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Tax Governance and Its Impact on Tax Administration Performance in Algeria- Ain Defla Province a case Study-

الحوكمة الضريبية وأثرها على أداء الإدارة الضريبية في الجزائر-ولاية عين الدفلى نموذجا-

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Abstract
Through this study, we measured the impact of implementing tax governance principles on the performance of the tax administration in Algeria. We took the tax administration of the Ain Defla province as a model. We used the descriptive-analytical method and formulated a questionnaire consisting of two parts: a part specific to tax governance, consisting of five items, and a second part specific to tax administration performance, consisting of seven items. The study concluded that there is a statistically significant impact of implementing tax governance principles on tax performance in Algeria.
Keywords: corporate governance, the performance, fiscal administration, stakeholders

الملخص:

من خلال هذه الدراسة قمنا بقياس أثر تطبيق مبادئ الحوكمة الضريبية على أداء إدارة الضرائب بالجزائر، حيث تم اخذ إدارة الضرائب لولاية عين الدفلى

نموذجا، قمنا باستخدام المنهج الوصفي التحليلي وصياغة استبانة تتكون من جزئين: جزء خاص بالحوكمة الضريبية متكون من خمس فقرات، والجزء الثاني خاص بأداء الإدارة الضريبية متكون من سبع فقرات. وخلصت الدراسة الى وجود أثر ذو دلالة إحصائية لتطبيق مبادئ الحوكمة الضريبية على الأداء الضريبي في الجزائر.

الكلمات المفتاحية: الحوكمة، الأداء، الإدارة الضريبية، أصحاب المصالح.

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1.INTRODUCTION

Tax is considered one of the most important sources of revenue for countries, in addition to its role in achieving various economic, social, and financial goals. The impacts of taxation vary depending on the prevailing economic system. Achieving these goals requires the availability of a high-performance tax administration that ensures the interests of the relevant parties, minimizes tax disputes as much as possible, and enhances the confidence of stakeholders. Governance is a concept that has received increasing attention recently due to the prevalence of financial scandals and administrative corruption. Many countries have been compelled to adopt its principles in order to improve the performance of their institutions and serve the interests of their individuals. In this regard, two main approaches can be distinguished that link governance to performance. One approach sees governance as a fundamental basis or prerequisite for performance efficiency, while the other approach considers the opposite, stating that performance efficiency is a prior necessity preceding governance. In general, both approaches have become important indicators of the degree or level of

sustainable development that countries seek. Algeria, like other countries, is striving to adopt the principles of governance in its institutions. The Charter of Good Governance, issued in 2009, is considered a practical and simplified tool that allows for understanding the basic principles of good governance for Algerian institutions, including the tax administration.

The problem statement of the study

The problem of the study lies in the following main question: How do governance principles impact the performance of the tax administration in Algeria?

This problem can be divided into the following sub-questions:

- What are the governance principles and their relationship to improving tax performance in Algerian legislation?

- Can the adoption of governance principles lead to an improvement in tax performance in Algeria?

Study hypotheses:

To study this topic, analyze the problem, and address it, the following hypotheses were adopted:

- Algerian legislation includes the most important principles of governance, primarily discipline, transparency and accountability, justice, and social responsibility.

- There is a statistically significant impact of adopting governance principles on the performance of tax administration in Algeria.

Previous studies:

There are several previous studies that have addressed various aspects of the topic, including:

- A study by Armstrong & Heenetigala (2012), titled "The Impact of Corporate Governance on Firm Performance in an Unstable Economic and Political Environment: Evidence from the Sri Lankan Financial Market & Corporate Governance." This research examined the relationship between corporate governance practices and firm performance. Data was obtained from the annual reports of a sample of 37 companies in Sri Lanka. The study found a positive relationship between governance mechanisms (such as the separation of the chairman

and CEO positions, the composition of the board of directors, and its committees) and firm performance, measured by return on equity, using Spearman correlations and analysis of variance.

- The study conducted by A.A. Azeez (2015), entitled "Corporate Governance and Performance: Evidence from Sri Lanka," aimed to examine the relationship between performance and governance in 100 companies in Sri Lanka, based on their annual reports. The study utilized board size, the proportion of non-executive directors, and the dual role of the managing director as governance variables. The findings indicated an inverse relationship between board size and performance. Additionally, the study found a positive relationship between the separation of the managing director's role (where the managing director is not the chairman of the board) and firm performance, which is consistent with the findings of Armstrong & Heenetigala (2012). Finally, the presence of non-executive directors on the board was found to have no significant impact on performance.

- The study conducted by Chermian & Jin (2015), titled "Corporate Governance and Firm Performance: The Moderating Effect of State Ownership," presented at the Global Business and Finance Research Conference in Australia, aimed to examine the impact of corporate governance on firm performance and whether state ownership alters the relationship between corporate governance and firm performance. The study utilized a dataset of companies in Indonesia and a composite measure consisting of six individual components of corporate governance quality. The findings indicated that state ownership of companies is positively associated with their performance, suggesting that government support in developing countries plays a crucial role in the survival and growth of these companies. Additionally, the study found that improvements in corporate governance within state-owned enterprises are less effective in enhancing their performance compared to private enterprises. This reflects the bureaucratic nature of operations conducted by state-owned entities compared to private firms.

Based on the above, we notice that these studies align with our study as they relied on the questionnaire tool to obtain data in order to reach the results. However, they were applied to different public entities, which differs from our study that was applied to a single public entity (Tax Administration).

The methodology and tools used:

The methodology followed in this study is descriptive-analytical, aiming to describe the concept of tax governance, its principles, and identify the principles of governance in Algerian tax legislation. A case study approach was used in the field aspect, and a multiple linear regression model was estimated and tested to examine the relationship between governance and the

performance of the tax administration in the Ain Defla province. In this model, governance is considered an independent variable, while the performance of the tax administration is the dependent variable.

2. Governance in tax administration:

Tax governance has not received as much attention and research as corporate governance, possibly due to its specific nature as part of financial governance. It should be noted that the levels of tax governance vary from two perspectives: either from the perspective of the institution, which means "establishing a mechanism for tax review of the overall financial and accounting performance of companies to achieve tax disclosure quality, enhance tax security for companies, and optimize the tax burden to preserve tax revenue from loss within transparent and clear legal provisions",[1] or from the perspective of the tax administration - which is the focus of our research - which means "the method or approach through which tax laws, regulations, and instructions can be presented to taxpayers, thereby increasing their ability to know the amount of tax imposed on their income".[2]

The contribution of governance to improving tax performance is evident through: ensuring the interests of stakeholders related to the organization's work, which requires instilling a sense of belonging and cooperation among employees and other parties.[3] Additionally, involving relevant stakeholders in the formulation of tax decisions holds decision-makers accountable on a regular basis, reducing the influence of powerful individuals.[4] Furthermore, providing sufficient and accurate information and simplifying tax procedures enhances the trust of stakeholders.[5]

3.Governance and tax performance in Algerian legislation

We are trying to take a comprehensive look at the overall tax laws in Algeria and extract from them the most important variables of governance as stated in the principles of governance for the Organization for Economic Cooperation and Development (OECD) and the Charter of Good Governance for Small and Medium Enterprises in Algeria.

3.1 Discipline:

which is manifested in various aspects, includes the commitment to**:**

- **Completing transactions within specified timeframes:** This is evident in Article 76 of the Tax Procedures Law[6], which obliges timely responses to taxpayers' complaints within specified legal deadlines.
- Preserving professional secrecy: This is evident in Articles 65 to 68 of the Tax Procedures Law[7], and Article 292 of the Direct Taxes and Similar Charges Law[8], which clarify the scope of applying professional secrecy.
- Avoiding excessive tax audits on taxpayers: This is evident in Article 20-8 of the Tax Procedures Law[9], which prohibits initiating new tax investigations for the same taxes and charges for the same period once the investigation into a specific period's accounting has concluded.

3.2 Transparency:

which is manifested in various aspects, includes:

- Notifying the taxpayer of tax settlement processes: This is evident in Article 19 of the Tax Procedures Law,[10] which requires notifying the taxpayer of any corrections to be made, along with clarifying the reasons for such corrections and the relevant legal provisions. Additionally, Article 20 of the same law stipulates that no accounting investigation should be initiated without prior notification to the taxpayer, accompanied by a charter of the taxpayer's rights and obligations in the accounting investigation.

- Ensuring that decisions issued by the tax administration are clearly stated, regardless of their nature, including the reasons and provisions upon which they are based. This is stated in Article 77-5 of the Tax Procedures Law[11]. In case of appeals to the competent committees, the taxpayer is allowed to personally attend the proceedings, accompanied by a specialized representative. Furthermore, the opinions issued by the committee must be justified, and the taxpayer should be notified of any granted reductions or exemptions immediately after the committee meeting, as stated in Article 81-3 of the same law.

3.3 Justice:

as one of its important aspects, includes:

- Fairness in providing information to all relevant parties: This is evident in Directive No. 580 issued on 17/08/2005 by the Tax Directorate, which requires:

  - Creating a listening cell at the level of each provincial directorate that focuses on guiding taxpayers and responding to their concerns.

- Appointing two employees at each provincial directorate to handle phone calls and remind taxpayers of their tax obligations.

- Establishing a register for complaints and opinions accessible to taxpayers.

- Providing a database containing all tax information on the tax administration's website, available to everyone at all times.

- In the case of dissatisfaction with a decision of the tax administration following a tax dispute, the taxpayer has the right to appeal before the competent committees, the administrative court, or lodge an appeal with the Council of State, in accordance with Articles 80, 81, 82, and 90 of the Tax Procedures Law.[12]

- Justice in determining incentives for tax administration employees, such as the grant from the Supplementary Revenue Fund (F.R.C), which is distributed fairly to employees according to Decree No. 448 issued on 18/05/2012.

3.4 Corporate social responsibility:

is manifested in several aspects, including:

- Environmental protection from pollution: The environment is one of the concerns of the tax administration. This is reflected in the establishment of an annual fee for the collection of household waste on all properties, as stated in Article 263 and subsequent articles of the Direct Taxes and Similar Charges Law. Additionally, vehicles equipped with liquefied petroleum

gas (LPG) fuel are exempt from the vehicle stamp duty, according to Article 301 of the Stamp Duty Law.[13]

- Formation of provincial and regional committees: According to Article 93 and subsequent articles of the Tax Procedures Law, provincial and regional committees are formed to consider requests for tax exemption or reduction in cases of need or financial hardship, which helps individuals who are unable to fulfill their tax obligations towards the treasury.

4. Analyzing the Relationship between Governance and the Performance of Tax Administration in Ain Defla Province

After discussing the concept of tax governance and its role in improving the performance of tax administration theoretically, we aim to apply this study practically to the tax administration directorate in Ain Defla Province.

4.1 Methodology of the field study:

To collect the study's data, a questionnaire method was used. A total of 100 questionnaires were distributed to the sample of respondents, which consisted of employees of the tax administration in Ain Defla Province. All questionnaires were returned and met the conditions for analysis and study. For presentation and analysis of the data, the statistical analysis software package "SPSS" (Statistical Package for the Social Sciences) was used. It is worth noting that the questionnaire was prepared based on the principles of the Organization for Economic Cooperation and Development (OECD) for governance and the Charter of Good Governance for Small and Medium Enterprises in Algeria.

Furthermore, a multiple linear regression model will be formulated, where the sub-variables of governance will be independent variables, and the aggregate indicators of performance measurement will be the dependent variable, according to the following relationship:

$$\hat{P} = f(\hat{D}, \hat{I}, \hat{A}, \hat{R}, \hat{S}) = P_0 + \alpha_1 \hat{D} + \alpha_2 \hat{I} + \alpha_3 \hat{A} + \alpha_4 \hat{R} + \alpha_5 \hat{S}$$

Where:

$\hat{P}$: Estimated value of the performance level of the tax administration, which is a dependent variable of the sub-variables of governance.

($\hat{D}$, $\hat{I}$, $\hat{A}$, $\hat{R}$, $\hat{S}$): Independent variables representing discipline, independence, accountability, responsibility, and social responsibility, respectively.

P□: Level of performance of the tax administration when the independent sub-variables of governance do not possess the specifications required by governance.

α□, α□, α□, α□, α□: Marginal effect of the independent sub-variables of governance, indicating that as the specifications of these variables in the tax administration align with the requirements of governance in each respective characteristic, the performance level increases by a factor of α_i.

The Alpha Cronbach coefficient was estimated to test the reliability of the tool, as follows:

Table 1. Tool Reliability Test

Total questionnaire items	Alpha Cronbach coefficient
12	0.825

Source: SPSS program outputs.

The above table indicates that the Alpha Cronbach coefficient reached 0.825 for the 12 questionnaire items, which is a ratio greater than the required threshold of 0.5 for the data collection tool to be considered reliable. Additionally, the means, standard deviations, and ranks were calculated for the study variables, as follows:

Please note that the agreement scale was defined as follows: "1" for "No," "2" for "Neutral," and "3" for "Yes."

-]1-1.5[: No

-]1.5-2.5[: Neutral

-]2.5-3[: Yes

4.2 Statistical analysis of the questionnaire items:

- **The first axis: tax administration governance**

After analyzing the data, it became apparent that all the governance specifications adopted in the study were well received by the study sample, with an average score of 2.75 and a standard deviation of 0.38.

- **Axis Two: Tax Administration Performance**

After analyzing the data related to this axis, it was evident that the tax administration performance was acceptable from the

perspective of the majority of respondents, except for two statements: improvement in employee performance and reduction of financial and administrative corruption, contributing to income redistribution. This supports the hypothesis that improving governance leads to improved performance.

4.3 Model estimation and testing:

The following table summarizes the results of the estimation and testing of the model features mentioned in the study above:

Table 2: Means, standard deviations, and ranks for the level of performance of the tax administration.

	The parameter value	The impact value on quality	The percentage of impact on quality	T-test	The coefficient of determination, R-squared	F-test
P0	0.754	0.754	5.02%	0.03		
a1	0.109	0.121	0.806%	0.017		
a2	0.120	0.174	1.16%	0.012		
a3	0.226	0.353	2.35%	0.000	0.450	0.000
a4	0.061	0.109	0.72%	0.025		
a5	0.154	0.260	1.73%	0.006		

Source: Prepared by researcher based on the outputs of the SPSS software.

From the previous table, the estimated model can be formulated as follows:

$$\hat{P} = 0.754 + 0.109\hat{D} + 0.120\hat{I} + 0.226\hat{A}, + 0.061\hat{R} + 0.154\hat{S}$$

$$\hat{P} = 0.754 + 0.109\hat{D} + 0.120\hat{I} + 0.226\hat{A}, + 0.061\hat{R} + 0.154\hat{S}$$

- P0= 0.754, This is in the case of the existence of subsidiary variables for governance in the institution, as required by governance, out of a total of 12 points, representing 5.02%. Therefore, the remaining percentage of 94.98% represents the proportion of the impact of governance variables.

- a1= 0.109, It means that as the commitment of employees and officials to good ethical behavior standards increases, assuming the other subsidiary variables of governance remain constant, the level of performance in the institution increases by a value of 0.121 out of a total of 12 points, which represents 0.806% of the overall performance ratio of the institution.

- a2= 0.120, It indicates that as the level of practicing tax work with independence and objectivity increases, assuming the other subsidiary variables of governance remain constant, this leads to an increase in the level of performance in the studied institution by a value of 0.140 out of a total of 12 points, which represents 1.16% of the overall performance ratio of the tax administration.

- a3= 0.226, It indicates that as the size of accountability and accountability systems based on the responsibilities and authorities granted to employees increases, assuming the other subsidiary variables of governance remain constant, the level of

performance of the tax administration increases by a value of 0.350 out of a total of 12 points, which represents 2.35% of the overall performance ratio of the tax administration.

- a4= 0.061, It means that as the specification of tasks and authorities granted to employees increases, along with a clear system for determining wages and incentives, assuming the other subsidiary variables of governance remain constant, the level of performance of the tax administration increases by a value of 0.109 out of a total of 12 points, which represents 0.72% of the overall performance ratio of the tax administration.

- a5= 0.154, It indicates that as the commitment to protecting society and contributing to its development increases, assuming the other subsidiary variables of governance remain constant, the level of performance of the tax administration increases by a value of 0.260 out of a total of 12 points, which represents 1.73% of the overall performance ratio of the tax administration.

- T-test: From the previous table, we can conclude that all the subsidiary variables of governance used in the study were statistically significant based on the t-test (at a significance level of $0.05 \geq p$). This means that these variables are explanatory variables for the level of performance of the studied institution. Therefore, there is a positive direct relationship between governance variables on one hand and performance level on the other hand.

- The coefficient of determination, R-squared:It reached 0.495, which means that the independent (explanatory) subsidiary variables of governance used in the study were able to explain 49.50% of the variations in the level of tax administration performance. The remaining 50.50% is attributed to other

random factors.

- F-test: The accompanying error for the F-statistic was 0.000, which is lower than the value of 0.05. This confirms the overall acceptance of the model and the high explanatory power of the multiple linear regression model statistically**.**

5. CONCLUSION

Tax administration plays a crucial role in the tax system, in addition to its primary role in achieving the tax policy objectives of the state. Therefore, in this study, we aimed to determine the extent to which the implementation of governance principles, including ethical behavior and discipline, independence, accountability and responsibility, justice and fairness, and social responsibility, impact tax administration performance. We discussed the concept of tax governance and its role in improving tax performance, while examining tax legislation in Algeria to assess the presence of these governance principles .

In the applied section, we utilized a questionnaire approach to measure the impact of governance on improving tax administration performance. We estimated and tested a multiple linear regression model that connects the independent variables of governance with the dependent variable of tax performance level.

The hypothesis that the Algerian legislation includes the principles of tax governance, including discipline, transparency and accountability, justice, and social responsibility, has been accepted.

Through the estimated model, it has also been found that adopting tax governance principles by Algerian tax administration can improve the level of tax performance. The results of the partial (T-test) and overall (F-test) tests were

acceptable, and the coefficient of determination (R-squared) value of 0.495 indicated that the adopted governance variables have the ability to explain 49.50% of the variations that improve tax performance.

Through the results obtained, several suggestions can be made to improve the performance of tax administration, as follows:

-Adopting governance principles has a positive impact on protecting the interests of stakeholders related to tax administration, achieving justice, and ensuring transparency and accountability;

-Working on publishing regular reports regarding the total tax revenues and their expenditure helps enhance the trust of taxpayers in the fairness of the tax system;

-Giving more attention to employees through the implementation of training policies to enhance their productivity, along with reviewing the system of rewards and incentives, can help reduce administrative corruption;

-Implementing an effective oversight system that ensures the rights of both taxpayers and the public treasury is crucial .

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