

Tax oversight for ensuring compliance and enhancing the investment climate

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Abstract---The establishment of tax oversight has led to the adoption of a set of substantive and procedural controls. This is clearly reflected in the Tax Procedures Code, which serves as the legal framework for all forms of tax audits and investigations. This regulatory structure aims to promote transparency and ensure tax compliance, thereby contributing directly to the creation of a sound investment environment. The legislator has emphasized declaration oversight as a primary form of control, and tax investigations as an in-depth mechanism, both of which help strengthen business stability and foster investment.

Keywords---tax auditing, tax procedures law, transparency, tax compliance, investment environment, tax investigations.

Introduction

Tax oversight is a fundamental mechanism in the fight against tax evasion and fraud. It is a natural outcome of the tax system, which is based on voluntary self-declaration by taxpayers. Through this oversight, the accuracy and credibility of declarations are verified, and any errors or violations can be detected. This plays a critical role in curbing tax manipulation, which negatively impacts public finances. The principle of tax declaration is grounded in a sense of responsibility. It is built on voluntarism and self-regulation, granting both individuals and legal entities the freedom to prepare and submit their tax declarations to the tax administration. This practice fulfills the civic duty of contributing to public financial burdens.

Since taxpayers are granted the freedom to prepare and submit their declarations without third-party intervention, it becomes necessary for the tax administration to carry out supervisory and administrative procedures. These are essential for verifying the accuracy of the information provided, in accordance with the principles of fairness and transparency.

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Tax oversight is one of the cornerstones of the modern tax system. It plays a vital role in revenue collection and in reducing tax evasion and fraud. In the context of rapidly evolving economies, tax oversight must be both effective and precise. This ensures the achievement of key economic and social objectives, including increased public revenue, tax equity among individuals and businesses, and support for a stable investment environment. Enforcing compliance with tax laws by both institutions and individuals enhances transparency and stimulates economic growth.

In this context, the importance of the legal methods employed by the tax administration becomes clear. These methods are crucial for achieving the intended goals of tax oversight. This raises a key question:

What are the legal and procedural mechanisms that ensure effective tax oversight?

A review of the legal framework in this area shows that tax oversight takes two main forms: primary oversight, which focuses on declarations submitted to the tax administration (first section), and tax investigations (second section).

Accordingly, the discussion of this issue will be addressed through the following two sections:

- **Section One:** Declaration Oversight
- **Section Two:** Tax Investigations

Section One: Declaration Oversight

Tax oversight plays a key role in ensuring fairness within the tax system. It allows the detection of manipulation and fraud, and it verifies the accuracy of submitted declarations. It also supports transparency and trust in the tax framework. This contributes to improved tax collection and helps maintain financial and economic stability.

Given its importance, the legislator has established tax oversight in the Tax Procedures Code. From the various provisions of this law, it is possible to identify the nature of this oversight (First) before addressing declaration oversight as the initial level of tax control (Second).

First – Establishing the Tax Administration's Oversight Right and Its Nature

The legislator has given special attention to regulating tax oversight due to its significant role in promoting transparency and supporting economic growth. The law clearly affirms the tax administration's right to carry out oversight activities through the provisions of the Tax Procedures Code (1). It is therefore essential to clarify the legal basis and the nature of this oversight (2).

1. Establishing the Oversight Right of the Tax Administration

The legislator addressed this right in Article 18-1/1 of the Tax Procedures Code¹

1. The Tax Administration's Right to Oversight

The tax administration has the legal right to conduct oversight. Tax offices are required to examine declarations, invoices, documents, and supporting records submitted by taxpayers. This process is essential for determining and adjusting taxes, duties, or taxes. Taxpayers are also obligated to provide access to all relevant records and accounting books upon request. This right of access allows the administration to review the taxpayer's fiscal position thoroughly.

2. The Nature of Tax Oversight

Under the law, the tax administration has broad authority to carry out oversight. This includes the power to conduct investigations aimed at identifying and correcting errors. The administration exercises this authority by reviewing all information submitted by taxpayers.

For this reason, it is important to define what tax oversight means (a) and to highlight the legal foundations on which it is based (b).

¹ Law No. 23-22 of 12/24/2024, including the Finance Law for the year 2024, Official Gazette No. 86, issued on 12/31/2023.

a. Definition of Tax Oversight

Although Algerian legislation does not provide an explicit definition of tax oversight, it establishes its procedures and identifies the competent bodies authorized to carry it out. In contrast, legal scholars have proposed various definitions. One widely accepted definition is the following:

"Tax oversight refers to the set of procedures and methods established by the legislator that allow the tax administration to verify whether taxpayers are complying with their tax obligations. It also enables the correction of any harm caused by errors committed by taxpayers, which may result in losses to public funds². Or it may be defined as:

The process of gathering and evaluating evidence related to the information declared by taxpayers through their submitted tax statements, in order to determine whether their tax obligations are materially accurate under the applicable income tax laws and regulations. This process must be carried out by an auditor or a team that demonstrates both competence and objectivity³.

b. Foundations of Tax Oversight

The tax administration holds broad powers over taxpayers. These powers reflect the sovereign authority of the public service. They allow the administration to carry out tax oversight effectively. This oversight is based on several key foundations. Among the most important is:

- **The Right of Access** The right of access refers to the tax administration's authority to examine documents held by the taxpayer or by other public or private entities, whenever access to such information is necessary for the assessment or control of taxes.

The legislator addressed the right of access in Article 45 of the Tax Procedures Code⁴

The law imposes criminal penalties for failure to comply with the right of access. It sets financial fines ranging from 5,000 DZD to 50,000 DZD for any natural or legal person who refuses to grant the tax administration access to the books, records, and documents specified in Articles 45 to 61 of the Tax Procedures Code.

In addition, the same article provides for a daily penalty of no less than 100 DZD for each day of delay in submitting the requested documents. This fine begins to apply from the date on which the official report is issued, confirming the taxpayer's refusal to comply with the administration's request.

- **The Right of Inspection** The right of inspection grants the tax administration legal authority to investigate and examine invoices, accounting records, and commercial books. This right is exercised without prior notice. It is carried out directly by a tax officer after the notice is delivered to the taxpayer. It takes place on-site, without delay, during official working hours, as defined in Article 22 of the Tax Procedures Code⁵, As follows:

- From October 1 to March 31, inspections may be conducted from 6:00 am to 6:00 pm
- From April 1 to September 30, inspections may be conducted from 5:00 am to 8:00 pm

However, in accordance with Article 23 of the same law, access during the night is permitted in factories, workshops, distilleries, and other establishments subject to tax control, when these places are open to the public or when the declarations made by manufacturers or traders indicate that the facilities are in operation.

Under Article 35 of the Tax Procedures Code, the right of inspection can only be authorized by an order issued by the president of the competent regional court or by a judge delegated by that president.

² Haroune Noureddine, Optimization of the action of fiscal administration in the past year to prevent fiscal fraud, Memory of a 3-day professional specialist in finance publique, IEDF, 2004. P. 22.

³ Madin Ibrahim Al-Dabt, The Extent of Adoption of Generally Accepted Auditing Standards as Standards for Income Tax Auditing in Syria, PhD Thesis in Accounting, University of Damascus, Syria.2005-2006, p.64.

⁴ Law No. 23-22 dated 12/24/2024, Previous reference.

⁵ Law No. 2322 dated 12/24/2024, Previous reference.

The request for authorization must be submitted to the judicial authority by the qualified tax administration official. It must include all required information, especially the following:

- Identification of the natural or legal person subject to inspection;
- The address of the location to be inspected;
- The factual and legal elements that suggest the existence of fraudulent methods and for which evidence is being sought;
- The names, ranks, and titles of the officers assigned to carry out the inspection.

The inspection, as well as the seizure of documents and property that may serve as evidence of fraudulent practices, must take place under the authority and supervision of the judge. For this purpose, the public prosecutor appoints a judicial police officer and provides instructions to all officers involved in the operation.

The law also specifies to whom the inspection notice must be delivered. According to Article 37 of the Tax Procedures Code, the notice may be given to:

The person concerned, their legal representative, or any occupant of the premises, in exchange for either an acknowledgment of receipt or a signature on the official record⁶

✓ **The taxpayer's right to consult a consultant**

The legislator has granted the taxpayer the right to seek assistance from anyone of his choice during the audit or in-depth audit process.⁷ **From individuals with legal or accounting qualifications**, in order to ensure their rights during the tax investigation. This right includes enabling the taxpayer to seek assistance from any of the following:

- An employee with expertise in financial or accounting matters within the organization;
- An accountant to assist in providing explanations or defenses related to accounting records;
- A tax consultant, specialized in tax matters, to help interpret tax laws and assist in challenging tax assessments;
- A lawyer, specialized in ensuring that their legal rights are protected during the process.

The taxpayer may also appoint an agent to act on their behalf, provided that the agent is free from any legal impediments, in accordance with the provisions of the Civil Code regulating agency contracts.

Second – Scope of Tax Control

Primary – Control of Declarations

Tax declarations represent...⁸ These are legal documents that link the taxpayer and the tax administration to facilitate communication between them. These documents contain information expressing the financial status and business figures achieved by the taxpayer, which determine the basis of the tax bases⁹.

It is represented by Censorship Primary taxation Or censorship of statements In examining and reviewing declarations and documents submitted to tax authorities. And The content of this method is that the taxpayer himself submits a declaration.¹⁰ At a date specified by law, this declaration shall include

⁶ For more See: Article 37 and 38 of Law No. 23-22 of 12/24/2024, Previous reference.

⁷ Article 20, Clause 4, and the article 21/3 of Law No. 23-22 of 12/24/2024, same reference.

⁸ Article 103/1 of the Direct Taxes and Similar Fees Law states: year 2011: All declarations shall be made on forms prepared and submitted by the tax administration. The tax inspector shall deliver a receipt to the taxpayers.."

⁹ Qahmouche Samia, The Role of Tax Auditing in Improving the Quality of Tax Declarations, A Case Study of the Tax Directorate of Biskra Province - Algeria- **For the period (2009-2010)**, Master's Thesis in Business Sciences, Faculty of Economics, Business and Management Sciences, University of Kasdi Merbah, Ouargla 2011-2012, p. 47.

¹⁰ The declaration is the document that the taxpayer receives from the tax administration in order to declare his turnover, profits, costs, etc., and then he returns it to the tax authority to be used as proof that the latter uses to determine the appropriate tax

the elements of his wealth, income, or taxable material in general, assuming the good faith and honesty of the taxpayer. In tax, as he is the most capable person to know the amount of his income correctly¹¹ This is commonly referred to as “Control of Declarations”, and this control is conducted based on the elements found in the documents and information available to the tax authorities. This includes, in particular, the information included in the declarations and documents provided by the taxpayer in accordance with the applicable tax legislation. The control is subject to procedures that affect the accuracy of the oversight. The assessment of the declarations is considered the most significant consequence of the control of declarations.

1. Procedures for Preliminary Monitoring During the review process, the tax administration seeks to obtain as much information as possible related to the subject of the review. This is done by formally requesting the taxpayer to provide clarifications, justifications, or explanations related to their tax situation or to submit detailed statements regarding their earnings¹².

A deadline of 30 days has been set for responding to the administration's requests, starting from the date of receipt of the request. The accounting records maintained by the taxpayers are excluded and not relied upon during the review process.

If the taxpayer does not respond to the request within the specified time frame, or provides justifications or information deemed unacceptable, the managing authority is authorized to initiate the formal procedures to correct the taxpayer's tax declarations¹³.

2. Assessment of Tax Declarations as a Result of Preliminary Control

The managing authority is responsible for correcting the tax declarations. Before doing so, however, and to avoid the invalidity of the tax imposition process, it must send a notice to the taxpayer detailing the proposed assessment.

A. Content of the Assessment Notice

The assessment notice must include the following elements:

- The origin, facts, and reasons for the assessment;
- Relevant tax law provisions;
- The tax bases and the calculation of the resulting taxes;
- The legal basis and the nature of the penalties imposed;
- The option for the taxpayer to consult a tax advisor of their choice.

B. The Timeframe for Correcting Tax Declarations

The taxpayer is given a period of 30 days to send their agreement or comments, starting from the date of receiving the assessment notice. The notice can be sent either by registered mail or delivered to the taxpayers against an acknowledgment of receipt.

If the taxpayer does not respond within the specified period, this is considered as tacit approval of the proposed assessment. In this case, the managing authority will issue a final notice, taking into account the taxpayer's right to contest the decision after the settlement schedule, which includes the tax bases, rights, and penalties imposed. This notice is then sent either by registered mail or delivered to the taxpayers against an acknowledgment of receipt.

If the taxpayer's response or justification is based on valid grounds and results in a revision of the proposed assessment, the managing authority must send a notice to the taxpayer indicating the

amount. See: Mohamed Abbas Mahrazi, *Taxation Economics*, 4th ed., Houma House for Printing, Publishing and Distribution, Algeria.2008,p.147.

¹¹ Mohamed Abbas Mahrazi, *Economics of Taxation and Collection*, Reference itself,p.147.

¹²Article 19From Law No. 23-22 dated 12/24/2024,Previous reference.

¹³Article 19/3fromLaw No. 23-22 of 12/24/2024,Previous reference.

abandonment of the proposed assessment¹⁴. Conversely, if the elements of the response provided by the taxpayer are rejected either partially or fully, the managing authority will prepare a final notice regarding the proposed assessment. This notice should clarify the points or justifications that were considered unacceptable.

If the taxpayer submits their response before the deadline for proposing a settlement, the managing authority will not issue the final notification or record the tax in the table until 15 days have passed from the date the response was submitted. Additionally, if the taxpayer introduces new elements to their response before the deadline, the authority must review these new elements.

If the taxpayer identifies formal defects that could lead to the invalidation of the tax assessment procedure, the managing authority must inform them of the cancellation of the current assessment process and initiate a new tax procedure, in compliance with the relevant rules.

The new assessment proposal will include the original bases, as well as those derived from the new elements obtained by the authority.

In the event that new elements or information reach the managing authority after the correction procedure has started but before the taxpayer's response deadline has expired, the authority must make a new correction. This includes canceling the initial assessment proposal. The new assessment proposal will incorporate these declarations, along with the original bases and those derived from the exploitation of the new elements received by the managing authority¹⁵.

The second axis: Investigationat TaxationImage of tax control

TA Tax investigations are considered a continuation For document control, where This is represented by CensorshipIn the direct interventions of tax administration agentsin Locations of taxpayers' activities¹⁶, With the aim of Reveal Tax evasion, studying files carefully and in-depth and comparing themfor External elements With For taxpayers, through field examination of accounting books and documents with the necessary justifications¹⁷ We distinguish between three types of tax audits: the accounting audit, the adjusted accounting audit, and the comprehensive audit of the overall tax situation. This study will focus on two types only: the accounting audit (first), and the in-depth audit of the overall tax situation (second).

First - InvestigationIn accounting

The accounting audit is a set of procedures aimed at reviewing the tax declarations submitted by taxpayers. It involves examining their accounting records and verifying their consistency with material data and other relevant information, in order to assess their credibility¹⁸. The legislator has affirmed the right of the tax administration to conduct accounting audits, as stated in Article 20-1 of the Tax Procedures Law. This article provides: "Tax administration officers may conduct an audit of the taxpayers' accounts and carry out all necessary inquiries to establish and verify the tax base".

The meaning of investigation in accounting was also mentioned in Article 20:1/2Q.I.G.¹⁹.

As follows: "An audit in accounting refers to a set of processes aimed at monitoring the tax declarations related to closed financial years. By reviewing the regulations governing accounting audits, one can deduce the procedures that must be followed to ensure the validity of the audit (1), as well as the consequences arising from the accounting audit (2).

1. Accounting Audit Procedures and Their Results The procedures involved in the accounting audit process are based on a set of controls defined by the legislator. These include prior notification,

¹⁴Article 19From Law No. 23-22 dated 12/24/2024, Previous reference.

¹⁵Article 19From Law No. 23-22 dated 12/24/2024,Previous reference.

¹⁶ Ben Amara Mansour, Accounting and Tax Control Procedures,1st edition, DaR home, Algeria, 2011,S.22.

¹⁷Khaloufi. Sufyan, Abu Jariu Abdul Raouf, The role of tax control in the tax collection process during the period 2010-2014Milaf Journal of Researchand studies, Volume 5, Issue1, Abdelhafidh Boussouf University Center, Mila, Joan 2019, p.203.

¹⁸ Ministry Finance Directorate General of Taxes, Charter Those responsible With tax Subjects For control,Algeria,2017,S.8.

¹⁹ Law No. 23-22 dated 12/24/2024, previous reference.

which must contain specific information (A), as well as the determination of the place and duration of the audit (B).

2.

A. Prior Notification The legislator has mandated that the tax administration inform the taxpayers when deciding to carry out an accounting audit related to a specific tax or fee, prior to the scheduled start date of the audit. This is done through sending or delivering a notice of the audit along with an acknowledgment of receipt. There must be a minimum period of 20 days between the audit notice and the commencement of the audit procedures. This does not imply that the assigned investigator is obliged to begin the audit immediately after the 20-day period ends, ie, the very next day. The period granted to the taxpayer is intended to be informational, providing them with notice of the tax inspection intentions. This allows the taxpayer adequate time to prepare their documents and records, ensuring they are well-prepared and not caught off guard by the procedures²⁰.

Regarding the Content of the Audit Notification

According to Article 20, Paragraph 4/2 of the Tax Procedures Code, the audit notification must include the following:

- The full names, titles, and ranks of the auditors.
- The date and time of the first visit, as well as the period during which the audit will take place.
- Identification of the rights, taxes, duties, and taxes concerned, along with the documents to be examined.
- A statement, the absence of which renders the procedure invalid, indicating the taxpayer's right to seek assistance from an advisor of their choice during the audit process.

C. Determining the Place and Duration of the Accounting Audit

As for the location of the audit, the review of accounting books and documents must be carried out on-site. The tax authority is not permitted to ask the taxpayer to bring the documents to the office of the administration. Likewise, the auditor is not allowed to remove original accounting documents from the premises unless the taxpayer gives written consent. In such cases, the auditor must provide a receipt listing all the documents taken and commit to returning them before the legal deadline for the audit expires.

As previously stated, the review of accounting records and documents must take place at the taxpayer's premises. An exception is made if the taxpayer submits a written request for a different arrangement and receives approval from the administration, or in the case of force majeure, which must be confirmed by the competent authority.

According to Article 20/1 of the Tax Procedures Code, if accounting is maintained using computerized systems, the taxpayer is required to provide the auditors with an accounting data file upon written request.

The review may take place either at the taxpayer's location using their electronic equipment or at the tax administration, if the taxpayer makes a clear request to that effect. In this case, the taxpayer must provide all necessary copies and supporting media (hardware, software, or electronic storage devices) containing the documents used to prepare the accounts using computerized systems.

Regarding the Duration of the Accounting Audit and Its Possible Extension

According to Article 20, Paragraph 5 of the Tax Procedures Code, the tax administration must adhere to the time limits set for the on-site audit of accounting books and documents. This duration, under penalty of nullity of the procedure, may not exceed three (3) months for:

²⁰ Article 20, Clause 4 of Law No. 23-22 dated 12/24/2024, same reference.

- Service-providing establishments whose annual turnover does not exceed 1,000,000 DZD, for each financial year under audit;
- All other establishments whose annual turnover does not exceed 2,000,000 DZD, for each financial year under audit.

This period may be extended to six (6) months for the above-mentioned establishments if their annual turnover does not exceed 5,000,000 DZD and 10,000,000 DZD respectively, for each financial year concerned.

In all other cases, the duration of the on-site audit must not exceed nine (9) months.

In this context, it is important to note that the time limits set for conducting an accounting audit may prove insufficient, especially in the case of large enterprises. Given the complexity of accounting operations and the volume of documents and records to be reviewed, completing the audit within three to six months can be difficult.

The situation becomes more challenging due to the shortage of specialized personnel in the field of tax control. Auditors face difficulties in conducting thorough and effective audits under the heavy workload caused by the high number of taxpayers.

Moreover, the lack of continuous training and professional development may, at times, negatively affect the quality and efficiency of the audit process.

As for the extension of the on-site audit period, it is governed by the same Article 20, Paragraph 5 of the Tax Procedures Code²¹

Extension of the On-Site Audit Period

The on-site audit period may be extended in the following cases:

- In the case of force majeure, as defined by the provisions of the Civil Code, which prevents tax administration officers from carrying out the on-site audit. The extension applies only to the duration during which it was not possible to perform the audit.
- For the period granted to the taxpayer under audit, in accordance with Article 20 bis 2 of the Tax Procedures Code, to respond to requests for clarification or justification when there is a suspicion of indirect profit transfer, as defined in Article 141 bis of the Code on Direct Taxes and Related Duties. This period is extended by one (1) year when the tax administration sends a request for information to other tax authorities under administrative cooperation and information exchange frameworks. Moreover, the statutory audit periods outlined above do not apply in cases where legally proven fraudulent practices have been used, or when the taxpayer has provided incomplete or false information during the audit, or has failed to respond within the prescribed time limits to the requests for clarification or justification mentioned in Article 19.

Documentation of Audit Conclusion

To confirm the conclusion of the on-site audit, the law requires the tax officer to draw up a report. The taxpayer must be invited to sign the report to confirm that they have reviewed its contents. If the taxpayer refuses to sign, the auditor must clearly record the refusal in the report to ensure that it is formally documented.

This procedure serves as a safeguard for the taxpayer's rights and supports the transparency and credibility of the tax audit process. It also constitutes legal proof in the event of any future dispute regarding the audit's results or the procedures followed.

²¹ Law No. 23-22 dated 12/24/2024, previous reference.

2. Outcomes of the Accounting Audit

At the conclusion of the accounting audit, the tax administration must inform the taxpayer of the outcome, whether no adjustment is required or a reassessment is necessary (A). This notification is a guaranteed right to the taxpayer, as it allows them to review the findings and exercise their right to respond (B).

A. Reassessment

If, after completing the audit, the officer finds it necessary to proceed with a reassessment, the tax administration must issue a reassessment notice. This notice must be sent to the taxpayer either by registered mail with acknowledgment of receipt or delivered in person with proof of receipt.

The notice must specify the reasons justifying the reassessment, identify the new tax base to be applied, and detail the resulting amount based on this base. It must also reference the legal provisions upon which the reassessment is based, in a manner that allows the taxpayer to understand the rationale behind the assessment and to formulate a response or express agreement²².

The notice must, under penalty of nullity, clearly indicate the taxpayer's right to be assisted by an advisor of their choice. This advisor may participate in discussing the proposed tax increase or in responding to related inquiries. The notice must also include an invitation for the taxpayer to submit their observations within 40 days from the date of receiving the notice.

B. The Taxpayer's Right to Respond

The taxpayer is granted a 40-day period to present remarks or to express acceptance. Failure to respond within this timeframe is regarded as implicit approval of the proposed reassessment.

Before the response deadline expires, the tax officer is required to provide any oral clarifications the taxpayer may request regarding the content of the notice. After receiving the taxpayer's written reply, the officer may also hear from the taxpayer directly if such a hearing is deemed helpful or if the taxpayer requests to offer additional explanations.²³

Moreover, the taxpayer subject to audit must be informed, within the reassessment notice, of their rights related to arbitration. In their response to the notice, the taxpayer may request arbitration concerning questions of fact or law. This request may be addressed to the Director of Large Enterprises, the Provincial Director of Taxation, the Head of the Tax Center, or the Head of the Regional Department for Investigations and Audits.

If the auditor receives the taxpayer's observations within the prescribed period, they are required to examine them carefully. If the auditor concludes that the remarks lack convincing evidence and decides to reject them, the taxpayer must be notified through a detailed and reasoned letter. This letter must explain the grounds for rejecting the observations. If the letter introduces a new reason for reassessment or includes new elements not mentioned in the original notice, the taxpayer is entitled to an additional period of 40 days to respond to these new elements or to the updated proposals²⁴.

In the case of explicit acceptance by the taxpayer of the audit results or the proposed reassessment, the determined tax base becomes final. The tax administration may not revise it unless it is later found that the taxpayer employed fraudulent methods or provided incomplete or false information during the tax audit. Likewise, the taxpayer may not challenge it before the courts²⁵.

Second: In-Depth Audit of the Overall Tax Situation

The in-depth audit of the overall tax situation, also known as the comprehensive tax audit, is a relatively recent development. It was introduced by the Finance Law of 1992 and later supplemented by Article

²² See: Article 20 Item 6 of Law No. 23-22 of 12/24/2024, Previous reference.

²³ The material 20 Item 6 of Law No. 23-22 of 12/24/2024, Previous reference.

²⁴ The material 20 Item 6 of Law No. 23-22 of 12/24/2024, Previous reference.

²⁵ The material 20 Item 7 of Law No. 23-22 of 12/24/2024, previous reference.

131 bis of the Direct Taxes Code. This audit is one of the main tools used by the tax administration to verify the taxpayer's overall fiscal position. It is considered an extension of the accounting audit. Its main objective is to ensure that the declared income aligns with the taxpayer's total financial capacity²⁶. As part of this in-depth audit, investigators examine the consistency between:

- On one hand, the income declared for income tax purposes, the financial position, cash flow status, and elements reflects the lifestyle of the taxpayer's household members;
- On the other hand, the components of the taxpayer's wealth.

The application of the in-depth audit is subject to specific objective criteria (1). In addition, the legislator has set precise rules for carrying out this audit, with the aim of ensuring tax fairness and detecting any fraud or tax evasion (2).

1. Objective Criteria Governing the In-Depth Audit

According to Article 21 of the Code of Tax Procedures...

²⁷The in-depth audit of the tax situation applies to natural persons who have a tax domicile in Algeria. It concerns both personal income tax and wealth tax, regardless of whether these individuals have actual tax obligations related to these taxes. This audit may also apply to individuals without a tax domicile in Algeria if they are subject to tax obligations under these categories.

Files are selected for this audit based on a program that relies on objective and targeted criteria and indicators, including the following:

- Individuals whose files show inconsistencies between declared annual income and visible or widely known expenses related to the lifestyle of their household;
- Individuals suspected of engaging in large-scale tax fraud, especially where prior accounting audits did not result in any, or only minor, adjustments;
- Cases where the inspection services have identified signs that the tax declarations are unreliable;
- Individuals with income from unknown sources, such as those suspected of money laundering;
- Situations where there is a significant discrepancy between the income declared by shareholders or partners and the actual income verified through an accounting review.

Once the files to be audited are selected, the responsibility for the audit is assigned to qualified tax inspectors.

²⁸In this regard The legislator stipulated that the observers should have the rank of inspector.²⁹This ensures that the investigations are carried out efficiently. This requirement enhances their credibility by ensuring that the individuals responsible for these tasks have the necessary qualifications and experience to handle tax-related matters.

2. Regulations for In-Depth Audits of Comprehensive Tax Status

Tax auditors conducting an in-depth audit of the tax status follow the same stages and procedures as those in an accounting audit. The process begins with the retrieval of the taxpayer's file from the relevant inspection office. Additionally, the tax files of individuals living with the taxpayer are also retrieved and examined. Subsequently, the taxpayer is notified (A). The legislator has ensured the specification of the duration for the in-depth audit process (B) and has made provisions for informing the taxpayer of the results of the audit, allowing them to take an appropriate position, whether in agreement or in objection (C).

²⁶ Talbi Muhammad, *Tax Control in the Algerian Tax System for the Period (1995-1999)*, Master's Thesis in Economics, University of Algiers, Algeria, 2001-2002, p.109.

²⁷ Law No. 23-22 dated 12/24/2024, previous reference.

²⁸ Awadi Mustafa, *Tax Control of Taxpayers in the Algerian Tax System*, 1st ed., Mazwar Press, El Oued Algeria, 2009, p. 83.

²⁹ Article 21/1 of Law No. 23-22 dated 12/24/2024, Previous reference.

A. Notification of the Taxpayer

- An in-depth audit of an individual's comprehensive tax situation, concerning both personal income tax and wealth tax, cannot be initiated without prior notification to the taxpayer. This notification is sent in the form of an official notice of the audit or delivered directly to the taxpayer with an acknowledgment of receipt. Through this notice, the taxpayer is informed about the possibility of reviewing the Charter of Rights and Obligations for taxpayers under scrutiny, available on the tax administration's website. The taxpayer is also given a minimum period of 30 days to prepare, starting from the date of receipt of the notification³⁰. **Regarding the notification details**, the notification of the audit must include the titles, names, and ranks of the auditors, as well as the specified time frame for the audit and the taxes under investigation. The notification must also indicate the period in case of a force majeure, proven in accordance with the provisions of the Civil Code, which prevents the tax administration officials from carrying out the on-site audit. This delay is limited to the period during which the administration was unable to carry out the audit.
- **With respect to the time granted to the taxpayer**, where applicable, based on their request, to respond to requests for justification or clarification of foreign balances and income.
- **For a period of one (1) year**, when the tax administration, within the framework of administrative cooperation and information exchange, requests information from other tax administrations.
- **As stipulated in Article 19 of this law**, In addition to the necessary time for the administration to complete the audit, the notification must clearly state, under penalty of invalidating the procedure, that the taxpayers have the right to seek the assistance of a consultant of their choice during the audit process.³¹

B- This Censorship For In-depth And the possibility of extending it

According to Article 21, Clause 4 of the Penal Code³² The on-site audit cannot, under penalty of invalidation of the tax imposition, extend beyond one (1) year from the date of receipt or delivery of the notification of the audit as specified in paragraph 3 above. This period can be extended in the following cases:

- If the taxpayer is unable to provide the account statements within 30 days from the date the administration's request is made, or if the required information is not obtained from foreign authorities, particularly when the taxpayer has foreign income or income derived from abroad.
- This period may be extended to two (2) years in the case of discovering concealed activities.

C - Notification of the Results of the In-Depth Investigation and the Taxpayer's Position

Once the investigator completes the investigation into the comprehensive tax situation of a natural person, concerning whether income tax or wealth tax, and after conducting the comparison in the accounts, two outcomes may arise:

- Acceptance of the tax imposition basis declared by the taxpayer, in which case the taxpayer must be notified of the absence of reassessment.
- Rejection of the tax imposition basis if it is found that the declared income is not real and does not reflect reality³³

Accordingly, the investigator shall reconstruct the assessment basis and notify the taxpayer of their tax situation by sending a registered letter with acknowledgment of receipt, in accordance with the provisions set forth in Article 20-6 above. The assessment notice may also be delivered to the taxpayer in person against acknowledgment of receipt.

³⁰Article 21, Clause 3 of Law No. 23-22 of 12/24/2024, Previous reference.

³¹Article 21, Clause 3 of Law No. 2322 of 12/24/2024, Previous reference.

³² Law No. 2322 dated 12/24/2024, previous reference.

³³ Nasser Maghni, Tax Reforms in Algeria, Al-Baheth Magazine, Volume 2, Number 2, Faculty of Law and Economics Business and Management Sciences, university I intend to go to Marbah, Ouargla, 2003, p.124.

After reconstructing the assessment basis, the investigator must inform the taxpayer of the outcome of the current investigation regarding their tax situation. The notice of reassessment must be detailed with numbers and tables in a manner that allows the taxpayer to understand the assessments made. This will enable the taxpayer to provide comments or accept the reassessment, with a period of 40 days granted for a response. If there is no response within this period, it will be considered as implicit acceptance by the taxpayer³⁴

It should be noted that, before the expiration of the response period, the investigating officer must provide the taxpayer with all useful verbal explanations related to the contents of the notification, the taxpayer should request this. Additionally, after receiving a response, the officer may listen to the taxpayer if such an interview would be beneficial or if the taxpayer requests additional explanations. If the investigating officer rejects the taxpayer's comments, they must notify the taxpayer of this rejection in a detailed and reasoned letter. If these comments reveal a new reason for reassessment or introduce new elements that were not included in the original notice, the taxpayer is granted an additional 40-day period to submit their remarks.

In accordance with the provisions of Article 96 of the same law, the tax administration, after conducting a comprehensive investigation of the taxpayer's situation concerning income tax and wealth tax, may not initiate a new investigation or audit the documents related to the same period and tax, unless it is proven that the taxpayer provided incomplete or incorrect information during the investigation, or if it is established that fraudulent methods were employed.

Conclusion

Tax control is one of the fundamental tools for ensuring tax fairness and compliance with applicable laws and regulations. In addition to its role in ensuring tax compliance, tax control is considered one of the main mechanisms relied upon by the tax system to combat tax evasion and fraud. This contributes to securing the sustainability of public financial resources. Tax control plays a vital role in financing the public treasure, thereby supporting the state's ability to implement its development programs and stimulate sustainable economic growth.

Tax monitoring is a technical and complex subject that requires close attention to the developments in fiscal laws, especially with the ongoing amendments that occur each year with the issuance of the finance law. In this context, several challenges arise that necessitate adopting a set of recommendations to improve the effectiveness of tax monitoring in Algeria.

Recommendations

- **Enhancing the Continuous Training of Tax Investigators:** Regular training programs should be provided for tax investigators to improve their competence and enhance their skills in accounting investigations and the review of tax documents. This should align with legal and technical developments. It is essential that the training includes learning the latest methods and techniques used in tax investigations, such as the use of digital technology to analyze data and review tax documents, in addition to understanding complex tax legislation. This will enhance investigators' ability to handle the diverse cases they may encounter.
- **Extending the Accounting Investigation Period for Large Corporations:** Due to the complexity and volume of data and information handled by large corporations, longer periods should be allowed to conduct a thorough accounting investigation. This ensures a full verification of their compliance with tax obligations.

³⁴ Article 21, Clause 5 of Law No. 23-22 dated 12/24/2024, previous reference.

- **Enhancing Human Resources Specializing in Tax Monitoring:** It is essential to increase the number of investigators specializing in taxes and tax control. This will improve the effectiveness of tax procedures and help address the increasing challenges in this field.
- **Strengthening Coordination Between Tax Authorities and Other Agencies:** The tax administration must work to strengthen coordination with other government agencies, such as customs and financial institutions, to the effective flow of information. This collaboration helps detect any discrepancies or violations between tax data and the information available from other entities, thereby facilitating tax investigation processes.
- **Encouraging the Use of Technology in Tax Investigations:** The tax administration should adopt digital technology more widely, such as using advanced software for analyzing tax data. This will facilitate access to tax-related information about taxpayers. These technologies can improve the effectiveness of investigations and tax monitoring by speeding up procedures, reducing human errors, bureaucracy, and legal complexities, thus enhancing the accuracy and transparency of tax oversight.

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