



## **A Summary of Working Papers on Tax Evasion**

**April 2017**

## **Tax Evasion**

Tax evasion is a public phenomenon that affects all countries around the world and is widespread in developing countries.<sup>1</sup> Although there is a lack of an accurate measurement of the size of tax evasion in Palestine, it can be said that it is widespread. Since it is negatively reflected on the generated tax revenues and contributes to increase the current deficit in the public budget, ignoring this tax evasion and the lack of monitoring and prosecution encourages corruption in this field.

This paper includes all papers presented at the tax evasion working day that was organized by the AMAN Coalition on 22 March 2017. The paper reviews a group of concepts such as tax evasion, tax avoidance, financial leakage, and customs smuggling, and discusses the causes that contribute to tax evasion. It attempts to estimate the size of tax evasion based on realistic indicators and opinions of active experts, in addition to the outcomes of several relevant reports and studies. The paper also aims to review some regulatory provisions and legislation regarding Palestinian customs (*income tax and customs tax*), and tax evasion forms mentioned in these laws. It also tackles the role of governmental institutions combating tax evasion crimes, and addresses the most significant challenges and problems that hinder the work of institutions in this regard.

### **Definitions: Tax Evasion, Tax Avoidance, and Financial Leakage**

**Tax Evasion:** Even though literature and related financial studies have provided several definitions of tax evasion, the science of public finance defines tax evasion as: “*Taxpayers who, fully or partially, avoid paying the true tax without transferring its burden to others, and which in turn affects the country’s share from the taxes and makes it lose its rights*”.<sup>2</sup>

There are various forms of tax evasion that deliberately aim to hide taxpayers’ real conditions from Tax Authorities in order to reduce the amount of tax due.<sup>3</sup> However, the study prepared by Social and Economic Policies Monitor (*Marsad*) entitled: *Taxation systems in Six Arab Countries* defines tax evasion as “*Taxpayers’ ability to fully or partially escape from paying the required tax. Usually, (illegitimate) tax evasion is accompanied by taxpayers’ attempts to escape from paying the required tax through practicing cheating and/or forgery and/or violating legal provisions.*”<sup>4</sup>

**Tax Avoidance:** “*People who abstain from an activity that leads themselves to be subject to taxes through benefiting from legal gaps to avoid paying the taxes whereas taxpayers can escape from one gap and finds a legal exit through which they can avoid paying the taxes or reduce its amount. Tax avoidance is considered legitimate and not an illegal action*”.<sup>5</sup> The International Bar

---

<sup>1</sup> Possible Measure to Limit Tax Evasion, Economic Annual Report 2015. The Palestinian Economic Council for Development and Reconstruction (PECDAR).

<sup>2</sup> Transparency Environment in the Collection of Taxes and Customs Fees. Tax and Customs Evasion: Case Study, 2011, AMAN.

<sup>3</sup> Possible Measure to Limit Tax Evasion, Economic Annual Report 2015. The Palestinian Economic Council for Development and Reconstruction (PECDAR).

<sup>4</sup> Tax Systems in Six Arab Countries, 2014. Social and Economic Policies Monitor (*Marsad*)

<sup>5</sup> Transparency Environment in the Collection of Taxes and Customs Fees. Tax and Customs Evasion: Case Study, 2011, AMAN.

Association proposed a term called Tax Violation to include tax evasion and aggressive tax avoidance. The Association defines the terms as: “*Tax practices that contradict the spirit and letter of international and local tax law and policies*”.<sup>6</sup> Examples of this include the circumvention of the Investment Law and benefiting from tax exemptions through transference of ownership after the expiration of the exemption period specified for the owner.

**Financial Leakage:** A paper prepared by AMAN defined financial leakage as “*Taxes paid by Palestinian consumers and considered in the custody of Israeli government and which are not returned to the Palestinian Authority (PA) through clearance accounts*”.<sup>7</sup> Based on PECNDAR’s report, there is another definition of Tax Leakage which is “*Funds transferred to the occupation’s treasury because of a default in collecting clearance money*”.<sup>8</sup>

**Customs Evasion:** According to the Jordanian Tax Law that is applicable in Palestine, customs evasion is defined as: “*The entry of goods into and out the country in a way that violates applicable legislations and without paying customs fees and other taxes either partially or fully or in contravention of the prohibition and restrictions provisions stipulated in this law or other laws and regulations*” Article 232 of Jordanian Customs Law No. 16 of the year 1983.<sup>9</sup>

### **Reasons for Tax Evasion in Palestine**

The lack of Palestinian control over its borders and crossings, weak investigation, and the lack of oversight over the value of clearance bills prepared by Israel in a non-transparent way constitute the main causes to motivate unscrupulous people to tax evasion. Deficiency in legislation provides an enabling environment for tax circumvention. Additionally, procedures followed to oversee and limit the phenomenon of tax evasion do not contribute to achieve the desired goal as required. Based on the Value-Added Law and Customs Law, the reconciliation right determines that reconciliations take place only on fines and benefits of tax value; however, in some cases, the law is not fully complied with and certain reconciliations may occur on the tax value.

During their work auditing value added tax, customs, excise, and income tax, it became clear for the State Audit and Administrative Control Bureau that there are several reasons that contribute to increase the rates of tax evasion such as weak follow-up procedures on taxpayers who do not pay their income and value added tax, the absence of field inspection, and fragile monitoring of unregistered taxpayers in Tax Departments. There is also an absence of coordination between the Tax Departments where there are files complied with value added taxes and interrupted in the

---

<sup>6</sup> Corruption and Tax Abuse: Two Sides of the Same Coin, Draft Copy Position 2016.

<sup>7</sup> The Importance of Increasing Direct Imports in the Development of Tax and Customs Revenues and the Reduction of Financial Leakage and Tax Evasion, 2015. A Background Paper. Palestine Economic Policy Research Institute – MAS.

<sup>8</sup> Possible Measure to Limit Tax Evasion, Economic Annual Report 2015. The Palestinian Economic Council for Development and Reconstruction (PECNDAR).

<sup>9</sup> Jamil Misyaf, 2017. A Paper on Palestinian Tax System and the Culture of Smuggling. Palestine Economic Policy Research Institute – MAS.

income tax, in addition to the Income Tax Department that accepts lease contracts unstamped from the Property Tax Department.<sup>10</sup>

Reasons that contribute to increase the cases of tax evasion may also include employees' lack of material, logistics, and human capacity in the Tax Department, and a shortage of incentives and training required for these crews. On the other hand, reasons related to Tax Laws contribute to increase the number of tax evasion cases by increasing tax rates in general compared with economic conditions.<sup>11</sup>

In an interview conducted with one of the most important auditing companies in Palestine, it became obvious that one reason for tax evasion is the policy and methodology of officials in Tax Departments in dealing with taxpayers as tax evaders. This weakens taxpayers' transparency relations with the tax department and develops the belief that the estimations of tax commissioners are arbitrary.

### **Size of Tax Evasion**

After reviewing literature and related studies, the amount of tax evasion in Palestine was not precisely determined. A study conducted by PECDAR in 2015 estimated the size of tax evasion as between 30-40% of total tax revenues.<sup>12</sup> A study prepared by The Palestinian Initiative for the Promotion of Global Dialogue and Democracy (*MIFTAH*) entitled *An evaluative study of the Income Tax Law of the year 2011* estimated the size of tax evasion to be 37% of total revenues.<sup>13</sup> However, AMAN's study *Transparency Environment in Collecting Taxes and Customs Fees* concluded that the rate of tax evasion may reach 65%. It also estimates the rate of tax evasion as 30% based on the impression and estimates of the General Directorate of Income Tax and the General Directorate of Property Tax, and the General Directorate of Value Added Tax.<sup>14</sup>

### **Palestinian Laws and Tax Evasion**

Palestinian laws have not specified a precise definition of tax evasion; however, the laws stipulate the actions that represent the forms of tax evasion. Considering Article (37) of Presidential Decree No. (8) of the year 2011 regarding income tax, the actions representing tax evasion and the sanctions against such actions were specified and represented generally as submission of incorrect tax returns, concealing or destroying records before the expiration of the period required for their

---

<sup>10</sup> Shuman, Thalji, Assaf, Ibrahim 2017. A Paper on Challenges and Problems in the Field of Monitoring and Auditing Official Institutional Performance in following-up Tax and Tax Evasion files, State Audit and Administrative Control Bureau.

<sup>11</sup> Ad-Dahle, Samar 2017. Challenges and Problems in Confronting Tax Evasion Phenomenon. Income Tax, Ministry of Finance.

<sup>12</sup> Possible Measure to Limit Tax Evasion, Economic Annual Report 2015. The Palestinian Economic Council for Development and Reconstruction (PECDAR).

<sup>13</sup> Abd El-Karim, Nasir 2015. Evaluative Study of Income Tax Law for the year 2011. *MIFTAH* 2015/ Qabaja: Master Dissertation "Tax Evasion and Ethics", Hamburg University, Germany 2010.

<sup>14</sup> Transparency Environment in the Collection of Taxes and Customs Fees. Tax and Customs Evasion: Case Study, 2011, AMAN.

preservation, increasing costs and reducing profits through assuming imaginary partners, manipulating bills, or concealing or hiding some economic activities that are subject to taxes, non-compliance with tax discount, or deduction made on taxes without transferring the amounts to the department, or forging some documents and papers. Examples of these actions include circumventing the Investment Promotion Law No. (1) of the year 1998 which offers exemptions and tax deductions within specified periods ranging from 5-21 years.<sup>15</sup> Sometimes, investors transfer the project's ownership to their relatives (spouses or children) after the expiration of the period of tax exemption so that they benefit from a new period of tax exemption and deduction. In this way, investors can evade taxes imposed on companies, and the value added tax due to the offered concessions and circumvention of ownership registration.

There is a problem in the Investment Promotion Law that provides an opportunity for tax evasion. *“Consequent tax exemptions are granted to companies just because they meet the conditions required in terms of the capital size and the number of workers regardless of the economic objectives that they might achieve.”* Examples of this include granting an exemption for a company with a concession to an international company, and granting exemption to telecommunication companies and mining companies considering that minerals are natural resources in Palestine and what is important is to impose fees on their extraction. However, mineral extraction is done with no control or monitoring from any party. Investment Promotion may continue lifelong due to the renovation and development of the project, and sometimes the project's equipment is sold to another project structured to receive an exemption. The ways through which companies change from one legal form to another in order to benefit from the exemption contradict the spirit and letter of laws.<sup>16</sup>

In general, it can be concluded that there is a problem in the tax laws and legislation regarding tax evasion, where there are some ambiguous and complex laws such as the value-added law. Some other laws are not compatible with the current reality in terms of content, text, and time such as the Property Tax Law of the year 1995, and the Customs and Excise Law of the year 1962. Furthermore, another problem can be noted that lies in the lack of deterrent penalties regarding tax evasion where these penalties were brought generally from the Penal Law No. (16) of the year 1960, the Law of Collecting State Funds No. (6) of the year 1956 and some other penalties included in the Income Tax Law and the Value Added Tax System.<sup>17</sup>

### **Reasons for and Areas of Corruption in Taxes**

---

<sup>15</sup> Tax Evasion in Palestine, a phenomenon that affects public funds and leads to its waste, AMAN Publications.

<sup>16</sup> Ad-Dahle, Samar 2017. Challenges and Problems in Confronting Tax Evasion Phenomenon. Income Tax, Ministry of Finance.

<sup>17</sup>Riziq, Khalil. A paper on “Circumvention Methods Used in Tax Evasion”. Union of Palestinian Chambers of Commerce and Industry.

Although legislation in several countries considers tax evasion as one form of corruption because it assaults public funds and reduces governmental revenues that aim to accelerate the development process, Palestinian Law does not consider tax evasion as a crime of corruption unless committed by, or in collaboration with, a public employee.

The Income Tax Law has not included specific mechanisms or procedures to prevent conflict of interest when an employee leaves the workplace and moves to work in the private sector. Additionally, and since the law gives broad powers for tax commissioners and employees at the Tax Department, this form constitutes an incubator environment for multiple cases of financial and administrative corruption.

- The Head of Anti-Corruption Prosecution in Palestine states that the problem lies in the settlements performed before the final agreement on the estimated amount of tax, where tax commissioners are given wide discretionary authority without having clear measures, which contributes to discrepancies in offered estimates. Additionally, granting tax commissioners discretionary authority might create an enabling environment for corruption through the creation of personal relationships between tax commissioners and taxpayers.
- The General Director of the Income Tax Department indicated that the powers of tax commissioners in estimating taxes depends on their wisdom, knowledge, and ability to estimate the amount subject to taxes. Sometimes, tax commissioners might resort to settlements and reconciliations even though they are less than the actual estimated amounts to collect and not resort to courts that might take a very long time to issue a verdict. In this way, the value of the amount is reduced due to economic changes, which means that the current amount does not equal the amount after several years.
- The Director of the Income Tax Department pointed out that low salaries and large numbers of employees at Tax Departments, the lack of available capacity to develop their abilities and skills, and the difficulty of circulating employees between governorates constitute an incubator environment for possible corruption.
- Anti-Corruption Prosecution in Palestine states that bribery is the most prominent corruption form used in tax evasion, followed by delinquency of performing job duties and functions (*deliberate default*), and finally, the personal relationships that pave the way for favoritism and nepotism. It should be noted that all parties interviewed agreed that weak and fragile official oversight on the level of skills, financial or human resources, and even administration are the most important causes of tax evasion. In an interview with the Head of State Audit and Administrative Control Bureau, he confirmed that the Bureau and its crew do not possess the required experience and resources to pursue this huge and massive file.

## **Tax Avoidance**

Compared with tax evasion, the tax avoidance phenomenon is considered more dangerous because it uses legal gaps and circumvents the law. There are several definitions for this that express the tax practices which contradict the spirit and letter of international and local tax policies and laws. Even though tax avoidance exists in Palestine, there is no clear legal text that covers these practices.

A report prepared by Transparency International on Tax Avoidance<sup>18</sup> states that there are several documented cases around the world where many methods were used to avoid paying taxes. Often, tax avoiders contract with specialized legal companies in the field of tax and financial auditing to exploit legal gaps and offer guidance and recommendations for taxpayers to avoid paying tax in a way that appears consistent with the law. Sometime, they bribe tax commissioners. As mentioned in the report, some huge financial companies use pressure groups in their countries to influence decision makers in a way that ensures the enactment of tax legislation and policies that are consistent with their objectives in limiting their tax commitments, or even keeping the gaps in the tax laws to facilitate tax avoidance processes.

Some consultancy companies might use tax planning as a tool for tax avoidance where methods of tax planning used by accounting companies might contradict the objectives of tax laws, and because the reduction of income subject to taxes, through circumventing the classification of revenues and expenses, might contribute to achieve tax avoidance.

? As for the Palestinian reality, the absence of a clear legal definition of this phenomenon hinders the possibility of investigating and limiting similar cases, supports impunity and helps to receive additional profits on the account of public treasury. It also necessitates the preparation of specialized studies on this phenomenon, encourages enactment of a legal text that criminalizes tax avoidance. There is also a need to conduct studies that determine the relation between tax avoidance and corruption, and specify the forms of corruption used in tax avoidance.

### **Financial Leakage**

From a Palestinian perspective, it means “*Taxes paid by the Palestinian consumers which are considered in the custody of the Israeli government and are not returned to the PA through clearances account*”.<sup>19</sup> Financial leakage occurs through buying foreign goods from Israeli traders, which means goods imported first to Israel, and if the trader does not submit the clearance bill, the financial leakage occurs in the value added tax, purchase tax, customs tax, fees, and excise. However, if the trader submits a clearance bill, the PA will regain the value added tax only and financial leakage occurs in purchase tax, customs tax, fees, and excise because the importing process was not directly made from the country of origin, but from Israel. In case of importing Israeli goods, and if a clearance bill is not submitted, financial leakage occurs in the value added

---

<sup>18</sup>Corruption and Tax Abuse: Two Sides of the Same Coin, Draft Copy Position 2016.

<sup>19</sup> The Importance of Direct Exporting in the Development of Tax and Customs Revenues and the Reduction of Financial Leakage and Tax Evasion, 2015. A Background Paper. Palestine Economic Policy Research Institute – MAS.

tax and purchase tax.<sup>20</sup> It should be noted that in agreements with Israel, there is nothing that obliges them to report purchase processes without clearance bills.

Financial leakage may occur for several reasons, the most important of which are Israel's non-commitment to agreements, and the evasion of Palestinian traders from customs tax and the value added tax. Based on the UNCTAD's estimation of the year 2011, a study conducted by MAS indicated that the size of financial leakage amount to \$310 million, which equals 3.2% of GDP and exceeds 17% of total tax revenues.<sup>21</sup>

Palestinian division has also contributed to the fragmentation of the PA's capability and non-controlling all clearance bills concerning the Gaza Strip.

### **Problems and Challenges in the Field of Examining Tax Evasion Cases**

Specialized institutions that examine tax evasion cases face several problems and challenges which contribute to form an appealing environment for tax evasion and customs smuggling. The following are among the most prominent obstacles:

- The occupiers' control over the crossings, and the inability to control borders. In addition to the Israeli occupation, non-commitment to the agreements signed between both parties, and not providing the Palestinian side with the number or the value of the clearances going out to the PA territories.<sup>22</sup>
- Shortage of working cadres in concerned institutions, and the lack of logistic and financial support.<sup>23</sup>
- Citizens' ignorance of imposed tax law, and taxpayers' non-commitment to submit periodical statements and paying the tax required from them.<sup>24</sup>
- Insufficient data and weak coordination between relevant departments enhances the existence of tax evasion.<sup>25</sup>
- Lack of information systems that collect information about taxpayers from all sources and lack of connection with all ministries.
- Weak cooperation and coordination between tax administration and other ministries which could be a supportive party combating tax evasion.

---

<sup>20</sup> Ibid

<sup>21</sup> The Importance of Direct Exporting in the Development of Tax and Customs Revenues and the Reduction of Financial Leakage and Tax Evasion, 2015. A Background Paper. Palestine Economic Policy Research Institute – MAS.

<sup>22</sup> Nasser, Lotfy, 2017. Problems and Challenges in the Field of Following up Cases of Tax Evasion, Customs Control.

<sup>23</sup> Al-Qawasim, Shafiq, 2017. A paper on Institutional Problems and Challenges in Limiting Tax Evasion, Value Added Tax, Ministry of Finance.

<sup>24</sup> Nasser, Lotfy, 2017. Problems and Challenges in the Field of Following up Cases of Tax Evasion, Customs Control.

<sup>25</sup> Shuman. Thalji, Assaf, Ibrahim 2017. A Paper on Challenges and Obstacles in the Field of Monitoring and Auditing Official Institutional Performance in following-up Tax Evasion Cases, State Audit and Administrative Control Bureau.

- Weak coordination between security apparatuses and tax regulatory bodies which sometimes leads to the duplication of work and referral.<sup>26</sup>

### **Combating Tax Evasion Crimes in Palestine**

There are many methods used for tax evasion. Sometimes taxpayers intentionally or unintentionally evade paying taxes by failing to register the entity and opening a tax file, in addition to the lack of full knowledge. Based on interviews conducted with Prosecution of Economic Crimes, and Anti-Corruption Prosecution, and the Director of the Income Tax Department in the Ministry of Finance, there is no precise specification of tax evasion despite the estimate of the Director of the Income Tax Department of Tax Evasion that reaches 50%.

In the interview conducted with the Head of Anti-Corruption Prosecution, he stated that there is a small number of corruption crimes relevant to tax evasion which were investigated by Anti-Corruption Prosecution. Examples of these cases include smuggling goods and the cooperation of some customs police officers in the smuggling processes. Furthermore, in the interview conducted with the Head of Prosecution of Anti-Economic Crimes, he stated that tax evasion often occurs through the circumvention of clearance bills and opening fake files. The source pointed to a few cases that were reported due to the difficulty of auditing and following-up clearance bills, in addition to the inability to control borders. The Head of Anti-Corruption Prosecution and the General Director of the Income Tax Department confirmed that the sectors of free professions and medium-sized enterprises, and family entities are the most evasive in opening transparent and real tax files.

**Considering the number of cases transferred to the Prosecution of Anti-Economic Crimes, there were only 21 tax evasion cases transferred to the prosecution from all governorates in the West Bank for the year 2011. This was justified by the fact that several cases are resolved by reconciliation and settlement and are not referred to the prosecution. Additionally, there is a general weakness in all tax departments, the Ministry of Finance, and the State Audit and Administrative Control Bureau in examining tax evasion files.**

### **Customs Evasion and Smuggling**

Customs smuggling represents the most important source of deficiency in indirect tax revenues especially in the Palestinian case because of geographical and political conditions. Since 1967, the occupation has greatly influenced the determination of the Palestinian Commercial System within a selective, discriminatory customs union with Israel, which has promoted the culture of smuggling in the private sector. After 1994, and the Paris Economic Agreement, there were a few changes

---

<sup>26</sup>Braiki, Najat, 2017. A Paper on Problems and Challenges in the Field of Following up Cases of Tax Evasion, Prosecution of Anti-Economic Crimes.

with formal and non-essential amendments about Palestinian foreign trade, however, the customs union which resulted is deficient and applied unilaterally for Israel's interest only.<sup>27</sup>

### **The Concept of Customs Smuggling**

The Tax System and its regulatory legislation differ from one country to another. Therefore, a group of economists defined customs smuggling as “*Evasion from paying customs tax regardless of the form of smuggling whether by smuggling undocumented goods or through circumventing the values of imported goods*”.<sup>28</sup> As for the Jordanian Customs Law that is applicable in Palestine, it has defined customs smuggling as “*The entry of goods into and out the country in a way that violates applicable legislations and without paying and performing customs fees and other tax fees either partially or fully or in contravention of restrictions provisions stipulated in this law or other systems*” (Article 232 of Jordanian Customs Law No. (16) of the year 1983).<sup>29</sup>

As a result, it is obvious that there are two images of customs smuggling. The first is customs tax smuggling that is based on lack of documents, which means non-submission of tax bills, and therefore, it is considered as a form of tax evasion. The second is customs smuggling which is “*The entry and removal of goods of any type in a way that contradicts applicable rules and regulations regarding items prohibited from being imported and which are subject to special conditions*.” Here, special conditions are violated when artificial and false documents, bills, and information are submitted for clearance purposes and these acts are considered as an attempt at customs smuggling, (for example, when importing vegetable oil prohibited to be imported due to health reasons, and after that forging information to say it is an oil of a different type that can be imported).<sup>30</sup>

Consequently, there are many forms of tax evasion including the entry of goods into the country without documents and evading taxes, circumventing documents and changing commodities' real values, clearing goods and commodities under a custom item that is not the real one for the good, and classification of goods and commodities under a custom item allowed to be imported while in fact it refers to a custom item that is prohibited. Additionally, another method is the submission of shipping documents falsely listing smaller quantities of an item which will then enter the market.

In the Palestinian case, smuggling is considered an important source of Palestinian financial leakage as it includes the leakage of revenues from direct importation from outside Israel and the indirect one through Israel. It is important to differentiate between financial leakage and customs smuggling considering that smuggling goods in the Palestinian case does not consider the origin of the goods and whether they are imported from outside or inside Israel. Only smuggling goods into the Palestinian markets is important, in contrast with the financial leakage that considers the

---

<sup>27</sup> Jamil Misyaf, 2017. A Paper on Palestinian Tax System and the Culture of Smuggling. Palestine Economic Policy Research Institute – MAS.

<sup>28</sup> Ibid.

<sup>29</sup> Ibid.

<sup>30</sup> Ibid.

place of origin. This does not mean that smuggling does not lead to financial leakage as well. **Reports from the Ministry of Finance in 2013 showed that hiding purchase bills made the Ministry lose revenues of 240 million NIS (\$65 Million).**

It is important to note that smuggling is not limited to specific types of goods as known internationally, such as expensive precious commodities with small size and weight. Smuggling in the Palestinian case includes all types of goods whether cheap or expensive, necessary and unnecessary, with a great concentration on consumer-goods and high-demand goods such as construction materials, foodstuffs and agricultural products, beverages and candies, tobacco and cigarettes, spare parts for cars, cleaning materials, shoes, clothes, electronic devices, communication devices, raw materials, and chicken of all types.

**Data from Customs Control indicate that in 2010 and 2011, settlement goods that were smuggled and seized amounted to 70 tons of foodstuff and others, but between 2009-2011, the value of smuggled goods seized and disposed of following legal procedures was \$240 million.<sup>31</sup>**

### **Recommendations**

1. Develop an integrated action plan by the government to address tax evasion from all legislative and institutional aspects through forming a technical team that follows up and checks the implementation of the plan considering the necessity of accelerating the development and amendment of relevant tax laws and regulations.
2. Increase the number of employees working at tax departments and the customs control, in addition to the provision of required technical and logistical support.
3. Provide an information bank and accurate database that includes all taxpayers and connects institutions and ministries relating to investigating tax evasion.
4. Promote transparency of information related to the public budget and provide all details of taxes to raise citizens' trust in the government.
5. Find a binding formula to enhance complementary work between the departments relevant to taxes and within a computerized system, and develop workers' abilities and capacities in the tax departments regarding forms and causes of tax evasion and financial leakage.
6. Promote transparency and accountability to disclose accurate information in all local companies and Palestinian companies working outside Palestine in compliance with provisions of the Governance Code in the private sector.
7. Adopt a national economic and financial policy to enhance local replacement and direct importation instead of importation through Israel.

---

<sup>31</sup>Ibid.

## References

- Abd El-Karim, Nasir 2015. Evaluative Study of Income Tax Law for the year 2011. *MIFTAH 2015/* Qabaja: Master Dissertation “Tax Evasion Ethics”, Hamburg University, Germany 2010.
- Ad-Dahle, Samar 2017. Challenges and Obstacles in Confronting Tax Evasion Phenomenon. Income Tax, Ministry of Finance.
- Al-Qawasim, Shafiq, 2017. A paper on Institutional Problems and Challenges in Limiting Tax Evasion, Value Added Tax, Ministry of Finance.
- Braiki, Najat, 2017. A Paper on Problems and Challenges in the Field of Following up Cases of Tax Evasion, Prosecution of Anti-Economic Crimes.
- Corruption and Tax Abuse: Two Sides of the Same Coin, Draft Copy Position 2016.
- Jamil Misyaf, 2017. A Paper on Palestinian Tax System and the Culture of Smuggling. Palestine Economic Policy Research Institute – *MAS*.
- Nasser, Lotfy, 2017. Problems and Challenges in the Field of Following up Cases of Tax Evasion, Customs Control.
- Possible Measure to Limit Tax Evasion, Economic Annual Report 2015. The Palestinian Economic Council for Development and Reconstruction (*PECDAR*).
- Riziq, Khalil. A paper on “Circumvention Methods Used in Tax Evasion”. Union of Palestinian Chambers of Commerce and Industry.
- Shuman. Thalji, Assaf, Ibrahim 2017. A Paper on Challenges and Problems in the Field of Monitoring and Auditing Official Institutional Performance in following-up Tax Evasion, State Audit and Administrative Control Bureau.

- Tax Evasion in Palestine, a phenomenon that affects public funds and leads to its waste, *AMAN Publications*.
- Tax Systems in Six Arab Countries, 2014. Social and Economic Policies Monitor (*Marsad*).
- The Importance of Direct Exporting in the Development of Tax and Customs Revenues and the Reduction of Financial Leakage and Tax Evasion, 2015. A Background Paper. Palestine Economic Policy Research Institute – *MAS*.
- Transparency Environment in the Collection of Taxes and Customs Fees. Tax and Customs Evasion: Case Study, 2011, *AMAN*.