

## Research Article

## PUBLIC ADMINISTRATION GOVERNANCE: TAX ADMINISTRATION AS A MODEL

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### ABSTRACT

**Background:** Unlike other public administrations, tax administration interacts with users of public services in a unique context. It does not operate for the benefit of individually identified individuals but rather for the benefit of the community as a whole.

As a result, taxation is rarely perceived as a pleasant reality, and those responsible for its administration often face difficult relations with taxpayers. Based on this observation, this research seeks to highlight the extent to which a sustained process of governance within tax administration contributes to its overall performance. The tax administration must balance two key imperatives: ensuring revenue for the state and local authorities while also striving for the efficient and equitable application of the tax system.

**Methods:** This research is based on a systemic approach, enabling an analysis of the inputs and outputs of tax administration, especially its relations with taxpayers. This includes an examination of techniques, methods, rules, powers, and tax procedures, along with an assessment of their limitations. A comparative aspect is also present in this research, allowing for an evaluation of tax administration governance in developing countries compared to developed countries, particularly in Europe.

Furthermore, the research opts for an analytical and descriptive approach to examine the realities of tax administration, identify its failures, and develop recommendations aimed at improving its performance and governance.

**Results and conclusions:** This article contains results and recommendations, highlighting that although tax administration has seen some improvements in recent years, it still requires greater efficiency, transparency, and overall performance.

To achieve these objectives, tax administration must be enhanced by improving its performance, guaranteeing quality services, and establishing cooperative—if not partnership-based—relationships with taxpayers.

## 1 INTRODUCTION

The governance of public administration, particularly tax administration, is a current and ongoing subject<sup>1</sup> due to the specificity of its relations with users (citizens and customers).

Unlike other public administrations, the tax administration operates within a distinct framework in its relationship with taxpayers. Its role is not to intervene for the benefit of individually identified people but rather for the welfare of the community as a whole. This intervention often produces a feeling of dissatisfaction among taxpayers regarding the public services provided.

Taxation is, therefore, seldom perceived as a favourable aspect of governance. Therefore, those responsible for its administration often face challenging interactions with taxpayers.

Based on this observation, it is desirable to initiate a sustained process of governance within the tax administration. As Professor Gabriel Ardant noted, “We have too often forgotten that the best-designed tax system is only as good as administration that sets it up.”<sup>2</sup> This statement underscores the essential role of administration in shaping the effectiveness of the tax system.

In this context, the tax administration must strive to reconcile three imperatives: first, provide revenue for the state and local authorities; second, facilitate as much as possible the application of the system tax efficiently and equitably; and third, deliver quality services to users.

To achieve these objectives, the tax administration should be strengthened by improving its performance, guaranteeing quality services, and establishing cooperative and partnership relationships with taxpayers.

## 2 METHODOLOGY

In addition to the systemic approach and the comparative aspect mentioned above, to understand a solidly standardised and structured institution, the consultation of diversified documentation and the use of interviews with tax administration agents and the taxpayers who supposedly benefit from its services are of capital utility.

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1 The Director General of Taxes Administration Mr. Omar Faraj, during the conference organized by the Moroccan Group of the International Fiscal Association (IFA Maroc), on 12 October 2016, in Casablanca, on the theme “Improving the quality of service to taxpayers”, underlined the need to meet the expectations of taxpayers in terms of quality of service, fairness and respect for their rights, in return for their tax compliance, a topical theme at a time when the Directorate General of Taxes undertakes structuring projects to modernize and facilitate the use of procedures. See, ‘Omar Faraj plaide pour une modernisation de l’administration fiscale’ (*Challenge*, 18 octobre 2016) <<https://archive.challenge.ma/omar-faraj-plaide-pour-une-modernisation-de-ladministration-fiscale-72533/>> accéder 28 octobre 2024.

2 Gabriel Ardant, *Histoire De L’Impot* t 2: Du XVIIIe Siecle Au XXe Siecle (Fayard 1972) 849.

Discussions with tax administration agents are enriching insofar as they provide insight into the practical realities of the system. This qualitative data serves as a basis for the theoretical analysis resulting from the documentation collected, including legal texts, judicial decisions, legal commentaries and treatises). It is reasonable to begin by examining how practitioners describe their practical activity and how taxpayers perceive the services offered to them.

However, the purpose is not to accept these perspectives at face value or validate them without subjecting them to criticism, no matter how moderate. Rather, listening to tax administration agents should help contextualise the institution's role by distinguishing between its codified principles and its actual practices. Likewise, listening to taxpayers should help distinguish their perceptions from the realities of their interactions with the administration.

Given its strategic role in financing the state budget, the tax administration must cultivate its techniques and tools to improve both its internal efficiency and public image with taxpayers.

Ultimately, this study does not aim to forge an archetype of tax administration. Rather, its objective is to present the tools for good governance while first identifying the constraints that hinder the quality of its relationship with taxpayers.

### 3 IMPROVING THE PERFORMANCE OF THE TAX ADMINISTRATION

Faced with the multiplication and diversification of economic activities on the one hand and the increase in taxable income on the other, the responsibilities of the tax administration are multiplying. This requires improving its performance, which could be achieved both through improvements in human resources and material resources.

#### 3.1. In Terms of Human Resources

Taxpayers are forced to submit their returns to the tax authorities, with some declarations being monthly or quarterly (such as VAT) and others being annual (such as income tax or corporate tax). Tax agents are faced with countless declarations that they must verify, and if there is a gap in the declaration, summon the taxpayers concerned or conduct on-site inspections, particularly in the case of companies.

To effectively manage this work, the tax administration must have sufficient personnel with the necessary training. The objective is to equip auditors with comprehensive knowledge of the legislation in force and the procedures put in place.

However, the tax administration presents a double insufficiency at this level: quantitative and qualitative<sup>3</sup>. This is what negatively influences tax performance and fairness. Therefore, to improve the quality of tax auditing, the tax administration should, on the one hand, increase the number of auditors and, on the other hand, improve their training and strengthen their motivation.

### 3.1.1. Increase in the Number of Auditors

The quantitative strengthening of the personnel responsible for tax audits remains imperative, given the increase in the number of companies likely to be audited. Indeed, as previously highlighted, there is a disproportion between the continuing rise in the number of companies and the stagnation of the number of agents responsible for control.<sup>4</sup>

This shortage inevitably affects the number of taxpayers who can be audited.<sup>5</sup> Therefore, recruiting new auditors in sufficient numbers and with quality training is recommended to make tax audits more effective. As Professor Ngaosyvathn stated, “Any increase in the number of qualified tax agents, accompanied by a better organisation of services, could increase the collection of tax revenue. These will largely offset the costs incurred.”<sup>6</sup>

### 3.1.2. Improved Training of Auditors

Auditors' competence depends largely on the level of training they undergo. The tax administration needs not only a sufficient number of auditors but also those with the desired qualifications.

As such, it is a question of offering auditors permanent and continuing training tailored to the evolution of endogenous factors (such as tax system reforms) and exogenous factors (broader state governance and economic changes).

To remedy training challenges, especially in developing countries, Professor Ngaosyvathn has proposed four solutions:<sup>7</sup>

1. Sending scholarship holders to developed countries
2. Inviting foreign experts to provide training within developing countries
3. Establishing specialised schools
4. Implementing on-the-job training (“learn by doing” without prior preparation)

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3 R Ihsan, ‘The Complaint of Tax Agents’ *The Economic Life* (Rabat, June 1996) 10.

4 Anas Bensalah Zemrani, *Les Finances de L'état au Maroc*, t 2: L'entreprise face au fisc (L'Harmattan 2001) 8.

5 B Parent, ‘La démarche de changement de la DGI et l'efficacité du service public fiscal et foncier’ (1996) 54 *Revue Française de Finances Publiques* 19.

6 Pheuiphanh Ngaosyvathn, *Le rôle de l'impôt dans les pays en voie de développement: appréciation de l'influence exercée par les structures économiques et socio-politiques sur le prélèvement fiscal* (LGDJ 1974) 149.

7 *ibid.*

Furthermore, to enhance the quality of auditor training, the tax administration should strengthen its openness to its environment, particularly its collaboration with academic institutions. Universities play a crucial role not only in advancing knowledge but also in shaping concepts, projects, and visions of reform. The tax administration must place trust in academics—specifically, public finance and taxation professors—as true trainers in the field.

In this case, establishing collaboration between the tax administration and law faculties, particularly the training and research units specialising in public finance and taxation, would be highly beneficial. This could be done through a formal agreement to train versatile agents (technicians and conceptualisers).

### 3.1.3. Strengthening the Motivation of Auditors

There is no shortage of economic theories and postulates from administrative science regarding the impact of motivation on improving agent performance. Within the tax administration, motivation depends to a large extent on the remuneration and career advancement of auditors. A reasonable increase in remuneration would have only beneficial effects.

Indeed, when an agent feels valued and treated with greater consideration, they will be motivated to double their efforts in exercising better tax control—an advantageous outcome for the tax administration.

Therefore, the tax administration must encourage and motivate this category of civil servants. As Professor Maurice Laure underlined: “The State must reserve special treatment for the particular category of civil servants who not only engage their moral responsibility in their profession but are also professionally best placed to judge the inequality of conditions.”<sup>8</sup>

Moreover, to shield auditors against any temptations of fraud or solicitations from taxpayers while also encouraging them to work harder to secure significant adjustments for the benefit of the public treasury, it is essential to improve their material conditions.

This motivation could also take the form of professional promotion within a structured accountability system. Thus, the tax administration should enable its auditors—and civil servants in general—to build a meaningful career based on their skills and merit. It must ensure their progression within the hierarchy, granting them positions of responsibility while upholding the principle of equal opportunity.

However, the tax administration should also strengthen the forward-looking management of human resources. This approach would allow for better monitoring of job and career development and serve as a basis for more effective staff and skills management

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8 Maurice Laure, *Traité de politique fiscale* (Presses Universitaires de France 1957) 407.

## 3.2. In Terms of Material Resources

The rapid evolution of information technologies is driving a shift from mass computing to online computing. This discussion will successively deal with the computerisation of tax administration services and their technological infrastructure.

### 3.2.1. Strengthening the Computerisation of Tax Administration Services

It is now widely recognised that IT is a powerful tool that allows the tax administration to increase service performance to the extent that it offers an impressive capacity for storing information and processing it more quickly.

In this sense, Professor Ngaosyvathn highlighted IT's role in expanding the scope of tax administration. According to him, IT facilitates better control of taxpayers, identifies all sources of wealth, and relieves staff from tax assessment and collection tasks.<sup>9</sup>

In addition, IT can "free the tax administration from management tasks where it would have ended up paralysed. It makes it possible to allocate agents to more noble activities in tax control while allowing more informed reflection."<sup>10</sup>

Concerning decentralised services, the reinforcement of IT is of capital importance to the extent that compressing the processing times of tax files is one of the decisive keys to improving tax revenue yield. Regional departments seek seamless interconnection with the central tax administration to enhance efficiency.

Local tax services require a robust computer network to ensure taxpayer files can be done in a context of serenity and precision. For example, IT can support in-depth investigations and controls, providing a reliable framework for detecting irregularities such as double invoicing, falsified invoices, or reconstitution of turnover.

Moreover, in terms of communication of files relating to the taxation procedure, computerisation plays a vital role in facilitating communication between central and decentralised services in taxation procedures. Abandoning the manual processing of declarations is beneficial on two levels for the auditor. First, it allows them to dedicate more time to managing taxable material. Second, paper records will only be needed in the event of searching for proof following a dispute between the taxpayer and the administration.

To consolidate the computerisation system, the tax administration should invest in strengthening personnel capabilities, providing ongoing training, and upgrading IT infrastructure. Additionally, for integrated tax management (base and collection),

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<sup>9</sup> Ngaosyvathn (n 6) 140.

<sup>10</sup> Jean-Claude Martinez et Pierre Di Malta, *Droit fiscal contemporain* (Litec 1985) 261.

computerisation must be implemented in a collaborative environment across all territorial and national entities. These entities should operate within a harmonious framework.

Beyond automation, the value of technology extends beyond replacing manual processes with automatic ones. It also provides automated assistance to agents in carrying out complex work, such as control and recovery. A networked IT system enhances the possibilities of information sharing between agents of the tax administration and, in some cases, between the administration and taxpayers. Key aspects include the use of electronic mail for communication, broad information sharing throughout the state territory regardless of location, optimised group work, and the convergence of all information networks, including internal IT systems, telephone, and the internet.

In tax administrations that have fully embraced digitalisation, online technology has significantly impacted flexibility, responsiveness, and interactivity between different units and processes, leading to more efficient and transparent tax management.

### 3.2.2. Equipment of Tax Administration Services

The lack of adequate equipment in the tax administration of certain states, especially those in development, is a reality that cannot be ignored. This limitation reduces its capacity for action in terms of control and, consequently, deprives the state of significant tax resources. This is why the widespread adoption of IT “frees the tax administration from management tasks where it would have ended up becoming paralysed. It allows agents to be assigned to more noble activities in terms of tax control while allowing for more enlightened reflection.”<sup>11</sup>

This situation necessitates that tax administration officials multiply their efforts to develop equipment to guarantee the best working conditions for tax agents and ensure more efficient and effective tax control. To achieve these and other objectives, the tax administration should implement a real service equipment policy capable of supporting structural reform. This policy should focus on:

- Providing a pleasant environment for taxpayers
- Improving the staff working environment
- Gradually increasing the number of office premises
- Developing internal and external means of information for taxpayers
- Expanding the use of computer equipment

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11    *ibid* 261.

## 4 THE DEVELOPMENT OF QUALITY SERVICES

The quality of services is a major stakeholder for the tax administration and must be achieved. However, achieving this objective requires that its action be focused on several levels, particularly improving access to tax legislation and information, as well as enhancing tax procedures and techniques.

### 4.1. Access to Tax Legislation and Information

Ensuring access to tax legislation and information mainly requires guaranteeing its intelligibility and stability, along with significant communication efforts to make tax law more accessible.

#### 4.1.1. Stability of Tax Law

Maintaining stability in the tax system is paramount. There must be a balance between the need to amend tax regulations and the necessity of providing a minimum level of consistency.

For instance, investors must have long-term visibility over a long period and not be thwarted in their projects by perpetual legislative changes. This has been a challenge in certain states, such as Morocco, where tax measures intended to encourage investment have undergone constant modifications.<sup>12</sup>

To address this issue, tax law should be reinforced by defining a framework of tax principles that would be intended to be introduced between major constitutional principles and the technical provisions of each tax system. A key approach would be to regulate the conditions under which tax law can evolve, particularly concerning the instability or retroactive application of its provisions.

Two formal options could be possible. The first is for the government to formally commit to proper conduct. The second, more robust approach would involve enacting a law superior to ordinary law to reinforce this commitment. This approach appears more suited to combating shortcomings in tax governance. For example, an organic law could prohibit the modification of tax incentive provisions before the deadline initially planned in a way that is detrimental to taxpayers.<sup>13</sup>

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12 Rachid Lazrak, 'Redonnons à l'impôt son rôle d'outil de croissance' *L'Economiste* (Rabat, 20 décembre 1999).

13 Christophe Heckly, *Rationalité économique et décisions fiscales* (LGDJ 1987) 256.



#### 4.1.2. Simplification and Accessibility to the Tax Law

The codification of tax texts is not sufficient on its own; it should be, on the one hand, simple and intelligible and, on the other hand, accessible to all taxpayers.

The simplification of tax law would contribute to improving governance. However, the objective of simplification should not be misunderstood—tax systems are complex by nature. However, many complications are unnecessary and avoidable. To address this, at least four measures can be taken:

Firstly, the clarification of tax texts, particularly for certain measures such as the taxation of profits. Second, taxes—whether small or large—that incur excessive management costs should be eliminated. Third, reporting obligations for taxpayers, particularly businesses that assume a large part of the administrative costs of taxation on behalf of the state, should be reduced. Finally, the continuation of the modernisation of the tax administration. Indeed, it participates just as much in the management of the tax standard as in the tax decision should continue. Ongoing efforts to establish a single tax contact point for businesses, improve the quality of services provided to taxpayers, and adapt methods of communication around taxation should be continued.

Moreover, administering legislation in a simple, fair, and professional manner helps build public trust. In this sense, and by way of illustration, the French tax administration commits to:<sup>14</sup>

- Submit, each year, proposals for the simplification of tax legislation as well as the clarification of the legal texts in force to achieve the intelligibility of the laws and their proper application.
- Propose measures to simplify the reporting obligations of taxpayers, in particular by reducing the number of their reporting and payment contacts with the tax authorities and by improving the readability and accessibility of printed materials.
- Seek ways to harmonise methods, procedures, and positions to ensure consistency across different sub-departments and prevent discrepancies in handling similar issues.

Ensuring accessibility to tax regulations also involves informing taxpayers of their rights and obligations. As previously pointed out, a lack of information for the taxpayer often leads to misunderstandings between taxpayers and the tax administration, especially given the complexity of tax matters and the proliferation of taxes.

Therefore, this deficiency must be remedied through information and popularisation campaigns and the publication of tax decisions—both from tax commissions and the courts.

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14    *Projet de Loi n 710 portant habilitation du Gouvernement à prendre par ordonnance des mesures de simplification et de codification du droit* (26 mars 2003) <<https://www.assemblee-nationale.fr/12/projets/pl0710.asp>> accédé 28 Octobre 2024.

It would be more appropriate to establish a taxpayer's charter that defines the principles governing the relationship between the tax administration and the taxpayer and establishes the rights and obligations of both parties in a spirit of collaboration and mutual respect.

Additionally, the internet should be used to disseminate tax legislation more widely, ensuring that taxpayers have better access to information and enabling them to make informed decisions based on reliable tax data.

Moreover, an intranet system can provide tax agents with the current tax regulations, the latest tax documentation according to tax laws, and the most practical tax-related resources.

## 4.2. Improving Tax Procedures and Techniques

Improving tax procedures and techniques concerns the tax base, assessment, and collection.

### 4.2.1. At the Level of the Tax Base and Assessment

Good governance of the tax administration is measured through the quality of services offered to taxpayers. Two techniques that can be strengthened in this direction are integrated taxation and electronic declaration.<sup>15</sup>

Implementing the integrated taxation system constitutes an important step in the performance of the information system. This system aimed to gradually move all tax-related services online (e.g., Simpl-VAT, Simpl-Income tax, Simpl-corporate tax, etc.).

The integrated taxation system has two complementary components that equip tax agents with the tools necessary to carry out their tasks more effectively. The first component focuses on the base and the recovery, while the second concerns tax control.<sup>16</sup>

Key objectives of the integrated taxation system include:

- Assigning each taxpayer a unique tax identifier by the federation of information in a tax file and sharing data between the different stakeholders.
- Facilitating the exchange of information between the different services of the tax administration. The data integrated into the taxpayer's file by each department will be available to authorised managers, whether in central or regional services.
- Reducing “reporting” activities by providing summary data already formatted by the hierarchy and central services. This system will also include data transmitted by tax administration partners, enabling relevant cross-checks.
- Developing a quality service. The new applications have many advantages, including quality information available to the authors concerned and, consequently, a reduction in requests for information between services; a proactive system that guides data entry and also avoids errors; cross-checking information concerning the

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<sup>15</sup> Cherif Elhilali, *Tax Administration and Taxpayers* (Dar Al-Qalam for Printing and Publishing 2021) 189.

<sup>16</sup> *ibid.*

taxpayer and verifying their consistency; the automation of mass processing with low added value and the possibility of reorienting its activity towards control; assistance in identifying declaration or payment failures and payment insufficiencies; the generalisation of dashboards; ease of access to information via the intranet; and greater data security.

Furthermore, the introduction of electronic declarations and electronic payments constitutes a turning point for the tax administration, paving the way for new relationships with taxpayers.

The objective is to transform this administration into a “multi-access administration” so that taxpayers have the choice between direct media (paper) and new channels (the official portal, in particular) for all their tax procedures.

#### 4.2.2. At the Level of the Tax Collection

The adoption of new techniques can significantly improve tax administration management techniques, not only for the tax base but also for its collection. Faced, sometimes, with recovery difficulties, the accumulation of tax arrears, and a relatively moderate rate of tax revenue collection, the tax administration must put in place new techniques and procedures to optimise the collection system.

The tax administration is called upon to consider using dashboards provided by public accountants to identify indicators that serve as decision-making tools. These include, first and foremost, means and workload indicators. This set of information and ratios is intended to highlight the human and material resources available to the tax collector, such as the number, profit, and qualification of agents. These indicators will enable the administration to better distribute resources and target interventions to meet the needs of decentralised public services.

Performance indicators will provide the tax administration with appropriate information on support, recoveries, outstanding recoveries, obstacles to recovery, and to obtain information on recovery rates. These indicators will also help monitor the achievement of objectives assigned to tax collectors, as well as analyse and explain discrepancies between forecasts and achievements.

Management indicators will make it possible to assess the importance, origin, and nature of the outstanding recoveries, ensuring that legal proceedings for the recovery of public debts are initiated against all taxpayers, without exception. They will also help evaluate the performance of recovery efforts and, where necessary, prompt the necessary actions to address dysfunctions and deficiencies observed.

Furthermore, improving the quality of procedures inevitably requires the gradual orientation of accountants responsible for recovery towards procedures with high added value. Thus, the behaviour of the public accountant in matters of recovery is often driven by

the concern for safeguarding and responsibility. Additionally, the mismatch between resources and expenses is a constraint that should not be neglected. However, rational resource use combined with the proper organisation of the collection activity within the collection system could overcome this issue.

Moreover, introducing the notion of integrated management of tax liabilities, particularly for large taxpayers, is a solution to the fragmented management by item, which often leads to the negligence of these taxpayers. Repetitive summons relating to a fraction of the tax liability reduce the deterrent effect of recovery actions and foster the belief that recovery efforts are ineffective.

Tax collection is an activity whose performance depends heavily on the quality of the procedures. Therefore, it is essential to establish a management system in the form of a central observatory, which would establish periodic summaries on the evolution of the collection and clarify, in particular, the procedures to follow. This would allow the public accountant to adopt the most appropriate and effective path for each category of taxpayer.

In light of foreign experiences, optimising the tax collection chain involves outsourcing spontaneous collection and selecting and analysing risk for forced tax collection.

Regarding the outsourcing of spontaneous collection, with the entry into force of online tax declarations and to consolidate the operation, tax authorities could outsource tax collection through the banking network.<sup>17</sup> The taxpayer pays directly (via cheque, bank card, or transfer) from their bank account, and the bank transfers the funds to the treasury account. This system is practised in Spain and many Anglo-Saxon countries. For a commission, banks collect tax on behalf of the Public Treasury.

Regarding selectivity and risk analysis, most modern tax administrations consider that the most effective way to maximise recovery and minimise exposure to the risk of unrecoverability is by aligning available resources with the risk level.<sup>18</sup>

### 4.3. The Dematerialisation of Tax Administration Services

The dematerialisation of tax administration services is a strategic choice that will certainly contribute to strengthening the implementation of digital administration. It is worth noting that the change in the payment method for certain taxes, such as the car tax, for example, was beneficial for taxpayers. Before this change, they had to spend hours queuing at administration counters, which in turn required the mobilisation of several administration agents dedicated solely to this operation for months leading up to the end of each year.<sup>19</sup>

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17 Nouredine Bensouda, 'Le Fisc tenté par l'externalisation du recouvrement' *L'Economiste* (Rabat, 17 Février 2006).

18 Pierre-François Gouiffès et Julien Carmona, *Mission d'analyse comparative des administrations fiscales: rapport de synthèse* (n 98-M-041-11, [France] Inspection générale des finances 1999) 38.

19 Omar Faraj (n 1).

Given its enormous interests, the tax administration should launch a process of complete dematerialisation of all its actions with taxpayers.

Beyond the legal generalisation of electronic declarations and payments in several states (such as France, the UK, and Germany), the tax administration must strengthen online services, such as issuing turnover certificates and tax identification forms for members of the administration's online tax services, and other certificates concerning various taxpayers.

In addition, to further facilitate relations with taxpayers, they should have access to a tax account that provides real-time information about their tax situation, as well as the progress of their reimbursement and restitution requests.

Furthermore, it is important to consider ways to simplify and facilitate reimbursement and restitution requests. This includes generalising the online filing of such requests, modifying the formalities for submitting required documents and their method of verification, and clarifying the rules for rejections, which must be justified and formally notified to the interested parties.<sup>20</sup> For example, the tax administration may receive several complaints annually from different categories of taxpayers. Strengthening the online processing of these complaints will ensure that responses are provided as quickly as possible.<sup>21</sup>

Furthermore, several measures can be taken or strengthened in response to taxpayers' concerns, such as:

- Guaranteeing better supervision of the tax control system
- Reducing the duration of tax administration verification agents' visits to companies
- Rationalising the sanctions regime
- Strengthening the corrective declaration procedure
- Simplifying the appeals before the tax commissions, etc.

The tax administration should implement additional measures to provide taxpayers with high-quality services.

## 5 THE EFFECTS OF TAX ADMINISTRATION GOVERNANCE ON RELATIONS WITH TAXPAYERS

The governance of the tax administration could have several impacts on relations with taxpayers, which can be summarised in two essential points: the guarantee of tax fairness and the improvement of tax citizenship.<sup>22</sup>

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20 *ibid.*

21 *ibid.*

22 Elhilali (n 15) 179.

## 5.1. Guarantee of Tax Fairness

This goal of justice is expressed in particular at two levels: the fight against tax fraud and evasion and the taxation of the informal sector.<sup>23</sup>

### 5.1.1. The Fight Against Tax Fraud and Evasion

Fraud is an offence against tax legislation and, as such, is subject to administrative or criminal sanctions. Tax fraud is generally distinct from tax evasion, which is not an infraction of the tax law but an abusive use of the legislation to avoid taxation or to minimise it.<sup>24</sup>

The fight against these two phenomena is considered by the tax administration as a determining element in the consolidation of tax justice and the improvement of budgetary resources.<sup>25</sup>

To deal with this, the tax administration must strengthen its collection action for better resource mobilisation. It must also define a responsible control policy and equip itself with effective management resources.

To improve tax control, several measures should be taken:

- Review the control strategy to improve the business climate and establish healthier taxpayer competition. With this in mind, the administration should consider modifying its operating mode by providing for one-off and simplified tax controls.<sup>26</sup>
- Improve control programming based on the risk analysis system.<sup>27</sup>
- Strengthen the organisation and quality of tax audits by relying on experienced auditors trained across all relevant disciplines, sensitive to the values of commitment and ethics, and provided with the necessary logistics to carry out their work effectively.

### 5.1.2. Taxation of the Informal Sector

The informal sector is a constant concern for public authorities, particularly in tax matters. It is a significant cause of revenue loss for both state and local government budgets, and it contributes to maintaining high tax rates on formal, organised units. This increasingly

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23 Cherif Elhilali, 'Covid 19 Pandemic in the Arab Countries: Case of Morocco' (2024) 7(1) Access to Justice in Eastern Europe 307, doi:10.33327/AJEE-18-7.1-a000112.

24 Ahmed Tazi, 'The fight against tax fraud in Morocco 'Lutte contre la fraude fiscale : le renforcement de la qualité du contrôle fiscal' (2008) 102 Revue Française de Finances Publiques 78.

25 *ibid.*

26 In this context, it should be emphasised that the Tax Administration must also strengthen the right of observation, which aims to identify invoicing failures, and to exercise it jointly with other administrations such as customs. and the central establishment of State Exchanges.

27 In relation to this point, it is necessary to base ourselves on a list of criteria or a target population and provide tax administration controllers with verification support tools.

widespread phenomenon undermines the economy as a whole and the principle of tax fairness to the extent that it places the total tax burden on a limited number of taxpayers. From this perspective, some experts suggest that only 2% of companies contribute 80% of corporate tax revenue.<sup>28</sup>

Therefore, it becomes important to continue implementing measures that are likely to attract informal units toward the organised economy.<sup>29</sup> The taxation of the informal sector is one of the crucial operations used by the tax administration to strengthen its implementation over the years, aimed at motivating taxpayers to join the formal economy while granting them tax advantages and benefits.

## 5.2. Improvement of Tax Citizenship (Tax Compliance)

Promoting a culture of tax citizenship is crucial for fostering a tax system based on fairness, transparency, and mutual respect. It stems from the fight against tax fraud and evasion, which is strengthened through communication on the rights and obligations of taxpayers, and their awareness and education on the principles of citizenship.<sup>30</sup>

By way of illustration, to improve tax citizenship through education, tax should be considered, like any other discipline, essential and vital. For instance, the Association of Administrations Tax Authorities of Latin American countries has initiated tax training programs for primary school-age students, resulting in “the teacher will then become the ally of the Tax Authorities.”<sup>31</sup>

The promotion of tax citizenship arises from consent to tax, a fundamental principle of taxation that reflects greater support from taxpayers for taxation and state tax policy. In recent years, many countries have seen the emergence of a new concept, that of “voluntary compliance.”<sup>32</sup>

In short, for tax citizenship to be truly achieved, several conditions must be met:

- Strengthening the transparency of administration actions to establish trust with taxpayers.
- The simplification of procedures to make tax matters accessible to taxpayers.

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28 Abdellatif Zaghoun, ‘Les recettes fiscales potentielles: quels choix possibles et quelles perspectives?’ (2011) (spec-Maroc) *Revue Française de Finances Publiques* 83.

29 This issue concerns several tax administrations (such as the General Tax Directorate, the Customs Directorate, etc.) and the actions to be taken must be coordinated for greater efficiency and performance.

30 Jean Rivoli, *Vive l'impôt* (Du Seuil 1965) 121.

31 *ibid.*

32 For example, in Germany, there is a law which aims to promote tax honesty. The so-called “encouraging tax honesty” law, which came into force on 1 April 2005. See, Bundesgesetz vom 30 Dezember 2003 ‘Gesetz zur Förderung der Steuerehrlichkeit’ [2003] BGBl I 66/2928.

- Strengthening the dematerialisation of tax procedures.
- Widening the competence thresholds of local officials.<sup>33</sup>
- Improving communication and informing citizens about their rights and obligations.

### 5.3. Establishment of Relationships of Trust and Partnership

Consultation and partnership around taxation are a definite necessity at both operational and institutional levels for making informed decisions and, consequently, providing quality services. Better organisation of taxpayer consultation will prevent certain problems from arising and being dealt with through litigation.

Consultation with business taxpayers is an important practice by tax administrations, particularly when drafting finance laws. Business groups and chambers of commerce and industry are often consulted to gather feedback.<sup>34</sup> These bodies, representing business interests, have generally developed public relations structures that allow them to ensure their voices are heard, particularly if they feel that the administration has not listened to them sufficiently. However, it is acknowledged that tax administration may not always have the time or the mandate to carry out systematic consultations, particularly with regard to specific measures in the finance bill.<sup>35</sup>

For instance, in certain countries like France, consultation with professional taxpayers is not systematic concerning finance law.<sup>36</sup> Instead, taxpayer consultation may take place a posteriori<sup>37</sup> in the form of public exchanges of letters between taxpayers and the Ministry of Finance (tax administration).

Moreover, many tax administrations recognise that providing taxpayers with information promotes voluntary compliance with tax obligations. As a result, several states have adopted more openness to the environment. A notable example is the National Meetings on Taxation organised by the Moroccan Ministry of Economy and Finance in Skhirate in April 2013. This event brought together parliamentarians, economic operators, national and

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33 As an illustration in terms of VAT reimbursement, restitution and processing of tax disputes to strengthen local tax management.

34 Nouredine Bensouda, 'La Modernisation de L'administration Fiscale' (Université Mohammed V, 21 mai 2003) <[https://www.tgr.gov.ma/wps/wcm/connect/e07bd876-4887-4ae3-bfee-8199ae81d7a6/universite\\_med5\\_modernisation.pdf?MOD=AJPERES&CACHEID=e07bd876-4887-4ae3-bfee-8199ae81d7a6](https://www.tgr.gov.ma/wps/wcm/connect/e07bd876-4887-4ae3-bfee-8199ae81d7a6/universite_med5_modernisation.pdf?MOD=AJPERES&CACHEID=e07bd876-4887-4ae3-bfee-8199ae81d7a6)> accéder 28 octobre 2024.

35 *ibid.*

36 Le Conseil d'État, 'Rapport Public 2002' (*Le Conseil d'État*, 30 novembre 2002) <<https://www.conseil-etat.fr/publications-colloques/rapports-d-activite/rapport-public-2002>> accéder 28 octobre 2024.

37 For example, in France the instruction of December 28, 2001 modifying the system of dividend distributions giving right to tax credit undoubtedly constitutes the most striking recent counter-example: due to the late nature of the text, added to this is the problem of its economic retroactivity, and its practical application difficulties.



international experts, academics, and the tax administration. These meetings served as a platform for open discussion and mutual respect, leading to the development of a roadmap to modernise the country's tax system and administration.<sup>38</sup>

In addition to these national meetings on taxation, economic operators in other states are invited each year, through their respective organisations, to participate in the development and enrichment of draft finance law. They are also invited to give their opinion on the draft circular notes before publication. The frequency and permanence of these meetings with professional orders and chambers of commerce and industry will certainly promote the institutionalisation of consultation.<sup>39</sup>

## 6 CONCLUSIONS

To conclude, the governance of the tax administration, no matter how efficient, cannot succeed without establishing trust and partnership with taxpayers. It is crucial to overcome the state of mistrust and sometimes hostility that can arise between taxpayers and the administration from time to time. Good governance is grounded in multiple principles, such as participation, efficiency, and equity.<sup>40</sup> In tax matters and the rule of law, it is not enough for tax policy to rest on legal foundations. It is equally important that citizens understand the law, participate in its elaboration, and judge the accuracy of taxation that they are subjected to. Additionally, they must be assured of their rights and guarantees in the event of an audit (control) or tax dispute.

In short, what taxpayers seek is not fine speeches or vague promises but a concretely effective administration—one that is respectful of tax law, open and humane. Such an administration should not lose sight of the fact that the taxpayer is its very reason for being. It must strike a balance between management efficiency (administrative and financial, in particular, the collection of public resources) and the quality of services provided to taxpayers. While these may appear as opposing forces, they are complementary, and a tax administration that can balance both is ideal. This is the kind of administration that can drive change and meet the challenges of the modern tax landscape.

38 'Les 2èmes Assises Nationales sur la Fiscalité à Skhirate' (*Royaume du Maroc*, 29-30 Avril 2013) <<https://www.maroc.ma/fr/actualites/les-2%C3%A8mes-assises-nationales-sur-la-fiscalit%C3%A9-%C3%A0-skhirate>> accéder 28 octobre 2024; 'Synthese Des Propositions Issues Des Assises Nationales Sur La Fiscalite Tenues le 29 et 30 Avril 2013 à Skhirate' (2013) <<https://www.lavieeco.com/wp-content/uploads/2018/12/la-synth%C3%A8se-des-propositions-1.pdf>> accéder 28 octobre 2024.

39 Nouredine Bensouda, 'Groupes de Pression et Prise de Décision Fiscale au Maroc' (2006) 94 *Revue Française de Finances Publiques* 140.

40 Cherif Elhilali, 'The General Budget in the Kingdom of Saudi Arabia: Between Governance Requirements and Financial Sustainability' (2023) 6(spec) *Access to Justice in Eastern Europe* 59, doi:10.33327/AJEE-18-6S006.

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**Competing interests:** No competing interests were disclosed.

**Disclaimer:** The author declares that his opinion and views expressed in this manuscript are free of any impact of any organizations.

## ACKNOWLEDGEMENTS

The author of this article expresses gratitude to Prince Sultan University for their support in conducting and publishing this research in a reputable journal.

## ABOUT THIS ARTICLE

### **Cite this article**

Elhilali C, 'Public Administration Governance: Tax Administration as a Model' (2025) 8(2) Access to Access to Justice in Eastern Europe 1-21 <<https://doi.org/10.33327/AJEE-18-8.2-r000109>> Published Online 13 Apr 2025

**DOI** <https://doi.org/10.33327/AJEE-18-8.2-r000109>

**Managing editor** – Mag. Bohdana Zahrebelna. **English Editor** – Julie Bold.

**Ukrainian Language Editor** – Liliia Hartman.

**Summary:** 1. Introduction. – 2. Methodology. – 3. Improving the Performance of the Tax Administration. – 3.1. *In Terms of Human Resources*. – 3.1.1. *Increase in the Number of Auditors*. – 3.1.2. *Improved Training of Auditors*. – 3.1.3. *Strengthening the Motivation of Auditors*. – 3.2. *In terms of Material Resources*. – 3.2.1. *Strengthening the Computerization of Tax Administration Services*. – 3.2.2. *Equipment of Tax Administration Services*. – 4. The Development of Quality Services. – 4.1. *Access to Tax Legislation and Information*. – 4.1.1. *Stability of Tax Law*. – 4.1.2. *Simplification and Accessibility to the Tax Law*. – 4.2. *Improving Tax Procedures and Techniques*. – 4.2.1. *At the Level of the Tax Base and Assessment*. – 4.2.2 *At the Level of the Tax Collection*. – 5. The Effects of Tax Administration Governance on Relations with Taxpayers – 6. Conclusion.

**Keywords:** Governance, Tax Administration, Taxpayers, Public Management Performance, Quality Services, Tax Fairness.

## DETAILS FOR PUBLICATION

Date of submission - 06 Nov 2024

Date of acceptance - 19 Feb 2025

Date of Online First publication: 13 Apr 2025

Whether the manuscript was fast tracked – No

Number of reviewer report submitted in first round – 3 reports

Number of revision rounds – 1 round with major revision

### Technical tools were used in the editorial process:

Plagiarism checks - Turnitin from iThenticate <https://www.turnitin.com/products/ithenticate/>

Scholastica for Peer Review <https://scholasticahq.com/law-reviews>

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## АНОТАЦІЯ УКРАЇНСЬКОЮ МОВОЮ

Дослідницька стаття

### ДЕРЖАВНЕ УПРАВЛІННЯ: АДМІНІСТРУВАННЯ ПОДАТКІВ ЯК МОДЕЛЬ

**Шеріф Ельгілалі**

#### АНОТАЦІЯ

**Вступ.** На відміну від інших видів державного управління, під час адміністрування податків відбувається взаємодія з користувачами державних послуг в унікальному контексті. Воно діє не в інтересах окремих осіб, а радше на користь суспільства в цілому.

Як наслідок, оподаткування рідко сприймається як приємна реальність, а особи, відповідальні за його адміністрування, часто стикаються зі складними відносинами з платниками податків. З огляду на це спостереження, дослідження має на меті висвітлити, якою мірою сталий процес адміністрування податків сприяє загальній ефективності у цій сфері. Адміністрування податків повинне балансувати між двома ключовими імперативами: забезпеченням надходжень до державного та місцевих

бюджетів, а також прагненням до ефективного та справедливого застосування податкової системи.

**Методи.** Це дослідження ґрунтується на системному підході, що дозволяє проаналізувати вхідні та вихідні дані адміністрування податків, особливо взаємодію з платниками податків. Це передбачає вивчення методів, способів, правил, повноважень, що стосуються податкових процедур, а також оцінку їхніх недоліків. Порівняльний аспект також було застосовано у цьому дослідженні, що дозволяє оцінити ефективність адміністрування податків у країнах, що розвиваються, порівняно з розвиненими країнами, зокрема в Європі.

Крім того, у дослідженні обрано аналітичний та описовий підхід для вивчення реалій адміністрування податків, виявлення недоліків та розробки рекомендацій, спрямованих на покращення його ефективності та управління.

**Результати та висновки.** Ця стаття містить результати та рекомендації, які підкреслюють, що, хоча за останні роки адміністрування податків зазнало певних покращень, воно все ще потребує більшої прозорості та загальної результативності.

Щоб досягти цих цілей, адміністрування податків має бути вдосконалене в результаті підвищення його ефективності, гарантування якісних послуг та налагодження відносин із платниками податків на основі співробітництва, якщо не партнерства.

**Ключові слова:** управління, адміністрування податків, платники податків, ефективність державного управління, якісні послуги, справедливість податків.