

Tax Collection – Reut Cohen

Aggressive Debt Collection Harms Citizens

The solution is to revoke the Tax Ordinance from the British Mandate era and to advance modern legislation balancing the need to collect debts and the right of debtors to live in dignity and not to descend into poverty

The Marker, March 1, 2016 By: Reut Cohen

Link to the article in Hebrew: www.themarker.com/opinion/1.2869074

Debts must be paid – there's no doubt at all about that. But it is also important to remember that people who get into debt still have rights. If the debtor is truly unable to pay their debts at the moment, they should not be trampled on – but this is exactly what the Tax Ordinance (Collection) does.

Democratic countries apply norms for debt collection that balance the creditor's right to receive its money back and the debtor's right to a dignified existence and to maintain his or her humanity. The Executor's Office claims to operate in this manner, for example, and the legislator has imposed various protections that help debtors unless it has been proven that they are evading payment. There are many problems with the Executor's Office system, but at least it claims to be just.

By contrast, Israel also has another collection system. It doesn't always feature in the headlines, but it is even more draconian and aggressive. This is the administrative collection channel, which bypasses the Executor's Office, and is used by various public authorities and bodies to collect debts from the public. This channel is formalized in an ordinance dating back to the British Mandate – the Tax Ordinance (Collection), and it includes collection norms that have since become outmoded.

The administrative track allows several important bodies to collect debts from citizens. Those entitled to use this mechanism to collect debts include the National Insurance Institute, local authorities – which use this method to collect debts for municipal taxes and for parking tickets, the Tax Authority – which collects income tax and VAT debts, and Magen David Adom for the emergency ambulance services it provides. Even Bezeq, a private telecommunications company, collects debts from consumers in this manner.

The authority collecting the debt can employ aggressive measures: Confiscations from the bank account; entering the debtor's home, including by means of force; confiscating a vehicle; confiscating belongings held by the debtor's relatives, and so forth. All this takes place without any judicial proceeding confirming the existence of the debt or its amount, and without examining the debtor's ability to repay the debt, and the means of

payment that would enable him or her to do so without collapsing. Collection is usually undertaken by private collection bodies, without proper supervision. If a debtor also owes money to private creditors, it is not possible to make a comprehensive arrangement for payments.

But this is not all. After the debt has been imposed, this aggressive mechanism allows the authorities to inflate the debt dramatically by imposing collection and interest charges. By way of example, a debt of 5,000 shekels to the National Insurance Institute will grow to over 8,000 in just six months – an increase of over 50 percent compared to the original sum. After three years, a debt of 5,000 shekels to the municipality for municipal taxes will grow to an astronomical sum of over 11,000 shekels.

Thus, via the administrative collection track, the state crushes debtors. In many cases the result is that a middle-class family that found itself in a temporary crisis and had problems meeting payments will join the ranks of the poor due to the collection actions of the state – the same state that is supposed to help citizens.

Yes – debts must be paid. But as is clear from dozens of testimonies received by ACRI, aggressive collection mechanisms harm citizens. A system that destroys debtors' lives and leads to their financial ruin and psychological breakdown is simply vindictive. This is not an effective way to collect a debt.

The only proper solution is to revoke the Tax Ordinance (Collection) from the British Mandate era and enact modern legislation balancing the need to collect debts with the right of debtors to live in dignity and not be reduced to poverty. A bill proposed by MK Merav Michaeli (Zionist Union) has already been presented to the Knesset. We hope that the government will adopt the proposal and finally put an end to the serious damage caused by this aggressive collection track.

The writer is an attorney at the Association for Civil Rights in Israel (ACRI)