



## MAXIMIZING TAX REVENUES AND THEIR ROLE IN SUPPORTING THE STATE'S GENERAL BUDGET (AN APPLIED STUDY IN THE IRAQI GENERAL COMMISSION FOR TAXES)

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### Abstract:

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The research aims to indicate the role that tax revenues can play in financing the fiscal deficit in the general budget, by standing on the volume of tax revenues collected as well as identifying the sources of public revenues and their importance in achieving this goal. The research was applied in the Iraqi General Commission for Taxes for the year data Finance 2021 to show the role of tax revenues in financing the Iraqi state budget, By determining the proportion of tax revenues to the total public revenues of the state and its contribution to bridging expenditures, the research reached a set of conclusions, the most important of which was the dependence of the Iraqi state in its financial resources on oil revenues with a large part in financing public spending, and tax revenues also made important achievements in financing the budget Public amounts after oil revenues to fill part of the financial deficit in the budget and help in the advancement of the economic and financial reality of the state.

### Keywords:

#### INTRODUCTION:

In light of recent environmental changes and accompanying developments, societies have expanded, governments have emerged, the services they provide have increased, and the need for financing has emerged. Opinions appeared that impose the principle of contracting between the taxpayer and the ruler, and the tax became obligatory and justified by the need of the state, as the state has political authority in procuring the necessary funds to spend on public services that it performs with the aim of achieving the welfare of society, so the tax began with the emergence of the collective spirit and it is thus linked to financial ideas Or political, and it was taken from individuals as a voluntary and not compulsory contribution provided by individuals to the ruler because of a direct benefit received by the taxpayer, who paid it to him, and the necessary revenues are estimated to cover public expenses, and the executive authority collects those revenues by law, and it may also be one of the sources of revenue by virtue of law and state sovereignty, It may also be one

of the sources of revenues and investments and profits are achieved through it, which is considered a source of funding for the public treasury, as the state resorts to predicting public expenditures for the next feature and on the basis of that estimating the revenues to meet those expenditures, so the tax is considered one of the important sources of funding for the state treasuries, As it is considered an important element of the state's revenues in the event of a free economy, and thus supports the state's general budget in an efficient manner.

#### The first topic: research methodology

##### 1-1 Research problem:

The research problem is represented in the state's lack of sufficient interest in tax revenues, which led to the emergence of a deficit in the state's general budget, in addition to the recent decline in oil prices, which could negatively affect the care of individuals and the provision of services to them, and thus the failure to advance the economic and financial reality.



### 1-2 Research importance:

The importance of the research came from the importance of tax revenues as an important source of financing the state's general budget to assist in public spending and achieve the state's social, economic, financial and political goals, as well as eliminating poverty and unemployment, as well as financing projects that can help in advancing the economic reality of the country.

### 1-3 Research objectives:

The research aims to explain the role that tax revenues can play in financing the fiscal deficit in the general budget, by examining the volume of tax revenues collected, as well as identifying the sources of public revenues and their importance in achieving this goal in a manner commensurate with the variables of the contemporary environment and the accompanying continuous developments.

### 1-4 Research hypothesis:

The research is based on the following hypothesis: Tax revenues help finance the state's general budget by financing the fiscal deficit in a manner commensurate with the variables of the contemporary environment and the accompanying continuous developments and many changes.

### 1-5 Research sample:

The research sample is represented by the Iraqi General Commission for Taxes on the data of the fiscal year 2021 to show the role of tax revenues in financing the Iraqi state budget.

## The second topic: the theoretical side of the research

### 2-1 The concept and characteristics of tax and its legal nature:

Tax is an obligatory financial obligation determined by the state, and the taxpayer is required to pay it in cash in kind without direct consideration to enable the state to carry out public services to achieve the goals of society, as it is a direct financial obligation that is borne by those charged with it permanently and without charge (Ramadan, 2018: 178).

Thus, it is an amount of money paid by the taxpayer compulsorily at the behest of the state, with his participation in subsidizing public expenditures, and the characteristics of the tax can be determined as follows: (Musgrave, 2012: 115)

1. The taxpayer pays the tax as a joint member of society.
2. Covering public expenses to achieve a public benefit.
3. General tax on all individuals.

4. The tax is a financial deduction from the income of others in cash.
5. The tax is compulsorily paid, meaning that it is obligatory.
6. A tool to achieve economic, social and political goals.

With regard to the legal nature of tax, the theories that show the legal nature of taxes can be clarified through the following: (Grundy, 2006:212)

First: The contractual theory: This theory is based on the idea that the tax came from the contractual relationship between the state and the individual. The relationship between the state and the individual is not a sale contract. The price is supposed to be equal in its material value to the purchased benefit, and this is not possible in the tax because there are no standards that can through which the service provided by the state is assessed against taxes for each individual (Jaeger & Biafra, 2014:13).

Second: Sovereignty Theory: This theory derives from the fact that the state, with its sovereignty over its subjects and territory, and its need for funds to spend on public benefits, has had the help of taxes that it imposes for this purpose. Its subjects, if the tax exceeds the territory of the state, and it enjoys powers that are not available to individuals, such as the privileges that give it tax opportunities whenever it wants (Mohammed, 2010:56).

Third: The theory of social solidarity: The theory of social solidarity is a modern theory, but its foundations are far from the beginning of the formation of the family, the tribe, then the city, and then the state. In the family, the system, if it is possible to say that there is a system, even if it is natural or literal, is based on the fact that the family members perform the services distributed to it according to the ability of each of them (Al-Qaisi, 2008: 34).

### 2-2 The concept, determinants and pillars of the tax system:

The tax system is the set of rules that enable tax deduction in its successive stages from legislation to assessment and collection, and thus it is a set of ideological, economic and technical elements whose combinations lead to the existence of a particular tax system, and there is a set of determinants of the tax system as follows: (Watson & Hotfooted, 2013:104)

1. The prevailing economic system in a country affects the test of the appropriate tax system and its components. In general, a distinction can be made between the socialist economic system and the capitalist or free economic system.



2. Central planning systems do not use taxes as a financing tool, and in these systems all incomes of individuals become a form of public spending and all expenditures of individuals are a source of public revenues, but they retain some taxes.
3. Taxes are not imposed or abolished except by law, i.e. by a political decision from the highest levels. The tax system in a dictatorial state must differ from that in a democratic state.
4. The state's distribution of income in a way that achieves justice according to the ideologies of society requires the selection and coordination of tax groups to achieve the desired effects, and for this the progressive tax on total personal income had a significant impact.

The tax system is based on two main pillars, namely the goal and the means, and the pillars of the tax can be clarified as follows: (Al-Ali, 2013: 98)

1. The tax system is a financial tool that aims to achieve the goals of the state that are determined according to its political philosophy. In light of the developed capitalist state, the tax system is a tool through which the state can obtain resources to finance spending through sanctity, individual ownership in the capitalist system.
2. Finding the necessary means to achieve the goal of the tax system, and despite the freedom of the legislator from a constitutional point of view to issue tax laws, his choice between these organized technical means to deduct the tax depends on the conditions of the environment or society in addition to other economic, social and political conditions.

### **2-3 The concept of the general budget and its basic features and components:**

The general budget is viewed as a plan for a financial action program that contains a detailed and comprehensive estimated statement of the public expenditures and public revenues of the state during a future period of time, so that it leads to the achievement of economic and social goals in accordance with the general policy of the state during the fiscal period, and it is approved by the legislative authority (Al-Janabi, 2012: 35).

There are those who view the general budget as an estimate of revenues and expenditures in a future period of time, often a year, and thus it is a document that pours into a financial template based on goals that express what the state wants to spend on these

goals and what we expect to collect from its various resources during the specified time period. in one fiscal year (Auras, 2014:77).

There is a set of basic features of the state's general budget, which can be clarified through the following points: (Ming, et.al., 2005:305)

1. The general budget is the most important means for countries to intervene in implementing their financial policies to manage public utilities regularly and to fulfill their obligations, which is a condition for confidence in the state's finances. It also enables the state to provide social services such as education, health and security.
2. The general budget is prepared by the executive authority in the state and then submitted to the legislative authority for approval and the issuance of a law that allows the executive authority to implement it within the limits in which it was issued.
3. Inclusion of all public expenditures and public revenues in a single document with estimated numbers as a reflection of the state's policy in achieving goals.

The state's general budget aims to implement the government program and facilitate legislative oversight over the various stages of the budget process. As for the components of the general budget, they can be clarified through the following: (Washita & Sancho, 2014:46).

1. Public Expenditures: Public expenditures are seen as the sums spent by the state to serve the community, and they have an effective impact on the course of economic growth. They can also provide the necessary social services for development and influence the course of economic growth. They can also provide the necessary social services to meet basic needs. .
2. Public Revenues: The function of public revenues is no longer limited to the process of financing public expenditures, but has become an important and effective tool for economic and social guidance. It has become a tool for preventing unwanted activities, or a tool for directing investment and fighting inflation by absorbing part of the purchasing power and a tool To direct investment and fight inflation by absorbing part of the purchasing power from the market.



#### **2-4 The role of tax revenues in financing the state's general budget:**

Tax revenues are a series of procedures followed by the tax financial authority to collect government debts in accordance with their deadlines specified under the Law of Collection of Government Debts if they cannot be collected according to the Income Tax Law. After the tax is realized and the tax accounting procedures are completed, the collection stage begins, as it is considered very important in the work Tax collection to collect money for the purpose of running the affairs of the state (Bash, 2008: 18).

Tax revenues help finance the state's general budget by setting up appropriate mechanisms to reduce tax evasion and tax avoidance. As the tax has positive effects on society and the economy, and non-compliance to pay the tax due on the taxpayer in whole or in part, or attempts by the taxpayer to get rid of all or part of his legal obligations to pay the tax due on him during the fiscal period (Gheorghe, 2013:168).

Tax revenues help in economic development as a means of compulsory savings, the proceeds of which are used in public investments because individuals refrain from them, due to the difference between individual benefits and social benefits. lower income brackets (Harvey, et.al., 2014:43).

For the purpose of financing the state's general budget and trying to bridge the deficit in it, tax evasion must be reduced and tax avoidance helps in collecting financial resources to support the state treasury so that it can spend on the needs of society such as education, health, defense, security and public service facilities, and the importance of taxes is not only the general revenues of the state It is also due to the various economic problems raised by tax studies (Ramadan, 2018: 179).

The matter requires providing the necessary revenues to satisfy public needs, as economists called for state intervention through taxes to direct economic resources to satisfy the needs of individuals, as taxes have the ability to transfer purchasing power from individuals to the state in times of inflation, and the increase in income occurs when taxes are reduced in Depression times (Paradises, 2004:156).

#### **THE THIRD TOPIC: THE APPLIED SIDE OF THE RESEARCH**

##### **3-1 An introductory summary of the research sample:**

The General Tax Authority was formed from the merger of the General Income Tax Directorate, which is responsible for implementing the income tax law, with the General Revenues Directorate, which used to implement the real estate tax law. The merger took place during the year 1982, when it implemented the Income Tax Law No. 113 of 1982. The General Tax Authority aims to achieve revenues. Which contribute to financing the state budget, commitment to the best application of tax laws in collecting the amounts achieved, achieving economic balance in the light of applying the principle of tax justice for all taxpayers, achieving equality in tax assignment, deepening the culture of voluntary commitment of taxpayers, and putting all the capabilities and advanced work methods to serve citizens. As for the mission of the authority, it is concerned with following up on achieving revenues that contribute to financing the state budget, as well as expanding the base of the tax base to reduce tax evasion and finding new sources of income. The state has many duties that it must perform to its citizens, such as basic services, recreational services, support for development projects, and others These duties require funds to cover them.

##### **3-2 Analysis of tax revenues and a statement of their role in financing the general budget in Iraq:**

In order to demonstrate the role of tax revenues in financing the general budget of the Iraqi state during the years of research, tax revenues must be analyzed according to their types, which are corporate tax, profession tax, real estate tax, direct deduction / public sector, direct deduction / private sector, tourism services tax, customs import taxes, and finally other indirect taxes , the total amount of the state's revenues was determined during the research years, and then the ratio of tax revenues to the general revenues of the state is determined to indicate the extent of the contribution to it, and the tax revenues for the period (2017-2021) can be clarified through the following table:

Schedule (1): Tax revenues for the period (2017-2021)

<b>Details</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Corporate tax</b>	<b>1179342779</b>	<b>119000000</b>	<b>947747500</b>	<b>075299500</b>	<b>976679500</b>
<b>Profession tax</b>	<b>1391856608</b>	<b>40000000</b>	<b>751081263</b>	<b>764494263</b>	<b>778344263</b>
<b>Real estate tax</b>	<b>99998371</b>	<b>16000000</b>	<b>65601000</b>	<b>86877000</b>	<b>89217000</b>
<b>Direct deduction / public sector</b>	<b>10753633</b>	<b>1000000</b>	<b>13020000</b>	<b>13326000</b>	<b>13639000</b>
<b>Direct deduction</b>	<b>402217439</b>	<b>89000000</b>	<b>431931320</b>	<b>445040320</b>	<b>521341320</b>



<b>/ private sector</b>					
<b>Tourism services tax</b>	<b>2347515</b>	<b>46750000</b>	<b>46750000</b>	<b>46750000</b>	<b>46750000</b>
<b>Customs import taxes</b>	<b>1129153099</b>	<b>317000000</b>	<b>1557102124</b>	<b>1698634825</b>	<b>1854320795</b>
<b>Other indirect taxes</b>	<b>6353564044</b>	<b>152110000</b>	<b>935250000</b>	<b>940250000</b>	<b>255950122</b>
<b>Total</b>	<b>10569233488</b>	<b>780860000</b>	<b>4748483207</b>	<b>4070671908</b>	<b>4536242000</b>

Source: prepared by the researcher based on the publications of the Budget Department / Ministry of Finance.

It is clear from the above table that the amount of tax revenues for the years 2017, 2018, 2019, 2020, 2021 are (10569233488), (780860000), (4748483207), (4070671908), (4536242000) trillion dinars, respectively. It is clear from the above that the highest revenues Tax revenue was during the year 2017 and

the lowest tax revenue was during the year 2020. The reason for this decrease is the circumstances that the country went through during this year. The percentage of tax revenue for the period (2017-2021) can be clarified through the following table

Schedule (2): Percentage of tax revenues for the period (2017-2021)

<b>Details</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Corporate tax</b>	<b>11.16%</b>	<b>15.24%</b>	<b>19.96%</b>	<b>1.85%</b>	<b>21.53%</b>
<b>Profession tax</b>	<b>13.17%</b>	<b>5.12%</b>	<b>15.82%</b>	<b>18.78%</b>	<b>17.16%</b>
<b>Real estate tax</b>	<b>0.95%</b>	<b>2.05%</b>	<b>1.38%</b>	<b>2.13%</b>	<b>1.97%</b>
<b>Direct deduction / public sector</b>	<b>0.1%</b>	<b>0.13%</b>	<b>0.27%</b>	<b>0.33%</b>	<b>0.3%</b>
<b>Direct deduction / private sector</b>	<b>3.81%</b>	<b>11.4%</b>	<b>9.1%</b>	<b>10.93%</b>	<b>11.49%</b>
<b>Tourism services tax</b>	<b>0.02%</b>	<b>5.99%</b>	<b>0.98%</b>	<b>1.15%</b>	<b>1.03%</b>
<b>Customs import taxes</b>	<b>10.68%</b>	<b>40.6%</b>	<b>32.79%</b>	<b>41.73%</b>	<b>40.88%</b>
<b>Other indirect taxes</b>	<b>60.11%</b>	<b>19.48%</b>	<b>19.7%</b>	<b>23.1%</b>	<b>5.64%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Prepared by the researcher based on the data of the previous table.

It is noted from the above table that the highest percentage of tax revenues during the year 2017 was for other indirect taxes at a rate of (60.11%), and that the highest percentage of tax revenues during the year 2018 was for the customs import tax at a rate of (40.6%), and the highest percentage of tax revenues during the year 2019 was for the customs incoming tax at a rate of (32.79%), while the highest percentage of tax revenues during the year 2020 was for the customs incoming tax at a rate of (41.73%), and finally, the highest percentage of tax revenues during the year 2021 was for the customs incoming tax at a rate of (40.88%).

The process of preparing the 2021 budget in Iraq faced great challenges due to the drop in oil prices and oil revenues after the security conditions the country went through and the Corona pandemic, so a financial crisis was formed that reached a point during which oil

revenues were unable to finance dues from salaries and wages for some months, and before that Oil prices are improving again and this level of crisis, which occurred as a result of a lack of revenues in exchange for the inflexibility of reducing expenditures, especially operating expenses during the period, generated an urgent need to include in the 2021 budget a package of internal and external loans in order to finance the planned budget deficit, which exceeded ( 28.6) trillion dinars, as well as the government's submission of a plan for financial and economic reform of the country during this period.

Among the strategic objectives of the 2021 budget is working on implementing a program to address the budget deficit and shifting towards using methods and mechanisms in preparing annual budgets in order to achieve a better relationship between planned revenues and planned expenditures to reduce the





planned deficit, and provide a space of time that enables the implementation of economic reforms, in addition to applying Reforms to address structural imbalances in the Iraqi economy and put the economy and the budget on a sustainable path, to activate the role of the budget in sustainable development, and to generate a strong impetus for the public and private investment sector, in light of the required economic role for the state, In legislation, organization and budget management in order to achieve the goals effectively and efficiently, there were a number of proposals that would improve the state's general revenues and address the budget deficit, which are as follows:

1. Reforming the tax administration and working to activate the role of taxes in increasing non-oil sources of revenue, especially with regard to increasing the proceeds from the customs

tax entering the general budget within the framework of procedures for controlling border crossings and facilitating the entry of goods and collecting revenues according to modern electronic methods.

2. Strengthening procedures for collecting dues from government revenues from various collection outlets and activating procedures for recovering smuggled public funds.

The budget has included many ambitious reform goals, the achievement of which requires a suitable environment for reform and actual implementation programs to achieve the reform goals. This can be seen by reviewing the planned revenue and expenditure data in this budget. Public expenditures during the year 2021 can be clarified through the following table

Schedule (3): Public expenditures during the year 2021

No.	Details	Amount (trillion dinars)
1	<b>Employee compensation</b>	<b>42446670</b>
2	<b>Total current expenses</b>	<b>89526687</b>
3	<b>Percentage of employee compensation out of total current expenses</b>	<b>%47.4</b>
4	<b>Indebtedness (debt service)</b>	<b>5790603</b>
5	<b>Social care</b>	<b>18979326</b>
6	<b>Grants and subsidies</b>	<b>13391573</b>
7	<b>Percentage of employee compensation out of total expenses</b>	<b>41.3</b>
8	<b>Other current expenses</b>	<b>8918515</b>
9	<b>Percentage of current expenditures out of total expenditures</b>	<b>87 %</b>
10	<b>Total capital expenditures</b>	<b>13322974</b>
11	<b>Percentage of capital expenditures out of total expenditures</b>	<b>%13</b>
	<b>Actual total expenses</b>	<b>102849661</b>

Source: prepared by the researcher based on the publications of the Budget Department / Ministry of Finance.

From the above table, it is noted that the total actual expenditures are (102,849,661) trillion dinars, of which current expenditures are (89,526,687) trillion dinars, at a rate of (87%) of the total actual expenditures, which is the highest compared to 2019 and 2020, as the actual current expenditures amounted to about (87.4) and (72.9) trillion dinars, respectively, while only (13%) of total expenditures were spent on investment fields, and employee compensations represented in salaries and wages, which form part of current expenditures, accounted for (41.3%) of total actual expenditures. In the 2021 budget, i.e. more than (20%) of the value of the gross domestic product, As the continuation of increasing

expenditures in the 2021 budget, due to the restrictions imposed by the ruling expenditures, and the failure to rationalize the elements of other expenditures, has contributed to reducing the actual fiscal surplus, despite the convergence of two effects towards exceeding the planned deficit and increasing the proceeds of the actual surplus. In the rate of the significant increases that occurred in oil prices, which exceeded the barrier of (75) dollars per barrel at the end of 2021, i.e. a significant increase from the hypothetical price per barrel, according to which the planned oil revenues were calculated, amounting to (45) dollars per barrel, and there was another effect represented by a reduction The exchange rate of the



Iraqi dinar, against the dollar in the 2021 budget, from (1190) dinars per dollar to (1450) dinars per dollar, Hence, the planned deficit amounting to (28672867) trillion dinars turned into an actual surplus amounting to (6231803) trillion dinars, while the internal public debt balance, at the end of the first half of the year

2021, amounted to about (65) trillion dinars, compared to the year 2019 and 2019. 2020, which amounted to (64) and (38) trillion dinars, respectively, and as for public revenues during the year 2021, it can be clarified through the following table

Schedule (4): Public revenues during the year 2021

No.	Details	Amount (trillion dinars)
1	<b>Oil revenues</b>	<b>96622397</b>
2	<b>Non-oil revenues</b>	<b>12459067</b>
3	<b>Percentage of oil revenues out of total revenues</b>	<b>88.6 %</b>
4	<b>Percentage of non-oil revenues out of total revenues</b>	<b>11.4 %</b>
5	<b>Income and wealth taxes</b>	<b>325566</b>
6	<b>Commodity taxes and excise duties</b>	<b>1283676</b>
7	<b>Total taxes</b>	<b>4536242</b>
8	<b>The percentage of total taxes in total revenue</b>	<b>4.2 %</b>
9	<b>The fees</b>	<b>1137883</b>
10	<b>Other income</b>	<b>6784942</b>
	<b>Actual total revenue</b>	<b>109081464</b>

Source: prepared by the researcher based on the publications of the Budget Department / Ministry of Finance.

It is noted from the above table that the total actual revenues in the 2021 budget are (109,081,464) trillion dinars, including oil revenues (96,622,397) trillion dinars, at a rate of (88.6%) of the total actual revenues, compared to (11.4%) for other non-oil revenues. The plan was for the budget to obtain non-oil revenues amounting to (20,149,029) trillion dinars, but what has actually been achieved from this source has amounted to (12,459,067) trillion dinars, despite what was included in the reform paper of emphasis on increasing the contribution of non-oil revenues, especially the increase in Revenues from taxes through the implementation of reforms at the level of tax administration, but the revenues from taxes did not witness a noticeable development, Where the percentage of total taxes constituted only (4.2%) of the total actual revenues of the budget, and it does not exceed (1.5%) of the value of the gross domestic product, which means the continuation of the low revenues of taxes, and the decrease of their relative importance in the total revenues, compared to many rentier countries The other issues in the region, in which tax revenues have become an important source of revenue, and the relative importance of oil revenues has declined, and the issue of reforming tax revenues in the Iraqi economy raises a clear problem with many dimensions, including what is related to the size of the private sector and its role in development and reducing cases of evasion. tax, Especially with regard

to the customs tax with a wide base, represented by the value of goods and materials imported by Iraq, whose value exceeds (50) trillion dinars annually, as a result of the large number of customs exemptions for many goods, as well as the reduction of the tariff rate even within the upper limits, on many goods. Luxuries and entertainment, and therefore the proceeds of taxes on goods and production fees in the 2021 budget amounted to about (1,283,676) trillion dinars, according to a customs tariff rate within (2%) of the total value of imports, while this percentage reaches about more than ( 10% of the value of imports in many countries of the region. A paradox appears when comparing the proceeds of taxes on imported goods, and the revenues of the budget from the fees imposed on the completion of transactions in state institutions and departments in return for government services, which amounted to (1,137,883) trillion dinars, which is an amount close to the customs proceeds, despite the fact that the revenues are from Fees are less important compared to customs revenues, especially in countries that depend mainly on imports to meet their needs, with the possibility of customs tax discrimination in imposing customs tariffs according to the types of goods and exemption necessary from them, and the percentage of tax revenues from the total revenues can be clarified through the following table



Schedule (5): The percentage of tax revenues out of the total revenues during the year 2021

No.	Details	Amount (trillion dinars)
1	<b>Income and wealth taxes</b>	<b>325566</b>
2	<b>Commodity taxes and excise duties</b>	<b>1283676</b>
3	<b>Total taxes</b>	<b>4536242</b>
4	<b>Actual total revenue</b>	<b>109081464</b>
	<b>The percentage of tax revenues out of the total revenues</b>	<b>4.2 %</b>

Source: prepared by the researcher based on the publications of the Budget Department / Ministry of Finance

It is clear from the foregoing that the percentage of tax revenues out of the total revenues during the year 2021 was (4.2%), which requires attention to tax revenues due to their importance in financing the state's general budget, and in light of the reality of the budget that is highly dependent on oil revenues by about (93%) of the total revenues. The goal of reducing the planned budget deficit from (20%) to (3%) of GDP within three years is considered difficult, due to the potential shocks that could result from low oil prices. Hence, the process of estimating oil revenues is often What is taking place according to a conservative price per barrel of oil, which imposes a state of planned deficit, may not be consistent with the proceeds of actual oil revenues achieved at the end of the fiscal year, and this is what happened in most of the annual budgets of Iraq, including the 2021 budget, As focus and attention are given to the planned budget deficit, and the associated internal and external public loans, and the required financial allocations in the annual budgets to service the public debt, without focusing and paying attention to the actual financial surpluses that result after implementing the budgets, and how these are disposed of reforming the tax administration and working to activate the role of taxes in increasing non-oil sources of revenue, especially with regard to increasing the proceeds from the customs tax entering the general budget. The surpluses, which were used in many renter countries, to establish sovereign wealth funds for investments, in order to diversify sources of revenue, and to secure mutual financial support between these funds and the public budget.

## **THE FOURTH TOPIC: CONCLUSIONS AND RECOMMENDATIONS**

### **4-1 Conclusions:**

1. The tax system is a financial tool that aims to achieve the goals of the state that are determined according to its political philosophy, so that the state can obtain resources through it to finance spending and cover the state's public expenditures.

2. Tax revenues are a series of procedures followed by the tax financial authority to collect government debts according to the deadlines specified under the Government Debt Collection Law if it is not possible to collect them according to the Income Tax Law.
3. Tax revenues help finance the state's general budget by setting up appropriate mechanisms to reduce tax evasion and avoidance, as the tax has positive effects on society and the economy during the fiscal period.
4. For the purpose of financing the state's general budget and trying to fill the deficit in it, tax evasion must be reduced and tax avoidance helps in collecting financial resources to support the state treasury so that it can spend on the needs of society such as education, health and others.
5. The dependence of the Iraqi state in its financial resources on oil revenues for a large part in financing public spending, and tax revenues have made important achievements in financing the general budget with amounts after oil revenues to fill part of the financial deficit in the budget and help in advancing the economic and financial reality of the state.

### **4-2 Recommendations:**

1. The necessity of directing the tax policy in Iraq towards new paths to expand the scope of income covered by the tax and raise its percentage by activating its role in achieving the financial, economic and social goals to make the economy more stable and less affected by external shocks.
2. In order for the tax system to achieve social stability and reduce disparity in the distribution of income, coordination and interaction must be achieved between the various types of taxes and the need to achieve compatibility and harmony among them.
3. The necessity of raising the efficiency of the tax system and expanding the tax base to





diversify public revenues, and make tax revenues, both direct and indirect, a pivotal role in the state's general budget.

4. Investigating the burdens borne by the general budget as a result of its support for the losing economic establishment and devoting its resources to support the sectors of education, scientific research, health, attention to the basic environment and the economic establishment of strategic importance.
5. Putting in place tax legislation that is drafted tightly in a way that ensures avoiding loopholes through which taxpayers implement the tax in order to increase tax revenues, and maintain correct accounting records that show expenditures and revenues in a correct and orderly manner and not fictitiously to reduce the bias of the assessor and make his decision more objective.

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