiring the payment of the tax debt despite the disputes that arise about it.

### Results and Discussion

The descriptive-analytical examination of Iraqi tax legislation and the relevant legal literature demonstrates that the principle of convenience (appropriateness) is one of the fundamental determinants of efficient tax debt collection. The analysis shows that tax collection becomes more effective when the timing, payment procedures, and collection mechanisms correspond to the taxpayer's financial circumstances while simultaneously protecting the interests of the public treasury.

### Conclusion and Recommendations

The relationship that arises between the state and taxpayers is a debt relationship originating from the law. This relationship involves two sides: a creditor (the financial authority) and a debtor (the taxpayer). Under this relationship, the taxpayer is obligated to pay a sum of money without compensation to the first party. This relationship is called the tax debt. Since the purpose of taxation is to finance the state's expenditures and the operation of its public facilities, in addition to the other objectives it achieves, one of the rules of taxation is that it be suitable in terms of the procedures for imposing and collecting it and the possibility of paying it in installments or postponing it in order to simplify the process for the taxpayer and thus collect the value of the tax correctly. Moreover, the tax legislator has surrounded the tax amount with characteristics that make it a liability rather than a liability, meaning that the taxpayer should take the initiative to pay the debt owed to the financial authority. Moreover, the tax debt is payable even if there is a dispute about it.

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