

The Position of Justice and Tax Evasion in the Legal Systems of Iraq and Lebanon and Its Issues

Ahmad. Al Khafaji^{1*}, Farhang. Faghih Larijani², Hossein. Kamel Vedaea³

¹ PhD Student, Department of Public Law Specialization, University of Mazandaran, Mazandaran, Iran

² Assistant Professor, Department of Public Law, University of Mazandaran, Mazandaran, Iran

³ Advisory Professor, Department of Legal Advisor at the Dhi Qar Education, Iraq

* Corresponding author email address: ajalil@uowasit.edu.ig

Received: 2024-11-29

Revised: 2025-02-20

Accepted: 2025-02-27

Published: 2025-10-01

Tax evasion is a serious problem in many countries, including Iraq and Lebanon. In these countries, tax evasion occurs for various reasons, including insufficient oversight, widespread corruption, and weaknesses in tax laws. Many citizens lack the motivation to pay taxes due to widespread corruption in government institutions and a lack of transparency. The aim of this article is to understand and explore how tax evasion is addressed and the status of tax justice in the legal systems of Iraq and Lebanon. The research method used in this article is analytical-comparative. It is evident that studying other legal systems can identify their experiences, weaknesses, and strengths, which can be beneficial for domestic legislators. This issue underscores the necessity of this research. The main question posed by this article is how the position of justice and tax evasion can be evaluated in the legal systems of Iraq and Lebanon. The findings indicate that Iraq has codified laws since 2003; however, it still faces challenges in achieving tax justice and preventing tax evasion. Lebanon, despite having enacted laws since the 1970s, appears to have outdated and ineffective regulations regarding tax evasion and tax justice due to its prolonged civil wars.

Keywords: Taxation, Justice, Tax Evasion, Iraqi Legal System, Lebanese Legal System.

How to cite this article:

Al Khafaji, A., Faghih Larijani, F., & Kamel Vedaea, H. (2025). The Position of Justice and Tax Evasion in the Legal Systems of Iraq and Lebanon and Its Issues. *Interdisciplinary Studies in Society, Law, and Politics*, 4(4), 1-11. <https://doi.org/10.61838/kman.isslp.4.4.19>

1. Introduction

The tax system is one of the most important tools of fiscal policy in an economic system. An efficient and fair tax system is essential for a strong economic system. A country can become strong and advanced if it has a progressive and just tax system. A government that can levy taxes fairly and accurately from a productive, endogenous, and growing economy essentially drives the engine of sustainable economic development. Therefore, the primary responsibility of the tax system is to create balance in various economic sectors.

A tax system that is not based on justice will inevitably lead a country's economy into crisis. Hence, tax justice is crucial in a legal system. Generally, tax justice refers to ideas, policies, and supports aimed at achieving equality and social justice through fair taxation of wealthier members of society and multinational corporations. To this end, tax justice often focuses on combating tax havens and reducing corruption and tax abuse by multinational corporations and ultra-wealthy individuals. Despite these interpretations, it must be acknowledged that there is no clear and universally accepted definition of a fair tax system, as each economic



system defines this concept based on the worldview of its rulers and legislators.

Nevertheless, a progressive and fair tax system can be described as one that ensures the collection of taxes and tax rates, along with the type and usage of taxes. In the process of tax collection, issues such as tax evasion, prevention of financial corruption, and bribery prevention are considered within the criteria of tax justice.

In the legal systems of Iraq and Lebanon, there are issues and challenges related to the internal situation and political instability in these two countries, which have also permeated tax evasion and the weakness of tax justice. This article examines the position of justice and tax evasion in the legal systems of Iraq and Lebanon and its related issues.

2. Research Background

Although no research directly related to the title of this study was found, several relatively related studies in this area can be mentioned as follows.

Rostami and Ghahvehchian (2022), in the book *Public Financial Law and Accounting*, believe that public financial law includes recurring and significant relationships whose quality of performance can play an effective role in achieving good governance based on the rule of law. This book is designed to teach public financial law and examine financial and accounting relations in the country for use in fields such as law, management, economics, political science, and accounting. One of the innovations of this book is its precise and systematic classification of chapters, which, in addition to addressing existing theories, considers the administrative and financial realities of the country (Rostami & Ghahvehchian, 2022).

Kamyar (2023), in the book *Property Law in the State*, has discussed property, types of taxes, and related issues (Kamyar, 2023).

Ranjbari and Badamchi (2022), in the book *Financial Law and Public Finance*, have addressed the issue of taxes and their legal aspects (Ranjbari & Badamchi, 2022).

A close examination of the above works reveals that none of these studies have comparatively addressed the legal systems of Iraq and Lebanon.

3. Nature of Tax Evasion

Tax evasion, in its semantic sense, is the act of escaping from the legal obligations owed to the government. Therefore, tax evasion is an actual or potential behavior of an economic subject (either individually or collectively, as applicable) that is likely to result in avoiding the payment of legal obligations to the government (Hendieh et al., 2023).

Tax evasion is one of the illegal behaviors for which all countries' legal systems have prescribed penalties. In this behavior, tax law is deliberately violated, and the person or entity subject to tax intentionally refrains from paying the prescribed tax.

Various forms of tax evasion in Iraq include delays in submitting taxes within the prescribed period or providing false information about generated profits (El Toby et al., 2022). The aim of these actions is to conceal actual profits to benefit from certain laws that reduce or exempt the prescribed tax.

The following section attempts to scrutinize and analyze Iraq's approach to the issue of justice and tax evasion.

4. Iraq's Approach to the Issue of Justice and Tax Evasion

Iraq has imposed severe penalties for corporate tax evasion due to the significant hardships the country has endured from this issue. One of the oldest laws is the Iraqi Income Tax Law No. 113 of 1982, which defines acts classified as tax evasion crimes in Iraq and sets forth the corresponding penalties for each offense.

The penalties for corporate tax evasion in Iraq are as follows:

The Iraqi Income Tax Law has established financial penalties for those committing tax evasion, ranging from 100 Iraqi dinars to a maximum of 500 Iraqi dinars in the following cases:

Entities that fail to fulfill their obligations regarding tax returns, as well as entities that delay the submission of their financial data to tax authorities (Abdo-Salloum & Al-Mousawi, 2023).

Entities found to have had access to or possession of financial data or reports related to another entity's income, or that reported such data in place of the individual responsible for this task.

Individuals who violate the regulations for maintaining commercial records for income tax purposes, amounting

to 10% to 25% of income before considering legally prescribed deductions.

Entities that fail to submit their income tax reports by May 31 of each year without a justified excuse provided to the tax authority.

According to the provisions of the Iraqi Income Tax Law, an additional fine of 10,000 Iraqi dinars is imposed on each branch of foreign companies operating in Iraq that delay submitting audited final accounts by the State Board of Financial Audit to the tax authorities. This penalty is applied six months after the end of the fiscal year unless the delay is proven to be due to an acceptable excuse provided by the Board itself.

Additionally, the Iraqi Income Tax Law stipulates that tax evasion offenses in Iraq are punishable by imprisonment for up to one year for those committing any of the following acts:

Deliberately providing false information about the company's financial data to conceal certain information to obtain a tax reduction, exemption, or refund of a previously paid amount.

Submitting an incomplete financial report compared to what should have been provided, including collusion with others in this matter.

Under new regulations, any taxpayer committing a tax offense is subject to an appropriate penalty for their criminal act under the law. Since no crime or punishment exists without a legal provision, tax laws have outlined tax penalties within their articles ([Misbah Mahmoud & Ahmed Halaf, 2007](#)).

The approach to tax laws in Iraq is influenced by cultural, social, and historical factors. Some of these influences include:

Lack of trust in the government: As previously mentioned, corruption and lack of transparency have led people to distrust tax laws and the utilization of tax revenues.

Weak tax culture: In Iraq, the culture of tax payment and tax responsibilities is weak, with many individuals and businesses not viewing tax payment as a duty.

Negative historical experiences: Historical experiences such as sanctions and wars have led Iraqis to perceive laws and governmental systems as threats rather than tools for development and quality of life improvement.

Improving the tax situation in Iraq requires a comprehensive approach that includes structural, cultural, and educational reforms. Nevertheless, under

Iraqi tax laws, tax evasion is considered a crime and entails both criminal and financial penalties. Criminal penalties include imprisonment, fines, or both.

Entities or individuals avoiding tax payments may face heavy financial penalties. Regulatory and enforcement bodies in Iraq, such as the Tax Authority, play a critical role in overseeing and enforcing tax laws. These entities are responsible for conducting periodic inspections, reviewing tax returns, and investigating suspected tax evasion cases.

The Iraqi Income Tax Law is the primary legal framework for tax collection in the country. This law includes provisions for determining taxable income, tax rates, exemptions, and penalties for tax evasion.

One of the biggest challenges in effectively enforcing tax laws in Iraq is administrative corruption and inefficiency within government agencies. Administrative corruption facilitates tax evasion and undermines proper oversight. In recent years, Iraq has made efforts to implement a value-added tax (VAT) system. These regulations are designed to monitor economic activities and ensure proper tax payments ([Rasul, 2020](#)). However, a significant portion of Iraq's economy operates in the informal sector, making tax collection challenging. Many businesses and economic activities function outside the formal tax system.

Overall, tax evasion in Iraq is a major challenge that requires extensive and coordinated efforts across laws, institutions, and society. Legal reforms, strengthening regulatory bodies, increasing transparency, and implementing educational programs can help improve the tax situation in Iraq and lay the groundwork for sustainable economic development.

4.1. *Income Tax Under Tax Justice*

Although income tax and tax justice are highly significant, in Iraq's property tax administration system, income tax and tax justice are not directly related. The Property Tax Administration is responsible for collecting taxes based on the value of properties owned by individuals and companies. This property tax is typically calculated based on the value of the property and other criteria such as area, geographic location, and land use.

On the other hand, income tax refers to the tax levied on the income of individuals and companies, including legal incomes, business incomes, profits, wages, and other sources of income ([Al-Mufti, 2012](#)). This type of tax is

generally calculated based on the income of the individual or company and is enforced to collect revenue for the government to be used in public projects and services. Therefore, two types of taxes exist here (property tax and income tax), which differ in terms of tax justice.

The Property Tax Administration provides revenue to the government by determining tax amounts based on the value of properties owned by individuals and companies. Conversely, income tax is calculated based on the income of the individual or company, with the amount of tax each person or company must pay determined proportionally to their income. While tax justice may be significant in both tax domains, it typically relates to tax calculation and enforcement methods, as well as the distribution of resources and public services. In Iraq, income tax is governed by laws and regulations implemented by the General Tax Administration. These laws and regulations aim to collect taxes from individuals and companies based on their incomes and provide financial resources for the government to implement economic and social programs. Income tax in Iraq is generally calculated based on income from salaries and wages, business incomes and profits, independent incomes, and other similar sources.

As one of the most critical revenue sources for the Iraqi government, income tax plays a vital role in financing various economic, social, and public programs. The General Tax Administration is responsible for enforcing income tax laws and regulations and collecting taxes from individuals and companies based on their incomes. These revenues are used to meet the government's financial needs, support public services, and promote economic development.

Regarding legal provisions related to tax evasion and justice, Article 56 of the Income Tax Law is noteworthy. The Income Tax Law includes provisions on tax justice, as seen in Article 3, which states that income tax mentioned in paragraphs (4 and 5) of Article 2 of this law is imposed based on the income earned in the estimated year, if this amount is known. However, if general or partial knowledge of income is not possible, income tax from the previous year may be used as a basis for estimation.

Additionally, Article 3, paragraph 3, of the law addresses tax justice:

"If the source of income ceases during the estimated year, tax must be estimated, and the tax amount paid in the same estimated year and recorded as final income for that year, except as provided in paragraph 1 of this article" (Al-Samarrai & Al-Obeidi, 2012).

The above law also includes Article 4, which ensures fairness for all in tax payments:

"If any taxpayer chooses a specific date for settling their accounts other than the day marking the end of the estimated year, the tax authority may allow them to submit their income accounts for the year ending on their chosen settlement date. If accepted by the tax authority in a given year, it may apply to tax estimates for subsequent years and make any necessary settlements."

In the context of tax justice, Article 57 of the Iraqi Income Tax Law No. 113 of 1982 is notable, stating:

"A person proven in competent courts to have committed any of the following acts shall be sentenced to imprisonment for up to one year: 1- Anyone who deliberately provides false information or includes false data in tax reports, accounts, or statements, or conceals information that should have been disclosed, intending to reduce or obtain exemption from tax imposed on them or others, or to claim a refund of previously paid amounts" (Khalil & Sidani, 2022).

Additionally, Article 58 of the same law states:

"Anyone proven in court to have used fraud or deceit to evade tax payment shall be punished..."

Article 13 of the Industrial Services Regulation Law No. 130 of 2000 stipulates:

"...If the project owner provides forged or false documents intending to deceive or cover up..."

Article 16 of the same law states:

"...If the project owner or one of their employees acts fraudulently, deceitfully, or misleadingly to receive undeserved compensation contrary to reality."

Article 192, paragraph 11, of the amended Customs Law No. 23 of 1984 states:

"Anyone providing false information regarding goods declared in import or export statements to evade customs duties or other taxes and charges..."

Article 15 of the amended Iraqi Trade Regulation Law No. 20 of 1970 states:

"A person producing a prohibited product or altering the form of a product to evade restrictions imposed on its use, or using it contrary to any issued statement or instruction regarding its use, shall be sentenced to

imprisonment for up to ten years or at least three years and fined..."

Thus, the legislator in the above provisions has not only required the general intent to commit the crime but also mandated the specific intent behind committing the crime. The absence of this specific intent in such crimes leads to the non-fulfillment of the crime as defined by law, though this does not legitimize the committed act.

One of the most important laws concerning tax justice in Iraq is the Income Tax Law, which sets tax regulations for individuals and companies in Iraq. Overall, the Income Tax Law in Iraq can contribute to preventing tax evasion by establishing a fair, transparent, and efficient tax system, coupled with stronger oversight and inspection measures and appropriate penalties for tax violations. However, the success of this law in preventing tax evasion directly depends on its effective and efficient enforcement by the relevant tax authorities and strong support through other tax laws and policies.

4.2. *Legal Penalties for Tax Evasion Offenders*

Tax legislation has placed significant importance on curbing tax evasion crimes. Accordingly, the Iraqi legislator amended the Income Tax Law No. 113 of 1982, addressing acts of fraud and deception in Chapter Twenty-Eight titled "Crimes and Penalties" under Articles 57, 58, and 59.

A person obligated to pay taxes must submit their tax declaration concerning interest rates. Additionally, any trader whose business has ceased or been suspended is required to notify the tax authority. The phenomenon of tax evasion through various methods such as avoidance, fraud, and deception undermines the accurate realization of social tax justice, which pertains to the distribution of income between taxpayers and the government. This has adverse effects, creating challenges for the government's tax collection planning intended for public services and infrastructure. Economic, legal, and social factors can be cited as the reasons behind this issue.

To ensure the objectives of tax law and prevent opportunities for tax law violators, the imposition of criminal penalties, including fines and imprisonment, was deemed necessary. A person obligated to pay taxes is required to object to the tax if necessary and act as a strong deterrent to the public. The current Iraqi Income Tax Law has intensified imprisonment penalties for

those proven to have committed tax evasion through fraud or underpayment of taxes covered by this law or a portion thereof (Shaker Al-Bayati et al., 2012).

Article 58 of this law stipulates that violators shall be punished with imprisonment for a minimum of three months and a maximum of two years. This penalty was intensified by Decision No. 943 of the Leadership Council on September 3, 1983.

The inefficiency of Iraq's tax system is a serious challenge that exacerbates tax evasion. The underdeveloped tax system and complex laws hinder effective control and oversight of tax revenues. Despite numerous laws aimed at securing government revenues, ineffective implementation and insufficient oversight have led to widespread tax evasion. Furthermore, Iraq's reliance on oil exports as its sole source of income exacerbates economic problems, creating financial pressures that drive individuals and companies toward tax evasion.

Political and administrative corruption is also recognized as a key factor contributing to the intensification of tax evasion in Iraq. Corruption within the political and administrative systems undermines the enforcement of tax laws and regulations, creating an enabling environment for tax evasion. Particularly, the tax burden must be fairly distributed across different social groups. If the tax system is improperly designed, imposing a greater tax burden on the wealthy while collecting less from lower-income groups, it can lead to tax evasion (Maisoon Abdul Karim & Bashir Alwan, 2015).

The economic and social consequences of tax evasion in Iraq are evident. The reduction in government revenues diminishes the state's ability to provide public services and exacerbates economic and social inequalities. This situation also places additional pressure on individuals and companies, potentially increasing public dissatisfaction. Corruption in the tax and judicial systems facilitates tax evasion, especially when individuals can avoid taxes through bribery or illegal dealings. This lack of trust in the government and legal system can further intensify tax evasion.

The security implications of this issue are also significant, as reduced government revenues can hinder the state's ability to provide security and social services, potentially leading to public dissatisfaction and even instability within the country.

Overall, tax evasion in Iraq reflects deep-rooted problems that require comprehensive and extensive solutions in the economic, political, and social spheres. To address these challenges, reforms in tax laws to ensure tax justice, increased transparency within the tax system, anti-corruption efforts, and raising public awareness about the importance of tax payment as a social responsibility can help reduce tax evasion and ensure tax justice in Iraq. These solutions must be designed not only to control tax evasion but also to strengthen public trust in the government and the tax system.

5. Tax Evasion and Justice in the Legal System of Lebanon

Tax evasion is a significant issue discussed within Lebanon's legal system and on a global scale. In Lebanon, tax evasion is recognized as a serious concern, with its impact on financial and social justice clearly observable. Accordingly, the Lebanese legal system has developed tax policies and laws to curb tax evasion and promote financial justice in the country. These measures include legal provisions for controlling and monitoring financial transactions, enhancing financial transparency, and strengthening cooperation between the government and the private sector. Additionally, the development of a fair and justice-oriented tax system aimed at reducing the tax burden on low-income groups and creating tax laws that encourage tax payment and prevent evasion has been implemented by Lebanon's legal system. However, tax evasion remains a significant challenge for Lebanon's legal framework, requiring further measures for proper control and management. Tax policy reforms, enhanced oversight, and increased cooperation between the government, the private sector, and international organizations can significantly improve this area.

The primary obstacle to tax reforms in Lebanon is not merely corruption, political conflicts, or the excuses often cited by leaders to justify their failures and incompetence. The real barriers to reform are issues rarely disputed by political groups or mentioned in their speeches. Serious reform projects that genuinely threaten the structure of the system or create a breach in it often encounter a network of financial interests that resist any taxes affecting their profits or privileges. This financial network is concealed behind sectarian facades

and hypocritically claims that any interference threatens the rights of their sects.

Tax revenues are a vital source of income for the Lebanese government. However, tax evasion remains widespread, with income tax evasion being the most prominent form. This situation results in an annual loss of approximately \$2 billion, equivalent to about 3.9% of the gross domestic product (GDP) (Salloum, 2023). Therefore, effective measures must be implemented to reduce income tax evasion in Lebanon. Tax laws related to preventing tax evasion include various regulations and measures aimed at combating tax evasion and increasing financial transparency.

In Lebanon, tax laws regulate how individuals and companies calculate, report, and pay income taxes. The Income Tax Law is a key regulation that sets rules for calculating and paying applicable taxes and mandates the submission of annual tax returns. This law serves as a cornerstone of Lebanon's tax system, enabling the government to secure financial resources needed for public services and social justice.

The Anti-Money Laundering Law is another significant regulation in Lebanon designed to prevent money laundering and suspicious financial activities. This law mandates monitoring measures and the reporting of suspicious transactions, leveraging the cooperation of banks and financial institutions with regulatory authorities to prevent illegal markets and tax evasion (Ismail et al., 2014).

Additionally, the Asset and Wealth Declaration Law for public officials is an effective tool for controlling corruption and ensuring financial transparency. This law requires government officials to accurately report their assets and wealth, including those of their families, aiming to prevent illegal wealth accumulation and corruption within government institutions.

The Tax Information Exchange Law facilitates the sharing and consolidation of tax information between tax authorities and other governmental bodies. This information exchange is crucial for detecting tax evasion and enhancing transparency within the tax system. Furthermore, Lebanon's international tax agreements with several countries are designed to prevent double taxation and facilitate tax information exchange, aiding in detecting and combating international tax evasion and ultimately improving the country's economic and financial conditions (Ismail et al., 2014).

Laws on financial auditing and inspection require auditors and financial inspectors to thoroughly review individuals' and companies' financial accounts to ensure the accuracy and reliability of financial reports. Implementing these laws necessitates effective collaboration and coordination between government entities, the private sector, and citizens.

Article 57 of the 2019 General Budget Law defines tax evasion as:

"Tax evasion is the deliberate act of a person obligated to fulfill tax obligations, including failing to declare taxes and duties owed to the state on their income or wealth, failing to withhold or collect taxes and duties they are responsible for, reducing, canceling, or refunding taxes and duties without justification."

Thus, the Ministry of Finance notifies all taxpayers that laws to prevent tax evasion will be enforced, including lifting banking secrecy when tax violations are proven, in addition to applying criminal penalties stipulated in relevant laws. Among the tax reform measures in Law No. 144 dated July 31, 2019 (General Budget Law and related budgets for 2019), one key measure targets tax fraud prevention.

Despite numerous amendments to tax laws and a noticeable shift in public revenue structures during Lebanon's civil war period, along with increasing reliance on non-tax revenues, the main features of Lebanon's tax system have remained almost unchanged over the past five decades since the 1970s. This is because the tax system continues to be affected by a significant decline in the tax-to-GDP ratio, with indirect taxes and high customs duties dominating the tax structure, while the share of direct taxes, particularly income taxes, has substantially declined.

Understanding why tax laws fail to prevent tax evasion requires an economic analysis linked to the country's wartime conditions. War creates exceptional circumstances across all sectors, including the tax system, where fundamental changes caused by war have had a lasting impact on the post-war period. The ratio of public expenditure to gross national product (GNP) increased from approximately 15% in 1974 to about 36% in 1980 and around 40% in 1989 (Jeeb, 1993). This increase is partly due to the deterioration of GNP and partly due to maintaining high public expenditure levels, driven by increased public administration costs and subsidies for essential imported goods. Meanwhile,

regular public revenues, particularly tax revenues and especially indirect taxes, continued to decline due to several factors, including the deterioration of GNP and the seizure of political, security, military, and administrative powers by militias and de facto authorities, who took control of most public revenues through the occupation of ports and public facilities, thereby reducing the government's ability to collect remaining revenues.

For instance, when the Lebanese pound's exchange rate deteriorated rapidly, the government resorted to calculating customs duties based on a fixed dollar exchange rate. Consequently, regular public revenues that covered a portion of expenditures in 1974 were significantly affected. Therefore, the shadow of war continues to weigh heavily on Lebanon's tax system.

Establishing a fair tax system based on progressive taxation is the best solution, whereas the government's continuous reliance on increasing indirect taxes as an easy revenue method is the worst and most harmful approach for citizens, offering minimal benefits to most Lebanese. This is particularly true as these taxes are not accompanied by improvements in healthcare, education, and social welfare services. It is also important to note that taxes in Lebanon are imposed on individuals and legal entities based on actual income earned within Lebanon, regardless of nationality. Residents of Lebanon pay taxes on their activities within the country, while those residing in Lebanon but earning independent income abroad are not taxed.

This principle was affirmed by the Lebanese Council of State in its decisions, such as Decision No. 354 dated October 19, 1987, which states that taxes should be imposed based on income earned in Lebanon. If it is determined that institutions with oversight outside Lebanon indirectly transfer part of their income, such income should be added to the declared income. If sufficient evidence for determining actual income is unavailable, the income of similar institutions is used as a benchmark.

For foreign branches of companies operating in Lebanon with headquarters abroad, the Council of State, in Decision No. 354 dated October 19, 1977, regarding disputes between the government (Ministry of Finance) and the United Bank of Lebanon, established that only profits generated in Lebanon are subject to commercial, industrial, and non-commercial taxes, while profits

earned by branches outside Lebanon are not taxable (Khalil et al., 2020, p. 40).

The following section presents an overview of Lebanon's general situation regarding tax justice and evasion.

5.1. *General Situation of Lebanon Regarding Tax Justice and Evasion*

The fundamental principles of taxes and duties are based on tax justice, ensuring that the amount of tax paid corresponds proportionally to the total income earned by the taxpayer. Tax, as commonly defined, is a mandatory payment that individuals and companies are required to pay to the government (Khalil & Sidani, 2022). These taxes are used to finance healthcare and social services, develop infrastructure, build schools and roads, and support government operations in security and other sectors. According to the law, taxpayers are obligated to pay taxes without receiving specific compensation from the government. This is where the examination of justice and tax evasion becomes crucial. Tax policy consists of several essential elements, including taxpayers, taxable goods and services, and customs tariffs. These elements reflect the overall direction of the government regarding the country's financial revenues. The fundamental principles of taxation are built on justice and must be clear in terms of value, payment methods, and payment deadlines. They should be effectively implemented to minimize tax collection costs while ensuring adequate and timely revenue collection that aligns with taxpayers' circumstances. The following section elaborates on the general situation of Lebanon regarding tax justice and evasion.

The tax policy implemented in Lebanon often incentivizes taxpayers inclined toward tax evasion to prioritize evasion and profit maximization. For instance, value-added tax (VAT) is paid by consumers along with the price of goods, but sellers are required to transfer this tax to the public treasury when paying their taxes. However, this often does not happen, leading citizens to feel that they bear additional costs on behalf of sellers. Generally, countries adopt various methods for tax collection and devise programs to balance their needs with taxpayers' abilities, prioritizing what is known as tax justice. One of the key tax principles is the continuous ability of taxpayers to pay taxes; otherwise, taxes will not

serve as a sustainable source of national treasury revenue.

In Lebanon, the situation is notably different. Since the enactment of the Income Tax Law in 1959, lower-income individuals have often borne the same tax burden as the wealthy, sometimes even more. For example, Law No. 300/2022, issued in 2022, revised the tax schedules for ports, harbors, and airport fees, setting some charges in US dollars (Abdo-Salloum & Al-Mousawi, 2023). However, most fees, including those for tourist ships and yachts, remained in Lebanese pounds, creating a scenario where a fisherman might face higher tax burdens than a yacht owner.

In terms of income tax, there are significant discrepancies in tax intelligence and the distribution of the tax burden. For instance, an individual with a deposit worth 20 billion Lebanese pounds pays a 10% tax on the interest earned, which is less than 10% of the monthly income tax paid by an independent physician earning 16 million pounds per month, who pays 16%. Meanwhile, a worker earning 16 million pounds pays 15% in income tax, whereas companies are taxed at a flat rate of 17%, regardless of their profits. Furthermore, workers receiving salaries in US dollars pay lower taxes than those earning in Lebanese pounds (Hendieh et al., 2023). Consequently, the Governor of the Central Bank of Lebanon and the Minister of Finance issued a directive to estimate dollar salaries at 15,000 Lebanese pounds per dollar, creating a substantial disparity between dollar earners and those paid in pounds. All interest and income from debtor accounts, including savings accounts, have been subject to a 10% income tax since 2019 for a three-year period, reverting to 7% from 2023 onward, which remains in effect to date.

There is a significant diversity in the types and names of taxes in Lebanon, including:

- Income tax
- Property tax on buildings
- Transfer duties
- Improvement tax
- Value-added tax (VAT)
- Taxes and duties established by independent laws or through budgetary provisions

A form of tax injustice is evident in the treatment of wealthy individuals in Lebanon. Article 26 of the 2023 budget bill, approved by the Council of Ministers, exempts individuals with wealth held abroad from

paying taxes on profits and income from these assets to the Lebanese government, despite officially residing in Lebanon and being exempt from foreign taxes due to their Lebanese residency. This provision also offers partial amnesty for these individuals from tax evasion charges.

Meanwhile, income from international investments belonging to Lebanese residents, such as dividends, securities, bank interest, and other financial returns, is subject to a 10% income tax under Articles 69 to 82 of the Income Tax Law (Decree No. 144/1959).

Lebanon faces significant tax challenges due to tax suppression, weak tax literacy, and the inefficiency of tax authorities. This environment has allowed taxpayers to evade taxes for years. However, since May 2017, Lebanon has joined the Global Forum on Transparency and Exchange of Information and the Multilateral Convention on Mutual Administrative Assistance in Tax Matters, which mandates automatic exchange of financial information between member countries, restricting the use of banking secrecy to evade tax disclosure.

These measures aim to enhance tax transparency and reduce evasion, demonstrating Lebanon's commitment to international tax standards. It is essential for tax authorities to actively enforce these agreements to ensure fair and proper tax implementation. While Lebanon has complied with these international standards, it has not adequately provided financial and banking information on foreign-held accounts by its residents, either upon request or through automated annual data exchanges, encouraging domestic tax evasion.

The transfer of tax information is critical for increasing government revenue from foreign investments held by Lebanese residents (with tax rates potentially lower than those in the host countries) and for pursuing criminal charges against tax evaders.

Lebanon's tax system faces numerous challenges that impact justice. Reports from *Al-Modon* magazine have highlighted inequalities faced by taxpayers, such as employees paid in Lebanese pounds bearing higher tax burdens than those earning in US dollars. Additionally, dollar earners often face lower income taxes compared to companies, traders, and capital owners.

Tax injustice in Lebanon is further exacerbated by frequent delays and extensions for tax filing and

payment deadlines, particularly during periods of rapid currency devaluation. This creates disparities among taxpayers, as some can exploit available cash reserves to mitigate the real value of their taxes over time, while others bear heavier financial burdens without the same opportunities.

5.2. Legal Penalties for Tax Evasion Offenders

According to Article 41 of the Value Added Tax Law (VAT Law), tax evasion encompasses various actions that can lead to legal penalties. These actions include failing to submit tax returns, providing false information to evade or reduce tax payments, underreporting income, or providing false documents to lower tax obligations or claim improper refunds. Offenders are subject to financial penalties, repayment of overdue taxes with interest, and additional sanctions such as prohibition from commercial or financial activities in case of repeated offenses, as well as the seizure of accounts and assets related to the offender. Moreover, unjustified use of tax exemptions leads to the cancellation of all tax benefits and the imposition of heavier fines. These laws aim to prevent financial misconduct and promote tax justice by ensuring equal and fair participation of all taxpayers.

Under Article 41 of the VAT Law, dated January 15, 2004, various forms of tax evasion carry specific penalties:

1. A fine of 10,000 riyals for failing to register within the specified period.
2. A fine equal to 50% of the tax difference for submitting incorrect tax returns or providing misleading documents that reduce tax liability.
3. A fine between 5% and 25% of the unpaid tax for failing to submit tax returns within the specified period.
4. A monthly fine of 5% of the unpaid tax for failing to pay tax within the due period.
5. A fine up to 100,000 riyals for issuing tax invoices without proper registration.
6. A fine up to 50,000 riyals for failing to maintain tax records, obstructing tax authorities, or violating tax regulations.

Tax evasion penalties in Lebanon are governed by both tax laws and the penal code. Tax evasion is considered a crime, punishable by heavy financial fines based on the amount evaded, and criminal prosecution with imprisonment ranging from six months to three years

under Law No. 144/2008, linked to Decree No. 156/83 (Mubarak, 2023).

In severe cases, offenders face criminal prosecution and imprisonment. Assets of offenders may be seized and auctioned to recover overdue taxes. Law No. 44/2015 on Anti-Money Laundering and Terrorist Financing penalizes all participants in tax evasion, including facilitators and accomplices, with fines up to double the concealed amount and imprisonment from three to seven years. Confiscation of movable and immovable assets linked to tax evasion is also enforced unless legal ownership is proven.

For corporate tax evasion, Law No. 44/2008 holds the board chairperson and CEO accountable for intentional tax violations. Legal rulings on tax evasion penalties can be published in local newspapers at the offender's residence.

Lebanon's progressive tax system imposes higher rates on higher incomes, including income tax, VAT, and customs tariffs. However, structural weaknesses allow many individuals and companies to evade taxes, placing a heavier burden on middle- and lower-income groups, violating the principle of tax equality enshrined in Lebanon's constitution.

Widespread tax evasion in Lebanon is fueled by administrative corruption, weak oversight, and a large informal economy, leading to significant government revenue losses. Dual accounting practices by many companies further exacerbate the issue. The lack of transparent and efficient tax systems contributes to social and economic inequalities, particularly for small and medium-sized enterprises.

To address these challenges, Lebanon must implement deep structural reforms, enhance tax oversight, combat corruption, and adopt advanced electronic tax management systems. International cooperation can also aid in tackling cross-border tax evasion and strengthening Lebanon's tax system. However, comprehensive political and economic reforms are essential to achieving a fair tax system where all taxpayers contribute equitably, fostering sustainable national development.

6. Conclusion

Iraq and Lebanon face various economic crimes, exacerbated by legal loopholes. Economic crimes include offenses such as embezzlement of public funds, tax and

customs evasion, bribery, fraud, commercial deception, intellectual property violations, environmental pollution, and other economic offenses that undermine economic policies, including stock market and capital market crimes, drug trafficking, money laundering, monopolies, and unfair competition.

Weak legislative frameworks and poor enforcement in Iraq and Lebanon have allowed high-level administrative officials to engage in illegal activities, contributing to the proliferation of these crimes at lower administrative levels. Bribery crimes have permeated all levels and institutions of government, with forms of corruption and economic crimes closely tied to bureaucratic structures and various administrative levels, becoming entrenched as mechanisms of governance. Consequently, transactional relationships within government institutions have become more complex, leading to the expansion and emergence of more sophisticated forms of economic crimes.

Despite the stricter penalties introduced by the amended Iraqi Penal Code No. 111 of 1969 and the amended Iraqi Trade Regulation Law No. 20 of 1970, negative economic behaviors persist, severely damaging the economy and contributing to Iraq's classification as a developing country. Given the significance and threat posed by economic crimes to the political and economic systems of Iraq, it is essential to educate citizens about these crimes, as the harm affects not only the government but also individual perpetrators and society at large. Therefore, penalties for such crimes must be intensified, particularly during exceptional circumstances, including economic crises and wartime. This necessity is equally pertinent for Lebanon.

Authors' Contributions

Authors contributed equally to this article.

Declaration

In order to correct and improve the academic writing of our paper, we have used the language model ChatGPT.

Transparency Statement

Data are available for research purposes upon reasonable request to the corresponding author.

Acknowledgments

We would like to express our gratitude to all individuals helped us to do the project.

Declaration of Interest

The authors report no conflict of interest.

Funding

According to the authors, this article has no financial support.

Ethical Considerations

In this research, ethical standards including obtaining informed consent, ensuring privacy and confidentiality were observed.

References

- Abdo-Salloum, A. M., & Al-Mousawi, H. Y. (2023). Fraud Triangle Theory and Income Tax Evasion in Lebanon.
- Al-Mufti, H. N. A. (2012). Criminalization and Punishment in the Enforced Iraqi Income Tax Law. *Journal of University of Diyala, College of Law and Political Science*(Fifty-Four).
- Al-Samarrai, Y. M. H., & Al-Obeidi, Z. K. A. (2012). Analysis of Tax Evasion and Methods of Addressing It in the Iraqi Tax System. *Anbar Journal of Economic and Administrative Sciences*, 4(9).
- El Toby, B. H. M., Abd, W. H., & Kareem, A. D. (2022). Activating the role of judicial oversight in Iraq to reduce the phenomenon of tax evasion Field research in the Federal Office of Financial Supervision. *International Journal of Professional*. <https://doi.org/https://doi.org/10.26668/businessreview/2022.v7i5.e765>
- Hendieh, J., Schneider, M., & Sakr, T. (2023). Fraud Detection and Prevention. *Middle-East Journal Of Scientific Research*, 31(1), 44-52.
- Ismail, R., Riham, W., & Nsouli, F. (2014). Value Added Tax evasion and illegal recovery cases in Lebanon. *Procedia-Social and Behavioral Sciences*, 109, 527-530. <https://doi.org/https://doi.org/10.1016/j.sbspro.2013.12.501>
- Jeeb, I. (1993). *Economic Reform and Reconstruction in Lebanon*. United Nations Publications - ESCWA.
- Kamyar, A. (2023). *Property Rights in the State*. Mizan Publishing.
- Khalil, S., & Sidani, Y. (2022). Personality traits, religiosity, income, and tax evasion attitudes: An exploratory study in Lebanon. *Journal of International Accounting, Auditing and Taxation*, 47, 100469. <https://doi.org/https://doi.org/10.1016/j.intaccaudtax.2022.100469>
- Maisoon Abdul Karim, A., & Bashir Alwan, H. (2015). Evaluating Income Tax Declaration Procedures to Reduce Tax Evasion: An Applied Research in the General Authority for Taxes. *Journal of Accounting and Financial Studies (JAFS)*, 10(30), 144-170.
- Misbah Mahmoud, S., & Ahmed Halaf, A.-D. (2007). The Legal Nature of Tax Financial Penalties (A Comparative Study). *Journal of Tikrit University for Human Sciences, College of Law, Tikrit University*, 14(2).
- Mubarak, M. (2023). *International Legal Analysis toward Tax Evasion Practices in Tax Haven Countries= International Legal Analysis toward Tax Evasion Practices in Tax Haven Countries*
- Ranjbari, A., & Badamchi, A. (2022). *Financial Law and Public Finance*. Majd Scientific and Cultural Complex.
- Rasul, S. K. (2020). Tax Evasion In Iraqi Kurdistan. *QALAAI ZANIST JOURNAL*, 5(3), 271-298. <https://doi.org/https://doi.org/10.25212/lfu.qzj.5.3.12>
- Rostami, V., & Ghahvehchian, H. (2022). *Financial and Accounting Law*. Dadgostar Publishing.
- Salloum, A. A. (2023). Fraud Triangle Theory and Income Tax Evasion in Lebanon. *The Quarterly Review of Economics and Finance*, 21, 761-775.
- Shaker Al-Bayati, A. D. A. K., Awada, H., & Qutaish, A. R. (2012). Tax evasion in Iraq: Reality and ambition Public Finance: A Comparative Study, Budget, Expenditures, Revenues (Taxes and Fees). *Journal Of the College of law/Al-Nahrain University*, 14(1B).