

The contributions of the tax advisor in reducing the risks of tax control

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Abstract:

A study titled "*The contributions of the tax advisor in reducing the risks of tax control*" highlights the importance of tax consulting in mitigating tax risks that businesses may encounter. The study adopts a case study methodology, focusing on a partnership firm operating in the services sector in M'sila. This company engaged a tax consultant during the appeal period to review its tax status for the period from 2016 to 2018. The consultant conducted a comprehensive examination of the company's accounting records, including bookkeeping entries and tax declarations, uncovering several potential tax risks.

Through this audit, the consultant was able to assess the risks and determine the amounts due, including potential penalties, which helped the company rectify errors and avoid possible arbitrariness from tax authorities during the tax audit process. This study demonstrates that seeking the expertise of a tax consultant can provide businesses with an effective defense against tax risks by ensuring compliance with applicable tax laws and enhancing the accuracy of tax declarations.

Keywords: Tax Audit; Tax Audit Risks; Tax Consultation; Tax Consultant.

JEL classification codes: H20, H26, M42.

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Introduction:

There is no doubt that the increasing phenomenon of tax evasion has become a significant burden on the state's public treasury due to its resulting effects. In this context, it is essential to study a legally mandated measure imposed on taxpayers—tax audit—as a procedure aimed at verifying the accuracy of the information declared by taxpayers. The strategy of tax audit plays a crucial role in enhancing tax compliance, detecting and deterring fraud cases. On the other hand, the contributions of tax consultants in reducing penalties arising from tax audit risks are also noteworthy.

Study problem:

The problem of this study can be formulated in the following main question:

How do tax consultants contribute to minimizing tax audit risks?

The following sub-questions fall under this problem:

- What are the consequences of tax audits, and how do they contribute to ensuring corporate tax compliance?
- What tax risks might a company face as a result of tax audit processes?
- What role does the tax consultant play in reducing the taxes and penalties imposed on a company?

Study Hypothesis:

This study proceeds from the following main hypotheses:

The tax consultant plays a fundamental role in managing tax files, either by preventing risks before the tax audit or by addressing its consequences and ensuring tax compliance afterward

The following sub- hypotheses fall under this main hypothesis:

- **First Hypothesis:** Tax audits reveal corporate tax violations, which may expose companies to tax risks that affect their financial stability.
- **Second Hypothesis:** Additional taxes, fines, and legal proceedings are among the tax risks resulting from tax audit processes.
- **Third Hypothesis:** Engaging a tax consultant during the appeal period helps reduce the taxes and penalties imposed on a company through legal and financial strategies.

I. Theoretical Context of Tax Auditing:**1. The Concept of Tax Auditing:**

Fayol defined auditing as: "The verification of whether everything is proceeding according to the set plan, issued instructions, and established rules. Its purpose is to identify areas of weakness or error in order to correct them and prevent recurrence." ([Suleiman & Al-Qubailat, 1998](#)).

Another perspective defines it as: "The examination of declarations, all records, documents, and files of taxpayers, whether they are natural or legal persons, to verify the accuracy of the information contained in their tax files." (Boulkhoukh, 2002).

Based on the aforementioned, tax auditing can be defined as an organized process conducted by the tax administration towards taxpayers, by investigating the overall tax situation of taxpayers to ensure the accuracy of their tax files.

2. Objectives of Tax Auditing (Suleiman A. , 2011/2012):

- Legal Objective: This involves ensuring the compliance of various financial actions of taxpayers with laws and regulations. To safeguard these actions, tax auditing emphasizes the principles of accountability and responsibility, with the aim of punishing taxpayers for any deviations or violations that lead to tax evasion.
- Economic Objective: Tax auditing aims to increase the public treasury's revenues, thereby increasing the funds available for public spending, which ultimately leads to the economic welfare of society.
- Social Objectives: These include achieving two main goals:
 - Achieving tax justice among taxpayers by establishing the fundamental principle of equal treatment for all taxpayers in front of the tax system.
 - Preventing and combating taxpayer deviations in various forms, such as tax evasion, neglect, or failure to fulfill their tax obligations.
- Administrative Objective: Tax auditing plays a significant role for the tax administration through the services and information it provides, which contribute vitally and significantly to enhancing efficiency and effectiveness. This can be summarized in two key points:
 - Tax auditing helps highlight deficiencies and shortcomings in existing legislation, enabling the tax administration to take corrective actions.

Identifying deviations and uncovering errors assists the tax administration in understanding their causes and evaluating their effects, allowing it to make appropriate decisions to address the resulting problems.

3. Forms of Tax Auditing (Hajar, 2017-2018):

Tax auditing takes several forms that enable the administration to fulfill its tasks. These can be summarized as follows:

- Formal Auditing: This is the initial stage of tax auditing, focusing on the tax declarations of taxpayers. The tax auditor examines the information declared by the taxpayer in terms of form, not substance.

- Documentary Auditing: This type of auditing differs from formal auditing in that it involves a comprehensive examination of the taxpayers' declarations and compares them with the information available to the tax administration. Additionally, it includes information obtained from other administrations regarding transactions and deals conducted with the taxpayer.
- On-site Auditing: Unlike documentary auditing, external auditing involves direct interventions by investigating agents at the locations where taxpayers conduct their activities. These interventions aim to verify the accuracy and integrity of the declared statements through field examination of accounting records, documents, and all attached documents and justifications. The goal is to detect possible tax evasion by comparing the declared data with the reality on the ground.

This form of investigation includes two main methods:

- Accounting audit.
- In-depth investigation of the overall tax situation.

4. Rights and Obligations of Taxpayers Subject to Tax Auditing:

Below is a summary of the rights and obligations of taxpayers subjected to tax auditing: ([Tax Procedures Law, 2022](#)).

4.1 Rights:

- Prior Notification: Tax auditing procedures cannot be carried out without prior notification to the concerned taxpayer. A notice must be sent to the taxpayer who will be subjected to the tax audit, accompanied by a receipt to confirm the notice has been received.
- Access to the Charter for Taxpayers Subject to Auditing: Before the start of the investigation process, the auditor is obliged to send or provide the taxpayer with the Taxpayer Charter. This is a well-organized and clear document that summarizes the fundamental rules of tax auditing, as well as the rights and obligations of taxpayers. The auditor must present this document along with the investigation notice to the audited taxpayer on the first day of intervention.
- Right to Consult a Tax Advisor: Under penalty of invalidating the procedures, it must be explicitly stated that the taxpayer has the right to seek advice or representation from a chosen tax agent during the auditing process. However, the agent's presence is not mandatory during surprise audits, which may be conducted to observe material evidence that could lose value if postponed.

Right to Review and Respond to Tax Audit Results: The taxpayer subjected to tax audit procedures, regardless of the type, has the right to review the detailed results of the audit. In this context, they may provide any comments or objections they deem necessary regarding the results within a period of 40 days.

4.2 Obligations:

The obligations that taxpayers must observe and respect in order to benefit from the rights granted and avoid penalties resulting from violating these obligations are mainly related to accounting, which must be maintained by the taxpayers. These obligations primarily consist of:

- Applying accounting practices that are in line with the applicable accounting system in force.
- Maintaining accounting records as required by commercial law, particularly the general journal and inventory book, both of which must be kept according to the legal provisions.

Additionally, there are other tax-related obligations concerning the organization of the tax collection process from taxpayers to the tax authorities. This requires strict adherence to the regulations and procedures imposed by the tax administration through various approved tax declarations and their submission deadlines.

4.3 Tax Risks:

The Concept of Tax Risk: Tax risk pertains to the behavior of the institution toward the tax administration. It arises from the institution's failure to comply with the tax obligations defined by tax legislation or from a poor understanding of the interpretation of tax legislation, or even with the intent to commit tax fraud and evasion. This not only damages the institution's reputation with the tax administration but also subjects it to additional burdens, including penalties and fines, as well as lost time when it becomes the target of a tax audit conducted by the tax administration

5. Causes of Tax Risk:

The institution's dealings with taxation face several challenges, generally summarized in two main elements:

5.1 Causes Resulting from Poor Management of the Institution:

There are various reasons arising from weak management within an economic institution, such as:

- Lack of continuous monitoring of the tax aspect within the institution: Often, tax responsibilities are assigned to accounting employees who, due to the large volume of work within their scope of duties and their limited training in taxation, tend to deprioritize the tax aspect.

- Due to the inappropriate place that taxation occupies within the priorities of Algerian institutions, they may risk failing to meet the tax obligations stipulated in applicable tax legislation, such as not filing tax declarations within the legally prescribed deadlines.
- Intense competition and poor financial resource management resulting from inefficient administration and incompetent managers often lead institutions to delay tax payments in order to benefit from liquidity, exposing them to the risk of non-compliance with tax authorities.

Government bodies and project owners often award contracts based on the lowest bid price, which prompts some institutions to lower their prices to win contracts without conducting in-depth studies of the project's actual costs. This ultimately forces them to resort to tax evasion or delay payments, exposing them to tax risks that could lead to bankruptcy or withdrawal from the market.

5.2 Causes Resulting from Tax Legislation:

There are several causes related to tax legislation, including:

- Frequent amendments to tax legislation negatively impact the management of institutional taxes. These constant changes are difficult to track and follow, both for business managers and administrative staff.
- The multiplicity of taxes and the high tax burden drive institutions to resort to illegal means to avoid paying taxes.
- The lack of dialogue between the administration and the institution makes the administration an adversary rather than a consultant and supporter for the institution.
- Unpredictable interpretations of tax rules by the tax administration pose additional risks for institutions, as they may cause harm and represent significant risks. Moreover, differences in interpretations between various tax offices lead to inconsistent application of tax rules across departments, contributing to a negative perception of the tax administration. Consequently, the multiple interpretations of tax laws through administrative instructions and circulars become a source of tax risk for institutions.

Penalties Resulting from Tax Audit Risks:

Several penalties have been imposed by the legislator on anyone who violates tax law. These can be summarized as follows ([Direct Taxes and Similar Fees Law](#)):

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Table (01): This table illustrates the penalties resulting from tax audit risks, including refusal or delay in filing declarations

Tax Declarations	Declaration Dates	Penalties for Delay or Failure to Declare
Existence declaration under Article 183 of the Tax Law	Before 30 days from the start of activity	30,000 DZD
Monthly declaration G50	Before 20 days from the following month	500 DZD for each undeclared month
Annual declaration G04	Before April 30 of the following year	Less than one month: 2,500 DZD
		From one to two months: 5,000 DZD
		More than two months: 10,000 DZD
Quarterly and monthly declarations related to corporate profits tax and personal income tax	Notification of the institution to settle its situation within a maximum period of 30 days. If the institution fails to comply, the tax administration proceeds with an automatic imposition of taxes with a penalty of 35% of the due rights.	10% if the delay does not exceed one month
		20% if the delay exceeds one month but is less than two months
		25% if the delay exceeds two months
Declarations labeled as "None" and beneficiaries of a tax exemption	2,500 DZD if the delay is one month	
	5,000 DZD if the delay is one month and less than two months	
	10,000 DZD if the delay exceeds two months	
Detailed customer-specific declaration	Loss of the discount provided for in Article 219 of the Direct Tax Law concerning the professional activity tax	
	Application of a tax fine ranging from 1,000 DZD to 10,000 DZD for each instance where errors, omissions, or incorrect information are found	
	A tax fine of 2% of the annual turnover of the relevant year (Article 55 of the Financial Law for 2022) is applied to taxpayers who fail to attach the customer report to the annual income declaration	
	A tax fine of 50% of the declared transaction amount is imposed if taxpayers do not verify the accuracy of the register numbers	
Annual summary electronic declaration under Article 192 bis of the Tax Law	1,000,000 DZD before May 20 at the latest each year. In case of a recorded deficit in the tax result, a fine of 100,000 DZD is applied, and when the report contains data different from those in the annual result declaration and attached reports, a fine of 10,000 DZD is applied for each mismatch, with the total not exceeding 100,000 DZD.	

Source: Prepared by the researcher based on information obtained from the Tax Administration.

6. Penalties for underreporting (Article 193 of the Tax Code):

When the taxpayer engages in fraudulent acts in declaring the tax base, penalties vary according to the amount of tax evaded:

- When the evaded amount does not exceed DZD 50,000, a penalty of 10% of the omitted taxes is applied.

- When the amount exceeds DZD 50,000 but does not exceed DZD 200,000, the penalty is 15% of the omitted taxes.
- When the amount of the evaded taxes exceeds DZD 200,000, a penalty of 25% of the omitted taxes is applied.

6.1 Penalties for tax evasion:

- If the amount is less than or equal to DZD 5,000,000, a 100% penalty is applied.
- If the amount exceeds DZD 5,000,000, a 200% penalty is applied.

6.2 Penalties for late payment:

- If the delay is less than one month, a penalty of 10% is applied.
- For delays between one and two months, a penalty of 20% is applied.
- For delays exceeding two months, a penalty of 25% is applied.
- For delays exceeding two months with notification, a penalty of 35% is applied

6.3 Omission or error in documentation:

- A fine of DZD 1,000 for each error.
- In cases of fraud, a penalty of 50% of the concealed taxes is applied.
- A 100% penalty is imposed for non-payment after the penalty is enforced.
- For delayed payment of the business activity tax, a penalty of 3% per month is applied.

II. Tax file review in the context of tax risks:

1. Definition of tax consultation:

Tax consultation is the process of reviewing the tax situation of a company, and it is also considered an accompanying procedure for the company either before or after the occurrence of tax risk, with the aim of avoiding tax audit risks. This process is undertaken by either an accounting expert or a tax consultant.

Tax consultant: The term tax consultant refers to anyone who provides consultations either personally or generally, or who undertakes all tasks related to taxation on behalf of a client. A tax consultant may also be specifically engaged in preparing tax declarations, auditing notices, drafting and submitting complaints to the tax administration in their capacity as a representative.

2. Characteristics of the tax consultant (Finance Law, 1981):

- Analyzing the overall tax situation of the taxpayer.
- Evaluating the credibility of tax declarations.
- Providing an impartial technical opinion.
- Drafting and submitting complaints.
- Filing tax declarations.

3. Objectives of tax consultation (Finance Law, 1981):

- Providing strong evidence to address tax risks, if any.
- Detecting errors and reducing the likelihood of their occurrence.
- Indirectly assisting the tax administration in tax calculations.
- Reassuring taxpayers about avoiding tax risks.
- Achieving maximum possible efficiency from a tax perspective.
- Optimally utilizing tax benefits.

4. Case study of a company at the sub-directorate of tax control:

Directorate: Tax Directorate of the province of M'sila
Investigation case number: 08VP20 Assigned taxpayer: XXXXXXXXX, Lot 316, Housing Unit 03, M'sila Municipality; Preliminary notification number: 2020/224; Dated: 2020/10/13; Number of pages:(4/2)
Content of the preliminary notification.

5. Introduction of the company subject to tax audit:

Taxpayer XXXXX has been engaged in the activity of freight transport assistance since 2011/01/20, according to the commercial register number 11 A 2853252. The business address is Lot 316, Housing Unit 03, Shop 02, M'sila Municipality, and the residence is in the Oulad Adi Lekbala Municipality. The taxpayer has a tax file registered at the Isbilia Tax Inspectorate under the activity code XXXXX and at the Oulad Derrad Tax Inspectorate under the residence code XXXXXXXXXXXX, with the tax identification number XXXXXXXX.

5.1 Tax status

5.1.1 Direct taxes and similar fees

The income derived from the taxpayer's activity is subject to income tax in accordance with Articles 02, 03, and 04 of the General Tax Code.

5.1.2 Value-added tax

The practiced activity is subject to value-added tax in accordance with Articles 01, 02, 23, 21, and 29 of the VAT Code.

6. Testing the Study Hypotheses

After submitting the taxpayer's file for tax audit, the study hypotheses will be tested using a descriptive methodology and an analytical tool to examine the different stages of the tax audit process.

6.1 Testing the Main Hypothesis

To assess the validity of the main hypothesis, which states: *"The tax consultant plays a fundamental role in managing the tax file, either by preventing risks before the tax audit or by addressing its consequences and ensuring tax compliance afterward,"*

an initial notification was issued to inform the taxpayer of the preliminary results of the tax audit. This notification included tax risks detailed in tables (03)

and (04), which affected the type of activity, profit determination, and the right to deduct turnover-based taxes.

Following this, the tax authorities granted the taxpayer the right to appeal and to engage a tax consultant within a period not exceeding 30 days. The consultant then provided tax justifications regarding the tax file and worked to reduce tax risks. This was confirmed in the final notification issued after a meeting held immediately following the appeal period. The final notification documented a reduction in profit margins and, consequently, a decrease in the tax burden on the taxpayer. This outcome is illustrated in tables (04) and (05), which show the reassessment and reduction of profit margins, leading to a recalculated tax burden on income and turnover-based taxes.

To summarize the differences between the initial and final notifications, table (06) has been prepared, highlighting the variations between the preliminary and final audit reports.

6.2 Testing the First Hypothesis

To verify the validity of the first sub-hypothesis, an analysis of the initial notification was conducted, wherein the tax authorities carried out a targeted investigation into the tax file of the audited taxpayer.

6.2.1 Preliminary investigations

Tax-related information about the activity was collected from administrative and financial bodies within the framework of the right of access granted to the tax administration according to Articles 45 to 63 of the Tax Procedures Law.

The taxpayer's activity was scheduled for an audit within the 2020 audit program and was notified by investigation notice number 92, dated 2020/03/16, accompanied by the taxpayer's charter, in accordance with the provisions of Article 20 bis of the Tax Procedures Law. The audit focused on the categories of income tax and value-added tax.

6.2.2 Accounting audits:

A. In terms of form:

The taxpayer does not possess the legal accounting records required by Articles 09 and 10 of the Commercial Code. A certificate of loss was presented, and consequently, a report was drawn up for the absence of accounting records.

B. Auxiliary books:

These include the purchase ledger, bank ledger, cash ledger, and miscellaneous transactions ledger. They are maintained in an organized and systematic manner using an automated information system.

C. In terms of substance:

The tracking of customer account H/411 related to the invoicing transactions made in favor of the taxpayer showed that the registration of the transaction in the accounting records begins from the date of receipt in the bank statement.

D. General evaluation of the accounting:

The taxpayer does not possess the legal accounting records stipulated in Articles 09 and 10 of the Commercial Code, and thus does not maintain lawful accounting. Based on the tax pathway reflected in the accounting entries recorded in the auxiliary journals and declared in the monthly statements, it was found that the taxpayer only relies on the commission amount when declaring the turnover. However, the taxpayer's activity falls within the framework of service providers, not commission intermediaries. This made the information recorded in the accounting not fully aligned with the tax pathway that applies to this type of activity. This is because the turnover is the amount received in the bank statements, with the services provided by the carriers being considered as the cost corresponding to these services.

It is worth noting that the taxpayer, as explained earlier, collects and transfers the full amount received in their bank account to the carriers, justifying the transaction through invoices issued by them. The taxpayer considers their activity as an intermediary between companies and carriers, according to their tax and accounting declarations. Since the actual tax pathway does not correspond or align with the accounting entries in substance, accounting has been excluded from establishing the various tax bases for this type of activity. The entire turnover received is subject to value-added tax and the professional activity tax. Due to the impossibility of proving the turnover derived from the accounting entries, which rely on a turnover figure different from what was received in the bank statement, and since the accounting entries were not convincing, the method of automatic penalization was applied in accordance with the provisions of Article 44-02 of the Tax Procedures Law.

6.2.3 The impact of tax audits on the tax base:

It was found from the documents provided and the accounting records that all receipts shown in the bank statement were transferred to the transport service providers who were contracted. The taxpayer only declared the turnover based on the commission they received from these providers (the transport service providers) and not on the amount received from the companies.

Therefore, the profits were recalculated, considering the turnover to include the invoiced amounts from both the companies and the carriers. The method of automatic penalization was applied, with a 10% margin rate.

Table (02): The impact of the audit on gross income and the taxes imposed on it

Statement/Years	2016	2017	2018
Extracted turnover	302776240	222156947	171292641
Declared turnover	6471364	4654513	3438533
Difference in turnover	296304876	217502434	167854108
Margin rate	0.1	0.1	0.1
Declared profit	2897913	4034140	1504786
Extracted profit	30277624	22215695	17129264
Difference in profit	27379711	18181555	15624478
Extracted tax	10465168	7643493	5863242
Declared tax	882270	1279949	394675
Difference	9582899	6363544	5468567
Penalty rate	0.25	0.25	0.25
Penalty amount	2395725	1590886	1367142
Total	11978624	7954430	6835709

Source: Prepared by the researcher based on the information obtained from the Sub-Directorate of Tax Control.

Table (03): The impact of the audit on value-added tax (VAT)

Statement/Years	2016	2017	2018
Total extracted turnover	302,776,240	222,156,947	171,292,641
Declared turnover G50 07%	6,417,901	3,770,495	3,438,532
Extracted exempt turnover	320,000	23,401,814	23,118,643
Extracted turnover 17%	302,456,240	126,284,248	0
Extracted turnover 19%	0	72,470,886	148,173,998
VAT rate	0.17	0.19	0.19
Due VAT	51,417,561	35,237,790	28,153,060
VAT eligible for deduction	0	0	0
Paid VAT G50	449,253	326,599	309,468
Deductible VAT	50,348,178	34,313,096	27,423,252
Payable VAT	620,130	598,094	420,340
Penalty rate	0.25	0.25	0.25
Penalty	155,033	149,524	105,085
Total	775,163	747,618	525,425
Rights	23,053,575		
Tax base penalty	5,763,394		
Total payable rights	28,816,968		

Source: Prepared by the researcher based on the information obtained from the Sub-Directorate of Tax Control Tax Audit.

Based on these results, the first sub-hypothesis is accepted, and it can be stated that: *"Tax audits reveal tax violations committed by the institution, which may expose it to tax risks that affect its financial stability."*

6.3 Testing the Second Hypothesis

To test the validity of the second sub-hypothesis, we analyzed the tax file starting from the initial notification, which included penalties, fines, and additional taxes compared to the final notification after the intervention of the tax consultant, who provided justifications that led to a reduction in these taxes and penalties.

Tables (03) and (04) from the initial notification illustrate the various taxes, fees, and estimated penalties imposed by the tax administration, while tables (05) and (06) show the reassessment and reduction of these taxes and penalties.

Based on these results, the second sub-hypothesis is accepted, and it can be stated that: *"Additional taxes, fines, and legal proceedings are among the tax risks resulting from tax audit operations."*

6.3.1 Re-establishment of the tax base:

Upon receiving the initial notification, the taxpayer sought the assistance of a tax advisor to reduce the tax burden. According to the provisions of the 2012 Finance Law, which amended Article 20 bis of the Tax Procedures Law, taxpayers have the right to request arbitration from the Provincial Director of Taxes for matters related to facts or law in response to the case under investigation. The tax advisor submitted objections regarding the taxpayer's tax situation.

In application of the aforementioned article, a meeting was held on 12/17/2020 at the headquarters of the Provincial Directorate of Taxes, under the supervision of the director and tax administration members, to discuss the taxpayer's objections.

After reviewing the taxpayer's response and discussing the tax file, the arbitration by the provincial director was as follows:

- The taxpayer's objection regarding the consideration of receipts in the bank statement as turnover, on which various taxes and fees are based, was rejected, as the taxpayer's activity falls under service providers and not commission agents.
- The taxpayer's objection regarding the profit margin was accepted, and a profit margin of 03% was adopted instead of 10%. Consequently, the tax base was re-established as follows: Re-establishment of profits based on a profit margin of 03% instead of 10%, as shown in the following table:

Table (04): Re-establishment of total income and the taxes imposed on it

Statement / Year	2016	2017	2018
Extracted turnover	302,776,240	222,156,947	171,292,641
Declared turnover	6,471,364	4,654,513	3,438,533
Difference in turnover	296,304,876	217,502,434	167,854,108
Profit margin	3%	3%	3%
Declared profit	2,897,913	4,034,140	1,504,786
Extracted profit	9,083,287	6,664,708	5,138,779
Difference in profit	6,185,374	2,630,568	3,633,993
Extracted tax	3,047,151	2,200,648	1,666,573
Declared tax	882,270	1,279,949	394,675
Difference	2,164,881	920,699	1,271,898
Penalty rate	25%	25%	25%
Penalty amount	541,220	230,175	317,974
Total	2,706,101	1,150,874	1,589,872

Source: Prepared by the researcher based on the information obtained from the Sub directorate of Tax Audit.

Table (05): Re-establishment of the value-added tax (VAT):

Statement / Year	2016	2017	2018
Extracted total turnover	302,776,240	222,156,947	171,292,641
Declared turnover G50 07%	6,417,901	3,770,495	3,438,532
Exempted extracted turnover	320,000	23,401,814	23,118,643
Extracted turnover 17%	302,456,240	126,284,248	0
Extracted turnover 19%	0	72,470,886	148,173,998
Tax rate	17%	19%	19%
Due tax	51,417,561	35,237,790	28,153,060
Mergeable tax	0	0	0
Paid tax G50	449,253	326,599	309,468
Deductible tax	50,348,178	34,313,096	27,423,252
Tax payable	620,130	598,094	420,340
Penalty rate	25%	25%	25%
Penalty	155,033	149,524	105,085
Total	775,163	747,618	525,425
Rights	5,996,042		
Basis penalty	1,499,010		
Total rights payable	7,495,052		

Source: Prepared by the researcher based on the information obtained from the Sub-directorate of Tax Audit.

Based on these results, the second sub-hypothesis is accepted, and it can be stated that: *"Additional taxes, fines, and legal proceedings are among the tax risks resulting from tax audit operations."*

6.4 Testing the Third Hypothesis

To test the validity of the third hypothesis, we analyzed the taxpayer's final notification. It was observed that the intervention of the tax consultant and the justifications provided had a positive impact by reducing the profit margin from 10% to 3%, thereby lowering the total income tax, as shown in tables (04) and (05). This highlights the significant role of the tax consultant in mitigating tax burdens.

6.4.1 Summary of the taxpayer's tax situation

It is observed that the taxpayer faced the risk of a tax audit, as indicated by the initial notification. As a result, the taxpayer decided to seek the assistance of a tax advisor to attempt to mitigate or reduce tax risks. The advisor then studied the taxpayer's tax file and accompanied them in responding to the tax administration.

We notice that the tax base was significantly high, as indicated in the initial notification and before tax consultation. However, it decreased to the lowest level, as shown in the final notification, following the tax consultation.

After submitting a series of objections regarding the activity and the automatic fine estimated at 10% as a profit margin based on the turnover, the tax administration council, led by the provincial director of taxes responsible for arbitration, convened to resolve the case. The final notification rejected the taxpayer's objections related to the type of activity practiced, which formed the basis for the tax base. However, the request to reduce the automatic fine rate on turnover was accepted, adopting 03% instead of 10%. Consequently, the tax base was re-established based on 03% of the turnover.

Based on these results, the third sub-hypothesis is accepted, and it can be stated: *"Contracting a tax consultant during the appeal period helps reduce taxes and penalties imposed on the company through legal and financial strategies."*

6.5 Tax situation before and after the tax consultation

Table (06): The difference between the tax situation before and after the tax consultation

Establishment of the tax base	2016	2017	2018
Difference in profit			
At 10% rate	27,379,711	18,181,555	15,624,478
At 03% rate	6,185,374	2,630,568	3,633,993
Difference in IRG tax			
At 10% rate	9,582,899	6,363,544	5,468,567
At 03% rate	2,164,881	920,699	1,271,898
Difference in penalties			
At 10% rate	2,395,725	1,590,886	1,367,142
At 03% rate	541,220	230,175	317,974
Difference in total dues			
At 10% rate		23,053,575	
At 03% rate		5,996,042	
penalties Difference in basis			
At 10% rate		5,763,394	
At 03% rate		1,499,010	

Source: Prepared by the researcher based on the information obtained from the Sub-directorate of Tax Audit.

We observe that the total dues and basis penalty before the tax consultation were 23,053,575 DZD and 5,996,042 DZD, respectively. After the tax consultation, they were reduced to 5,763,394 DZD and 1,499,010 DZD. From this, we conclude that the tax advisor plays an active role in reducing the risks of tax audits.

Based on these results, the main hypothesis is accepted, and it can be stated: "The tax consultant plays a fundamental role in managing the tax file, whether by preventing risks before tax auditing or by addressing the consequences and ensuring tax compliance afterward."

7. CONCLUSION:

In conclusion, tax audits conducted by tax oversight authorities serve as a necessary mechanism to ensure tax compliance. However, they may also pose tax-related risks that threaten the stability of enterprises, particularly when they reveal significant violations. In the case under study, the audit resulted in the imposition of additional taxes and financial penalties, creating a substantial financial burden on the institution.

During the appeal period, the institution strategically opted to engage a tax consultant, a decision that enabled it to reassess its tax position accurately. The consultant played a crucial role in reducing taxes and penalties by presenting legal defenses and identifying legislative loopholes that supported the institution's stance.

From a policy perspective, this case highlights the complex relationship between the state and economic institutions: while the state seeks to collect taxes to ensure public financing, businesses aim to minimize tax costs to maintain their sustainability. It also underscores the importance of tax reforms that enhance transparency and strike a balance between rights and obligations.

Therefore, proper tax guidance and proactive preparation for audits are essential to mitigating tax risks and ensuring institutional stability.

7.1 Findings:

7.1.1 Impact on Tax Policies:

- Tax authorities may be encouraged to adopt more transparent policies and promote the use of tax consultants to prevent tax disputes.
- The findings could contribute to improving tax appeal mechanisms, making them fairer and more effective for businesses that seek tax advisory services.
- They may also encourage legal reforms aimed at fostering collaboration between tax administrations and tax consultants, reducing disputes, and enhancing voluntary compliance.

7.1.2 Impact on Professional Practices:

- These results may lead to an increased demand for tax consultants due to their critical role in mitigating tax audit risks.
- They could incentivize businesses to invest in proactive tax planning rather than addressing issues after they arise, thereby improving their financial strategies.

- Tax consultants may be driven to enhance their services and methodologies to meet the growing needs of businesses, such as leveraging data analytics and financial technology.

7.1.3 Impact on Future Research:

- These findings could open new research avenues on the relationship between tax consulting and tax compliance levels, exploring ways to strengthen this role.
- Future studies may focus on assessing the impact of tax consultants in specific industries or countries with different tax systems.
- They could also propose risk assessment models based on artificial intelligence and financial analysis, which would enhance tax advisory services and improve their accuracy and effectiveness.

7.2 Recommendations:

7.2.1 At the Institutional and Corporate Level:

- Strengthen the role of tax consultants within companies by involving them early in financial and tax planning.
- Rely on regular internal audits to ensure continuous compliance with tax regulations and minimize potential risks.
- Invest in tax technology, such as advanced accounting software, to reduce errors and enhance tax transparency.
- Raise awareness among employees and financial officers about the importance of tax compliance and the role of tax consultants in preventing tax disputes.

7.2.2 At the Tax Policy Level:

- Adopt clearer and more stable tax policies to facilitate compliance and reduce the need for appeals and disputes.
- Enhance cooperation between tax authorities and tax consultants by establishing permanent communication channels to support voluntary compliance.
- Reform tax appeal procedures to make them more transparent and efficient, enabling companies to resolve disputes without resorting to lengthy legal proceedings.

7.2.3 At the Tax Consultants' Level:

- Develop continuous training programs for tax consultants to keep up with ongoing changes in tax laws.

- Strengthen the use of financial analysis and tax data to provide more accurate and effective advisory services.
- Uphold professional ethics and independence to ensure fair consultancy services that comply with legal standards while protecting corporate interests.

7.2.4 At the Research and Future Studies Level:

- Conduct analytical studies on the impact of tax consulting on tax compliance and dispute reduction with tax authorities.
- Explore the impact of digital transformation on the relationship between tax consultants and tax administrations, and how technology can improve tax processes.
- Compare international experiences in tax audit management and leverage successful models to develop better mechanisms in other countries.

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