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3 Chapter Three: - Literature Review

Introduction:-

Literature review is simply an abstract of ideas and thoughts based on another reference material. It is a body of text that aims to review the critical points of current knowledge on a particular topic. It is an extremely important part of dissertation and it proves that the researcher has learned and understood the matter published on a particular topic. Literature review is not a mere summary of publications by other authors. It actually demonstrates researcher understanding of different arguments, advancements and theories. Literature review represents how widely the researcher has read and how thorough his research is. It is an in-depth account of previous research done by students in his area of study. Writing a literature review is an extremely important part of thesis writing process. Researcher must not only make sure how it is written, he needs to also know how to organize it and where he can find relevant information. In the following he will discuss some studies in the same area, and here we focused on the objectives of each study and its recommendations and results, and in the end of this chapter the researcher found Some of the definitions are related to the study.


This study was done in U.S.A, they established a model around tax evasion. This study had developed the basic unit for the study of tax evasion in income tax, and it was the first special study about tax evasion, Researchers in these study are pioneers in these field, All researchers in the tax evasion, make this study the cornerstone of their researches and all researchers indicate to this study because these study is considered as main title for another study around tax evasion objective of the study was "Our objective in this paper is therefore the more limited one of analyzing the individual taxpayer’s decision on whether and to what extent to avoid taxes by deliberate underreporting". (Michael G. Allingham and AgnarSandmo, May, 1972,p1.)

Their work perceives tax evasion as a gamble for extra income in the light likelihood for extra of detection. The portion of income declared for tax purposes would depend upon the changes in the level of income, tax rate, the possibility of investigation and detection and the
penalty rate that would be imposed. This suggests that policy directed towards tax evasion is simply a matter of finding the appropriate mix of enforcement activities and penalties, subject of course of financial constraints on the level of enforcement activities and the acceptable level of penalties.

The conclusion of this study is realized that income tax probably offers much larger opportunities for tax evasion than commodity taxes do. The policy tools available to the government for the purpose of counteracting the tendency to evasion are the tax rates themselves, the penalty rates and the expenditure on investigation, which determines the probability of being detected.

2- Jerry Paul Peirce study “Distinguishing between Tax Avoidance and Tax Evasion”
August, 1968

This study was submitted to the Graduate Faculty of Texas Technological College in Partial Fulfillment of the Requirements for The Degree of Master of science in Accounting. Problem of the study was “there are many problems associated with distinguishing between tax avoidance and evasion. For this reason, this paper has been restricted to the problems relating to individual taxpayers and to the one criminal violation, tax evasion. Too often the problem is only considered lightly. Too often the taxpayer does not take his Federal tax obligation seriously enough”

Main finding from this study was that
1-tax avoidance is a process of planning one's affairs in order to pay the least amount of tax that the law allows. There is absolutely nothing immoral, illegal, or unethical about tax avoidance. The tax practitioner is engaged by the client primarily to achieve this end. Tax practitioners in some instances have failed to provide the best service in their eagerness to spare their client from a large tax liability; however, by far the largest number have labour industriously to provide the quality of tax interpretation that is a merit of the profession.

2-Tax evasion constitutes the willful attempt by a taxpayer to evade and defeat a substantial amount of income tax due and owing to the United States; It may be restricted to three major elements. The first, "attempt," can be divided into two essential components: the first component is the intent to elude the tax; and secondly, there must be an overt act associated with furtherance of the intent. These two must be proven beyond a reasonable doubt. The second element of tax evasion is the taxpayer knowingly and willfully committing the
attempt. It must be proved beyond a reasonable doubt that the taxpayer was aware at the time of filing the tax return that he was understating his tax liability

The third element is the Government proving beyond a reasonable doubt that a substantial amount of tax is due and owing. The Government is not required to prove the amount of the tax liability indicated in the indictment; it is only necessary to show there has been a substantial understatement. It is necessary for the Government to prove the three elements of tax evasion for each count in the indictment; and if any one of the elements is not proved, the taxpayer cannot be convicted.

3- Ahmad Maher Abdulhameed study “Tax evasion in Egyptian law” 1980
This study was done in Egypt, the objective of the study was to create an integrated tax legislation to be developed in the light of the needs of Egyptian society, which was beneficial from the previous experiences of States in this area and as appropriate with the Egyptian society

Some findings of this study were
1-That the tax administration has not received adequate attention by the government, because the tax payer was wronged compared with his counterparts in other ministries.
2-Emphasized the importance of tax justice in the first place in Egyptian society, and payment of taxes in accordance with the truth caliber and adaption for the taxpayer, and should review the tax rates and exemptions, and must be compatible with economic and social conditions and the tax burden
3- Consideration of the increase in tax evasion in Egypt, utilizing the modern technology in the fight against tax evasion,

4- Hussein kashrmh study, “phenomenon of tax evasion application on self-employment” 1998
This study was done in Jordan; the objective of the study was study of tax evasion in self – employment in Jordan, the researcher used descriptive statistics such as the arithmetic mean and standard deviation and percentages to analyze the results, the main findings was
1- Doing scientific research for tax evasion in order to find the causes of tax evasion and to find ways to reduce it.
2-Give a discount to those who will submit a report on his income
3- Facilitate the collection of taxes by installments for a longer period, making it easier for taxpayers to pay on time.
4- Raise the efficiency of information in income taxes, through the collection of information from professional associations

5- Abdulsalam study “phenomenon of tax Evasion in the Republic in Yemen”, 2003
This study was done in Yemen the problem of this study was what are the reasons of increase of tax evasion in Yemen and to find out the factors helping to avoid this phenomenon, and negative effect on Macroeconomic in Yemen. The objective of the study was
1- To examine the nature and characteristics of tax evasion in Yemen
2- Disclosure forms and areas of tax evasion in Yemen
3- Finding out the reasons and factors that help to expand the phenomenon in Yemen.

Hypotheses of the study
1- There are loopholes in the tax system that helps tax evasion
2- Deliberate behavior of taxpayers for tax evasion in Yemen.

Importance of the study: - Method of study Researcher used the descriptive and analytical approach, also used some ways of scientific methodology and the most important method of extrapolation and conclusion, and the researcher used the methods of statistical analysis of the statistical data.

Some of the findings:-
1- Failure of tax administration and a lack of functions and administrative activities, accounting, technical and regulatory
2- Non-compliance with laws and tax systems from the side of taxpayer
3- Many factors affect the increase in the volume of tax evasion, such as political and economic factors, and organizational factors, managerial and behavioral
4- Tax evasion ways and different forms of difficult to quantify.

Some of recommendations:-
1- Expand the activity of specialized agency services to fighting tax evasion
2- Pay Attention to studies and researches in the area of taxation
3- Choose appropriate ways to collect taxes, the method of collection should be easy and facilitate procedure in tax administration
6- Mohammed A. MahamoudJumaa “study Tax evasion by the self-employed in Jenin(reasons and possible remedies) 2000-2004”

This study was done in Jenin in Palestine. This study sought to identify the nature and prevalence of tax evasion by the self-employment in Jenin. It also endeavored to find out the reasons behind the spread of this phenomenon given its bad effects on the national economy. Importance of the study was Awareness of the self-employed, damages of tax evasion and its negative effects on the country's financial activity. The Researcher adopted the descriptive analytical approach in data collection. The methodology of the study was based on study of previous literature review, Study of tax laws, to conduct a field survey of the self-employed, the distribution of a questionnaire.

After collection and analysis of data, it was found that, there were drawback in the Palestinian income tax articles, particularly pertaining to concessions and tax breaks given to the self-employed in comparison with counterpart laws in other countries. There was drawback in the law text pertinent by way of discount at source. This has lead to the waste of huge amounts of money due to the government treasury. It also found that there was a lack of sufficient coordination in the field, between tax department and other government agencies on exchange of information of tax payer. The respondents said that the implementation of taxation, lowering tax rate and improvement of the economic situation are all considered important factors to bring down percentage of tax evasion by self-employment. In the light of these findings, the researcher recommends the development of a joint information system for the tax departments, government’s ministries and agencies. He also recommends equal tax treatment and tax fairness and the away that creates a balance between tax categories and the ability of tax payers.

He also recommends launching tax awareness campaign among tax payers and removing the psychological barriers between tax payer and tax administration. This can be through holding workshops, seminars, and information booklets and apprising tax payers of tax change and modification. He also recommends simplification and easing tax procedures, and treating tax payers with respect to tax authorities.

Finally, the researcher suggested providing training courses for human cadres in each tax department to increase their tax collection skills, particularly from self –employment.
7-Gobran study October 2005 “tax computation a comparative study of income tax system in Yemen and India”
This study was done in at Pune University, objectives of this study
1- To investigate and compare the income tax system in Yemen and India.
2- To study the adopted techniques in computation of income tax in both countries.
3- To determine the impact of the revenue of income tax in the economic development in both countries.
Some of the Recommendations
1- Income tax exemption in both countries should be raised.
2- Tax procedure should be simplified to the extent.
3- Income tax system should be made scientific and based on economic planning according to the needs of the economy.

This study was done in Pune city under Pune University. Some of objective of this study
1- To find out from different segments the reactions of the assesse about Income Tax Act.
To study the comparative rates of Indian Income tax and to find out whether the income tax rates are reasonable or high to find out the reasons behind the high rates of Income tax.
2- To present a bird eye’s view of the Indian Income tax law and it’s various provisions, so that maximum number of individuals will come under tax bracket and to find the general awareness amongst individual taxpayers.
3- To find out general awareness about entire tax system and the position of tax evasion and tax avoidance.
4- To provide certain guidance and suggest the remedies wherever necessary so as to overcome the problems faced by the assessee.
5- To identify the problems faced by assessee in understanding the provisions of Income tax Act and filing the returns
6- The main objective of the research study is to find out the difficulties and problems of individual Income tax payers.
7- To find out ways, means and to formulate new and effective strategy for changing the mindset of the people so as to achieve the objective.
8-To find out percentage of tax payers who file return themselves or through tax consultants.

9- Hence it is necessary to suggest some easy and simple procedure for filing the tax returns

Some main findings:-

1- Most respondents of the service have accepted that they are paying the Income tax regularly than business men in business there is scope to minimize the tax liability by showing different expenses and loser or by using the loopholes. There is no such scope for salaried people.

2- All assesses are interested to increase exempted limit income tax as inflation has been eroding the real income. As compare to inflation rate corresponding income tax rates are high to individual tax payers

3- The medically unfit, senior citizens, pensioners and handicapped people should have special service of income tax. The government should not call all the above categories as it is very difficult for them to visit income tax department to stand in line.

4- should be educational programme after regular interval for the tax payers,. It is essential to give information and to educate the taxpayer regarding new amendments and procedures and to increase the relation with the government officers.

5- setting the grievances on line, This system should be introduced in all cities and at convenient places for the taxpayers.

6- A new procedure is to be adopted by the authorities so that the taxpayers get attracted to file the returns themselves.

9- Mohammed Mahmoud Theebhusu “Audit for tax purposes”2005
This study was done in Palestine the problem of his study was Low level of cooperation and coordination between tax administration and professional institutions for audit, the lack of professional auditors in the tax administration, Unable to apply the tax audit. Objectives of this study were Establish tax system is characterized as effective, efficient for collecting taxes from the society, Establish legal system to ensure justice and equality.. He used the analytical reading approach in addition to analyzing system.

The study results have shown that the success in managing tax units and the falsification of accounts, do not lie only in punishing means written in tax laws or professional standards institutions, but lies in the well organized tax administration
Recommends of the study:

1- The necessity of hastening the endorsement of suggested Palestine income tax and the serious thinking in changing the V.A.T law in a way that suits the specialists of Palestinian economic condition.

2- The tax legislation should take care into accounts the principle of segregation of audits in tax process to ensure the neutrality and cleanliness in work, and applying the principle of accountability.

3- The tax administration should adopt the principle of historical reconciliation between the Palestinian traders and the tax, responsible in order to remove the bad effects of the occupation.

10- Rehab khaled study “Phenomenon of tax evasion causes, effects means of treatment” 2008

This study was done in Yemen, problem of the study was how much and what is type of tax evasion in Yemen, Are the programs of financial and tax reform achieving the main objective for fighting the problem of tax evasion in Yemen?

The objectives of this study were Identify the forms of tax evasion, to identify effective means to fighting the tax evasion in Yemen. The objective of the study was for studying treatment of tax evasion in Yemen and find out reasons of tax evasion in Yemen.

Hypothesis this studying was

1- There are many of reasons leading to tax evasion like increase in tax rate, lack of trust between the taxpayer and tax administration, Weak sanctions and penalties that apply to tax evasion.

2- There are several factors helping to decrease tax evasion, like improve the level of performance in tax administration, and raising qualified staff to collect taxes, and co-operate between the tax administration, citizens, and accountants, trade unions, media, and government bodies in order to fight tax evasion.

The researcher has followed in her studying style of theoretical study, and also the style of the meeting and questionnaires, she used (T- test) for testing the hypothesis of study.

Some findings :- There are some reasons of tax evasion like modernization of tax system, lack of commitment by taxpayers to comply with the laws and tax systems, The low level of tax awareness among the community and the absence of the role of media in awareness the importance of tax, the exploitation of political influence and social status of tax evasion.
Recommendations of this study were:
- Application of the reform program of finance and taxation,
- Restructuring of tax systems and removal of ambiguity in the procedure of collection of taxes,
- The harmonization of laws and regulations of the central administration and decentralization of tax collection, and consolidation of efforts for fighting tax evasion.
- Increase tax awareness and dissemination through the publication of financial statements in newspapers, radio and television, seminars, and films.
- Development and modernization of tax administration through the restructure of top management, Rehabilitation of middle management, and rise of professional, Technical of lower management,
- Increase in wages, salaries and incentives to employees of tax administration in order to improve the level of performance and speed to do business,
- Control over the application of laws and tax systems, and to impose decisive penalties when they find out tax evasion.


This Ph.D. dissertation investigates issues related to taxing mobile Capital in a multi-jurisdictional world Parent firms tend to be located in the more tax-advantageous environment. The next question is how large the benefits of hosting headquarters are and if countries actually compete with each other for headquarters. As taxing corporate one alternative is to rely more on capital income taxation on a residence basis, income at source becomes more competitive, resulting in sub-optimal rates. The issues discussed here will become more acute with progressive economic integration some countries have considered fiscal policy an area where national sovereignty should prevail over international coordination efforts to ensure an efficient provision of public goods. Lately, this stance may have lost some support.

Some definitions related to the study
Income tax:- According to income tax Act1961, every person, who is an assessee and whose total income exceeds the maximum limit, shall be chargeable to the income tax at the rate or rates prescribed in the finance act Such income tax shall be paid on the total income of the previous year in the relevant assessment year.

2-Tax evasion:- This term is Illegal avoidance of payment tax especially by making a false declaration of income, it is generally used to designate intentionally and deliberately
understates his| her deduction or credits for the purpose of underpayment of the tax liability, The Government imposes strict and serious penalties for tax evasion

3- Tax avoidance:-Tax avoidance involves making the maximum use of all legal means of minimizing liability to taxation, Tax avoidance is the legal utilization of the tax regime to ones own, to reduce the amount of tax, that is payable by means that are within the law.

4- Audit:-A systematic examination of the books and records of business or other organizations in order to ascertain or verify and to report upon the facts regarding the financial operations and the result thereof.

5- Tax audit:-Audit by tax-collecting agency or by chartered accounting to determine if a taxpayer has paid the correct amount of tax

Summary: - In this chapter we have reviewed some specialized studies in taxes form some of scholars. We have obtained some benefits of these studies in the research methodology used by the researchers. All the studies were about tax problems. The main objective of this chapter in order to not repeat what has been discussed by researchers before us and to get a new findings and recommendations.