



Tax evasion in the medical profession An Empirical Study in the General Tax Authority in Iraq

**Sarfraz Hussain
UTM, Malaysia**

**Habeebullah Zakariyah
IIUM Institute of Islamic Banking and Finance**

Abstract:

The study dealt with tax evasion in the medical profession, where the problem was the existence of many cases of tax evasion, especially tax evasion in the income tax of medical professions. The aim of the study is to try to shed light on the phenomenon of tax evasion and the role of the tax authority in the development of controls and means that reduce the phenomenon of tax evasion. The most important results of the low level of tax awareness and lack of knowledge of the tax law and the unwillingness to read it and the sense of taxpayers unfairness of the tax all lead to an increase in cases of tax evasion and in suggested tightening control and follow-up on the offices of auditors, through the investigation and auditing The reports of certified accountants and the use of computers for this purpose in order to raise the degree of confidence in these reports and bring them closer to the required truth and coordination and cooperation with the Union of Accountants and Auditors and inform them about each case of violations of the auditors and accountants N because of its great influence in the rejection of the organization of the accounts and not to ratify fake accounts lead to show taxpayers accounts on a non-truth in order to tax evasion.

Introduction

The phenomenon of tax evasion is a serious phenomenon that has spread in all countries, especially in developing countries with different size and images from one country to another, All countries, including Iraq, seek to reduce this phenomenon and combat it by various means through monitoring and knowing its causes and forms and the negative effects.

Tax activities and activities, whether those related to the financial authority or those related to taxpayers, face many difficulties that hinder the tax performance and make the results achieved far from the plans and the desired goals, as the tax authority believes that the taxpayers hide a lot of information that reveal their real income, they make efforts To identify tax containers and suffer from the inability to delay these receptacles and feel that they do not have the means and administrative and technical requirements that help to achieve their objectives set. The taxpayers feel that the financial authority is a sword on their necks, trying in every way to cut off part of their income, which they exerted an effort to obtain, and they are abusive in this deduction. What deepens this phenomenon is the lack of trust between the taxpayer and the tax administration (Sultan, Hassan, & Noor, 2016)

Which in turn leads to the spread of the phenomenon of tax evasion and that the spread of this phenomenon has negative effects that affect the state treasury and the need for cash in spending on projects and public services such as health, education, etc., as well as the role of net redistribution of Turk among different layers of society, despite all means The tax administration used to reduce the phenomenon of tax evasion, but so far it has not been able to find a way to eliminate this phenomenon.

STATEMENT OF THE PROBLEM: There are many cases of tax evasion, especially tax evasion in the income tax for medical professionals

Objectives of the study: The main objective of the study is to try to shed light on the phenomenon of tax evasion and the role of the General Tax Authority in the development of controls and means that reduce the phenomenon of tax evasion.

Importance of research: The importance of the research stems from the need to diagnose the reasons and motives that have been instrumental in increasing the volume of tax evasion in Iraq and factors that help to reduce the phenomenon of tax evasion.

RESEARCH METHODOLOGY: The method used in this study was to review the basic field of the limited scope in which it was also an effective assessment of the selected documents on the subject of research and data analysis in the second hand, a study on auditors in the Aunt Tax Authority, articles in magazines in Iraq Annual Report, researchers search for finance Accounting and prioritization of retrieved literature followed by analytical reading of papers and evaluation of reading papers

The research limits limit the research only in both the profession of private hospitals and doctors and apply to a group of community includes frequent audits of auditors in the control and audit section of the General Tax Authority as well as assessors and auditors of Adhamiya branch and field visits to private hospitals.

REVIEW OF LITERATURE

Abdul Wahab al-Tafhi (2001) in the research of tax evasion analyzed and dealt with, and can be said to emphasize the definition of the crime of tax evasion and trends of criminal policy in the face of tax evasion and factors affecting them, including the economic potential of the State and trends of fiscal policy and the objectives of economic legislation ... etc. The research also discussed the causes of tax evasion crimes and ways to reduce tax evasion crimes, The researcher (Nidham Jabbar Taleb 2001): The role of the tax administration in the fight against tax evasion in developing countries The study dealt with the first topic dealt with the negative role of the tax administration to combat tax evasion, including poor efficiency of the tax system and low level of material and moral support and weak means of control and inequality in application 00 etc. . The second topic dealt with the positive role of the tax administration in combating tax evasion, including the goodness of the tax administration, spreading awareness of the tax, using the right of access method and using police services to combat tax evasion.

The researcher (Ayad Mohammed Ali Bash 2001): Tax is a mainstay of economic and social development The research dealt with three basic axes, namely:

First: Administrative corruption: the concept, its causes and its effects.

Second: Tax evasion: its concept, effects and causes.

Third: ways to besiege administrative corruption and tax evasion.

Differences between this research and previous studies: Most of the previous research dealt with the phenomenon of tax evasion in theory and did not include practical cases occur cases of tax evasion and how they are discovered This research dealt with practical cases that show how the taxpayer evades and how it is detected by the financial authority On the other hand, previous research dealt with the problem of tax evasion in general, especially cases of tax evasion in income tax. Previous research was not concerned with a specific source of income. Medical professions, especially the profession of doctors and private hospitals.

Tax evasion and its dimensions

The meaning of tax evasion is the multiplicity of writers who have researched on this subject and from these definitions.

Defined as (“get rid of the taxpayer to pay the tax incurred by any means, whether legitimate or illegal”) It may be evasion in whole or in part without transferring the burden of anyone else. (RR Ahmed, R Basariya,2019) Tax evasion is also defined as “resorting to fraud and fraud to get rid of the tax or reduce its amount. (Adhikari, 200). Finally, he (“is the taxpayer’s taxpayer attempt not to pay the tax in whole or in part, followed by methods and methods contrary to the law and carries the nature of fraud.” (Bliss P. furthermore, Radhakrishnan 2012).

Forms of tax evasion

There are many forms of tax evasion, and even one form is sometimes classified into a variety of forms. Some writers distinguish between legitimate evasion, which does not include a violation of the tax laws, such as the refusal of individuals to buy a commodity that is subject to high tax and illegal evasion, which includes a violation of tax laws such as customs evasion.

Illegal smuggling leads to a shortage of treasury revenues. This evasion also makes the tax unfair because of the imbalance of the legally imposed distribution to meet the public burdens. Some bear their fair share while

others evade the tax. (D Pankaj, R Ramyar,2019). There is total evasion and partial evasion. Total evasion is intended to rid the taxpayer of the final payment of the tax imposed on him and thus lose an important part of the treasury revenues. This type of evasion occurs when, for example, a trader completes his entire transaction from purchase to sale without informing or notifying the financial authority of that transaction and hiding it completely from the eyes of the financial authority, ie the taxpayer hides the tax base or the source of his taxable income. Partial evasion is an attempt by the taxpayer to conceal part of his activity or to conceal a particular activity from the activities he carries out with the knowledge of the financial authority. Thus, this activity is not subject to tax and so the taxpayer can get rid of part of the tax due. Examples of this type of evasion are many, the taxpayer's attempt to hide some of his sales or recorded at lower prices than the real selling prices in order to reduce the taxable profit and thus reduce the amount of tax owed him.

Reasons for tax evasion:

1. Insufficient data on the financial status of taxpayers at tax departments

Tax departments lack modern systems for collecting data on taxpayers' financial conditions. They rely mainly on what they give about the funds in their declarations, or on the experience of the financial authority, which may be more or less than the actual amount due(Vinit et al., 2013).

2 Administrative corruption

Administrative corruption is defined as "a situation where an employee is paid as a result of illegal material or intangible incentives to do work in favor of the incentive provider and thereby harm the public interest". The negative repercussions of administrative corruption are weakening the official rules and regulations adopted in the administrative body concerned and preventing it from achieving its official objectives in whole or in part and eliminating its financial and human potential from these goals. Also, administrative corruption can weaken the role and effectiveness of leaders within the administrative organs. (Elangovan(2001).

3. weak means of control

It is the weak ability of the tax administration to detect cases of evasion committed by some taxpayers, which indicates the existence of weakness in this administration and at the same time help other taxpayers to proceed in the same way as long as they have a scientific deficit for some of the assessors or tax control, which leads to more artistry to devise tricks To avoid the tax and that the appeal is unreasonable or disguised to the taxpayer's books and records and refusal for formal and false reasons and not to rely on material evidence to estimate the size of the tax base and lead to pay the taxpayer to follow the method of tax evasion. (R Basariya, RR Ahmed,2019).

tax evasion in the profession of doctors

The nature of the activity and work practiced by self-employed persons, including doctors, which is a non-commercial profession is different from the nature of commercial activity in many respects, which has an impact on the accounting organization, and on the accounting treatment of the problems of professional activity. (Levine, Ross et al., 1992)

The practice of professional activity does not require a large capital invested in this activity at first, but each of them needs a certain amount of money to open his clinic and furnish them as a doctor and the opening of the office of a lawyer or accountant... etc. That the practice of the profession does not buy and sell a commodity to know the result Profit but provides work and service to members of the community then receive a fee agreed in advance and that any service provided is difficult to determine its cost because it depends on his work and experience(Judson, Ruth,1996), study and research and accordingly it is difficult to compare the cost of the service he provided with the fees earned. Accordingly, the difference between the total fees earned over a period of time and the total expenses paid for such fees during the same period of time cannot be considered a profit. The difference is its net income during this period. This is what went by the General Tax Authority that the difficulty of the financial authority to confirm the real revenue of the doctor, as most doctors do not declare the real revenue for them and do not declare the operations and amounts carried out in private hospitals and stated that a small part of them and often the wages of those operations conducted by the doctor in Private hospitals with very large sums, especially kidney transplants and cardiac operations.

In the opinion of the researcher that the financial authority suffers from doctors because they provide their income as close to the allowances granted to them and thus become the tax imposed either very little or indicate not subject to the fact that the granting them greater than the authorized revenues.

Tax evasion in private hospitals: A practical case showing a hospital's adherence to its accounts

The hospital in its accounts has maintained any refusal of the estimator's estimate of revenues and maintained the accounts submitted to the competent tax branch after the refusal of the competent assessor for the amount

of revenue provided for the years 2016 - 2017 - 2018, therefore was referred file from one of the branch specialized in the medical professions previously to the control and internal audit department General Taxation for the purpose of auditing.

DATA ANALYSIS & INTERPRETATION WAS IN THE CHAPTER

The accounts provided by the taxpayer of years above

Table 1

Financial Year	The financial position of the taxpayer as stated in the accounts provided for each year
2016	115498 Net profit
2017	1432075 loss Net
2018	250924 Net profit

Revenues for the fiscal year 2016 Revenues for this year amounted to (5106000 dinars) (five million and one hundred and six thousand dinars) It has been shown that the number of hospital inmates for this year has reached (110) patients and by (257) nights overnight (6) nights free of three patients as it is Visible in the logs. The price per night (8000 dinars) per patient and (2000 dinars) for the patient's facilities and thus the income of the nights of sleep as follows: -

$251 \times 8000 = 200800$ dinars revenue of patient overnight.

$251 \times 2000 = 502000$ dinars

The operating room wages (1073000), the wounds of the surgeon (496,000 dinars), the value of medical materials (374500), air conditioning wages (488000 dinars) and the external examination fees for patients (164500), as shown in the books of the hospital receipts.

Expenses for the financial year 2016

Expenses for this year amounted to (4110347 JD), which included water and electricity expenses, telephone charges, cleaning and transport expenses, portorage, medical materials and Ministry of Health fees. This is for expenses that have been recognized as being recognized and recognized as taxable.

As for the expenses that were not accepted and which were rejected by the financial authority, they were (877,657 dinars) added to the net profit of the hospital for the year as follows:

Net profit of hospital under records.

Rejected expenses added to net profit

—
993155 Net profit for the year

Fiscal Year: 2017 Revenues for the financial year 2017

Revenues for the fiscal year 2000 amounted to 5228250 (five million two hundred and twenty-eight thousand two hundred and fifty dinars). Patients and books of hospital arrivals and included overnight prices for 2017 as shown: -

$250 \text{ nights} \times 8000 = 2 \text{ million}$ dinars Revenue of patients' hospital stay.

$250 \text{ Laila} \times 2000 = 500000$ dinars Revenue overnight accompanying the patient.

While the operating room wages (1004000 dinars) wages assistant surgeon (527000) and the value of medical materials (528250 dinars) and air conditioning fees. (498000 dinars) External examination of the hospital (171000).

The researcher noted that there is a clear confusion between revenue expenses and capital expenditures and if the hospital maintains fundamentalist accounts would not have paid in this error.

Expenses for the financial year 2017

Expenses for this year amounted to JD (6660307) as shown in the hospital accounts of which an amount of (6026618) was accepted. The expenses included salaries, wages, medical materials, clothes, work suits, water, electricity, cleaning materials and fees. Rejected expenses amounted to (634139) and thus the result of the hospital activity for the following year:

Net loss transferred from accounts Rejected expenses Net loss for the year 2017 after excluding expenses rejected

fiscal year: 2018

A- Revenues for the year amounted to 7514500 dinars (seven million five hundred and fourteen thousand five hundred dinars), where the patient's housing revenues amounted to 3205000 dinars, the income of the patient's companions' accommodation was 1244500 dinars, the operating room wages (1429000 dinars) and the wages of the assistant surgeon (601,000 dinars). The value of medical materials (501000 dinars) and air conditioning fees (454000 dinars) external examination fees (80,000).

B- Expenses for this year amounted to JD 7263576 (Seven Million Two Hundred Sixty Three Thousand Five Hundred Ninety Six Dinars). These expenses included the expenses of water, electricity, cleaning fees, work allowances, fuel, fuel, transport, portability, stationery, salaries and purchases of medical materials, then accepting an amount of JD (6592116) and rejecting the amount). 671460 JD) of expenses are added to the net profit as follows:

Net profit under taxpayer accounts Rejected expenses Adjusted net profit for 2018

The following table shows the current position of the hospital as stated in the accounts submitted for audit and according to indicative years and financial position after the audit Another business as in other contracting and trading companies that have access to revenues and expenses easier.

Therefore, for all these reasons, the accounts provided by the hospital in question were rejected.

Table 2

Financial Year	After checking the current situation	The current situation under the accounts provided
2016	Net profit 993155	Net profit 115498
2017	Net loss (797936)	Net loss (1432075)
2018	Net profit 922384	Net profit 250924

The researchers believe that in order to reach the real revenues, the financial authority must conduct a surprise field survey of this hospital by the Central Survey Committee or a committee from the control department for the purpose of reviewing the real revenues or the financial authority is a sudden compression of hospital records and documents, which is the daily recording of revenues The hospital which is different from the records that have been submitted to the financial authority.

FINDINGS:

The low level of tax awareness and lack of knowledge of the tax law and the unwillingness to read it and the sense of taxpayers unfairness of the tax all lead to increased cases of tax evasion, the lack of commitment of some taxpayers subject to the system of bookkeeping and records to keep those records, as some taxpayers have two types of records The truth is for the purposes of the taxpayer and other specially prepared for the General Tax Authority, which is regulated by the regulators and the auditors randomly and show very little profits that did not show a loss especially that the auditor is fully aware of the tax laws and tax withholding rates . Thus, the profits presented in the accounts are comparable to the permits granted to the taxpayer, the high price of taxes and the multiplicity of taxes are burdensome to the taxpayer, there is the income tax profession fee and plot fee (trade name) .. All these things push the taxpayer to try to evade, even partially, the taxes imposed The high taxpayer whenever he sought to evade the tax.

REFERENCES:

- Basariya, S. R. A STUDY ON ATTRITION–TURNOVER INTENTIONS OF EMPLOYEES.
- Levine, Ross, and David Renelt. “A Sensitivity Analysis of Cross-Country Growth Regressions.” *American Economic Review* 82 No. 4 (September, 1992): 942–63.
- Judson, Ruth. “Do Human Capital Coefficients Make Sense? A Puzzle and Some Answers.” Federal Reserve Board, FEDS Working Paper No. 96-13. Washington, D.C.: Finance and Economic Discussion Series, 1996.
- Ahmed, R. R., & Basariya, R. Analytical Study on Organizational Ethnicity and it’s Induce towards Workplace Assortment and Enclosure.
- Exploring the role of perceived external prestige in Turnover Intentions, *Int.J. of Human Resouce Management* 15:8 December 2004 13901407. Authored by Oliver Herrbach, Karim Mignonac and Anne-Laure Gatignon.
- Pankaj, D., & Ramyar, R. (2019). Diversification Of Economy–An Insight into Economic Development with Special Reference to Kurdistan” s Oil Economy and Agriculture Economy. *Russian Journal of Agricultural and Socio-Economic Sciences*, 85(1), 395-404.
- Sultan, A. A., Hassan, M. G., & Noor, S. M. (2016). E-Commerce Adoption Among Iraqi Companies: Does Context Matters?