

# Reasons for Low Tax Revenues in Support of the State Budget and Ways to Improve them - Analytical Study in Iraq

**Mostafa A. Almansoori<sup>a\*</sup>, Ali Abbas Kareem<sup>b</sup>, Tariq Hatim Rahi<sup>c</sup>,**  
<sup>a</sup>Accounting Department .Al Muthanna University, Ministry of Higher Education & Scientific Research, Iraq, <sup>b</sup>Accounting Department .Al Qadisiyah University, Ministry of Higher Education & Scientific Research, Iraq, <sup>c</sup>Accounting Department. Al-Furat Al-Awsat Technical University, Ministry of Higher Education & Scientific Research, Iraq, Email: <sup>a\*</sup>[mustafa.abd1983@mu.edu.iq](mailto:mustafa.abd1983@mu.edu.iq)

Collection systems in Iraq are suffering from backwardness and relying on old ways, and that makes the process of collection taxes not fit the size of works and its nature in Iraq. This research comes to highlight the failures faced by the process of collection and accounting taxes in Iraq. The research aims at finding new ways to reach to the process of collection by simple and modern ways used by the e-government to ensure control over the processes of tax collection and adopting technology then using the cross audit mechanism to detect tax evaders in various professions. It is noted that there is no amount that has not been taxed before the start of the first tranche, as prescribed in some countries, in order for the taxpayer to feel the interest of the State in it, and is born with the desire to pay the tax owed to the tax administration. There is an inverse relationship between tax rates and tax proceeds, i.e. the lower the tax rates, the higher the tax proceeds, due to the taxpayers' obligation to pay the tax amount. When the tax rates rise, the tax proceeds decrease because taxpayers evade paying the tax amount. This inverse relations is due to the use of modern technological techniques in the collection as well as the use of modern control methods to follow up the taxpayers and the adoption of cross-checking methods in the work of the Commission like the program used in the social protection network.

**Key words:** *Low tax, budget, analytical study.*



## **Introduction**

Taxation occupies a prominent position in all financial systems of the countries of the world. It is one of the major sources of public revenues of the State and an essential tool of fiscal policy through which it seeks to achieve economic, social and political goals as well as financial goals, as each country needs to increase the tax revenue to be able to carry out its duties through the imposition of taxes. Thus, revenues and their components and methods of collecting them, in general, are significant in financing the state budget. They contribute directly to the coverage of public expenditures. It is limited to the amounts obtained by the State from the imposition of various taxes in its tax system. The section focused on analyzing the results of the information collected from the General Authority for Taxes, Statistics and Revenue Research Department for the years. While the third section was devoted to assessing the contribution of tax revenues to the state budget and testing the research hypothesis, the fourth chapter came with the most important conclusions and recommendations reached by the researchers.

## **Methodology of Paper**

### ***The Problem of Paper***

Despite the issuance of amendments to the Income Tax Law No. 113 of 1982, in particular, the Coalition Provisional Authority No.49 and 84 in 2004, the tax system in Iraq is still in the direct or indirect deduction. Gaps and weaknesses follow - up of the Department of immediate extinction and other sections in the General Authority for the second: the importance of research comes the importance of research through:

1. To detect the weaknesses and weaknesses in these processes and to identify their names to develop appropriate solutions to avoid them in the future.
2. The weakness of the tax accounting mechanism in Iraq and the lack of its contribution to the state budget

### ***The Aim of Paper***

The aim of this paper is to study the General Authority for the strike in Iraq and stems from the overall goal Other sub-goals is the paper firstly, in general, to a critical and analytical study of the calculation of income tax method of direct deduction and on- Ways to collect taxes in the General Authority for the Needle.

Secondly, highlight the contribution of tax revenues in the state budget, and finally, the proposed mechanism for developing tax in Iraq and improving its contribution to the state budget.



### ***The Hypothesis of Research***

H0: The revenues that are collected in the General Authority for Taxation in Iraq contribute significantly to the financing of the public budget State

H1: The revenues collected in the General Authority for Taxation in Iraq does not contribute significantly to the financing of the State budget.

### **Theoretical Analysis**

#### ***Tax Concept***

The state leads to the forecast of public expenditures for the coming year and based on that estimate of revenue necessary to meet those expenses. The tax is an important component of the state's revenues in the case of the free economy. The following shows the concept of taxation from the point of view of several writers and researchers.

1-A compulsory obligation that the taxpayer is obliged to perform in the State according to his ability to pay regardless of the benefits accruing to him from the services performed by the public authorities. (Attaa, 1976:145) For a specified fee, following established rules to be able to do. A monetary obligation in which individuals are forced, whether natural or moral, its performance to the public authorities definitively for no particular charge, in accordance with established rules to achieve public benefit. (Ameptoul: 1986, p134): A share of the production of land and industry for a country. (Al-Ali and Kaddawi, 39: 1989), a monetary obligation paid by the state of Jabra from individuals without charge. (Janabi, 1990: 136) It is a critical monetary deduction made by the state or one of its public bodies on the resources of the various economic units to cover the general burdens without a specified fee, and to distribute these burdens among the economic units according to their caliphate capacity.

(Al-Muneef, 1996) A mandatory and not a punitive obligation on the basis of which individuals are obliged to transfer some of their own resources to the State, free of charge, to achieve the objectives pursued by the State in accordance with specific objectives and criteria.

(Al-Kaabi, 1998: 1) A sum of money, which individuals are obliged to perform by the public authorities, definitively and without charge, following established rules, to be able to carry out the services entrusted to it.

(Al-Nashd, 12: 2000) A financial obligation paid by the individual to the state or to a local public body for a final contribution to the public costs and burdens without any special benefit for paying the tax.



(Draz, 2003: 65) A mandatory obligation is compelling the individual to pay to the State regardless of his willingness or desire to pay. If the same State to escape or refrain from paying the tax was under penalty of punishment, and the State obtained the right to seize the funds of the taxpayer and the use of methods of forced execution.

(Noor et al 2003:13) The tax is a mandatory financial obligation imposed by the state in accordance with a specific law or legislation. It is obtained from the taxpayers without direct charge so that the state can carry out public services to achieve the objectives that the state seeks.

(Thnabit, 2003:121) The amount of money imposed by the State on the taxpayers as a contribution to cover their public expenses definitively and without the return of the private benefit in exchange for the payment of the tax as members of the joint in the State seeking to provide public services.

(Afin et al, 2004:4) An obligation that pays the jibra to the state, which is non-punitive, is paid from the private sector to the public sector, and pre-determined, and to achieve with a different economic and social objectives.

(Athmin 2008:106) It is a mandatory obligation that the state determines by virtue of its sovereignty. The taxpayer is obliged to carry out the duties of the state to achieve its economic, social and political objectives.

(Abu Hashish, 2009: 17) A financial deduction from the wealth of the people by the state by means of reparation, without any special charge, injected by the defendant, with the aim of achieving a general purpose, and in consideration of each other, an amount of money that will benefit the colored treasury. The State, as a contribution to the public expenditures needed by the state, as members of the solidarity in a political organization aimed at public services as a mandatory obligation determined by the state and the duty of the duty-free charge to enable the State to achieve the goals of irradiated.

(Sahan, 2009: 90) it is a deduction paid by individuals to the state free of charge and a final link based on the ability of individual's intensification and to achieve financial, economic and social goals.

(Kakeb 2010:27) as a compulsory obligation and not a punitive obligation to individuals on the basis of the conversion Some of their resources are for the state of Jabra and free of charge to achieve what the state seeks to achieve according to specific rules and standards.



(Qadhi, 2011: 22) It is a compulsory monetary deduction for the benefit of the public authorities, without any direct and specific consideration, in order to ensure the financing of the general burdens of the state, local and regional groups and public administrations. Our view is about previous definitions that the tax is a monetary obligation paid by the individual natural or moral in accordance with the tax laws to the state or one of its general public local final contribution to bear the costs and general burdens without the benefit of the private tax payment.

### ***The Concept of Tax Evasion. Fraud Fiseaale***

The problem of tax evasion is one of the fundamental problems of the tax system. This is due to a defect in the structure of the tax system. Therefore, the State seeks to materialise and activate the financial, economic and social role of taxes while emphasizing the importance of the financial role of taxes.

The basic elements of tax evasion can be determined through the following:

- 1- The taxpayer is not obliged to pay the tax despite the existence of a legal and explicit provision.
2. Tax evasion leads to a decrease in the proceeds of tax revenues regardless of whether the tax evasion is wholly or partially. (Al-rawi 2008: 12).

### ***The Tax Objectives***

There are multiple purposes and objectives to an effective tax code. Historically speaking. It was taxed to the beginning of the twentieth century. The sole objective is the fiscal objective, the state has used the tax to obtain tax revenue to cover public expenditure (1997: 379, Taylor) and the tax revenue at that time should have remained at its lowest so that the traditional tax concept is based on the notion that the tax Evil is a must), and called on the need to keep the tax on neutrality

Economic goals and social objectives, as well as financial goals. The financial objective was the second goal, and it is still one of the main objectives of the majority of countries depend on the assets they receive from the various expenses of the student. As the state intervention increases and the volume or variety of services offered by its citizens and residents increase in education, health, security, etc., the country's expenditure has increased rapidly, Most The countries are subject to the imposition of new taxes, the variety of taxes imposed by the state and the increase in their incomes. The degree of dependence of countries on taxes in financing their expenditures is a high proportion of sources of funding in the budgets of regulated countries such as the United States, Canada and the European countries, And the high level of services they provide. On the other hand, the proportion of the contribution of taxes to the financing of televisions is relatively favourable in developing countries because



of the low level of income of citizens in these countries (Abu Nassar, 2011 4-5). According to Modigliani and Mille, the consequences of taxation affect the financial decisions of institutional operations and the effectiveness of investment (179, 2003, Schwrt et al.). The economic objective: Taxation has become an economic forest as well as achieving its financial goals of economic balance and accelerating economic development as one of the instruments of the supreme fiscal policy to support national industries by following a customs protection policy by imposing high taxes on foreign goods imported from abroad with similar national goods so that national goods can compete with other commodities And is also a tool to direct investment in the area desired by the state when the state wants to encourage investment in the agricultural sector, for example, or the industrial tax rate reduction or announcement of (Ramadan. 2002:33)

### **Methods of progress**

In this method, the financial authority of the external elements takes a measure of the amount of taxable income. This method is based on evidence and evidence indicating the value of the tax base. The amount of the value of the taxable material based on a set of external features that are a function of a person's wealth or income (Kazem 2011, 51). As it does not require much effort, nor does the intervention of the financial authority in the private affairs entrusted and secrets, which do not want to inform others. As well as its simplicity and ease for the staff of financial management, as well as this method, prevents the arbitrariness of the administration in the use of their rights towards the taxpayers and estimate their income more than the reality, or favouring some estimate their incomes less than the fact that the external manifestations are clear so that the work of the financial authority to the work of automated limited. However, in this way, it is taken as follows: -

A- (Khatib and Shamia, 2003:190), that the selection of some external manifestations of the income of the taxpayer leads to the assessment of these incomes away from the truth, Some taxpayers are unfairly attached to each other.

B-The entry often changes in height or down, without altering the outward appearance of the body.

C-The use of this method leads to soldiers of tax revenues.

D- Leads to the deliberate of some of the taxpayers hide the manifestations of the richness of the river payment of taxes.

2 - Method of assessment volunteer (Jazafi): This method is shared with the technique of external appearances in reliance on the evidence without the facts in the assessment of the tax base, but different from the nature of the same evidence in terms of the extent of its association with taxable material in external appearances is almost no relationship between the subject matter for the tax and the base used for estimation. In contrast, in this method rely only on the relevant evidence and close association with the taxable material is a more



accurate and true expression of the external appearance method (Draz and Abboudouh, 2006: 163) its easy, especially for taxpayers who can not for reasons related it.

Thus, this is what leads to constant disagreements between the financial authority and the taxpayer, Khatib and Shamia, 2003: 191).

3- Estimation under the annual controls (default wins): In addition to all previous estimation methods, there is another method used by the General Authority for Taxes, which is one of the most widely used methods, the method of annual bondage checks (Alabodi 2012: 61).

Second, direct estimation methods

this method is mandated to submit a tax return on the amount of income achieved. The method of direct estimation includes several methods:

1 - the method of self-assessment and may also be called the principle (voluntary commitment), which means that the taxpayers voluntarily perform their obligations. So, voluntary commitment is practically achieved through the self-taxing system. Taxpayers who have reasonable advice from the tax administration calculate their tax liabilities and complete their tax returns.

2- Method of estimation by agreement: under this method, an agreement is reached between the financial authority and the taxpayer to determine the taxable material within a certain period of time. The tax law obligates the tax administration to submit the declarations and payments to the tax administration. Every Iraqi taxpayer has a taxable income to submit a report showing the amount of his taxable income. After the taxpayer submits his tax return, he shall set a date for the discussion to give time to the taxpayer to examine his approval. The (Salama, 2001: 527).

3. Administrative estimate: the administrative estimate is the estimate made based on the tax administration's estimate of the taxpayer's income without regard to the amount of the tax paid by the taxpayer. After the expiry of the period specified for the submission of the report, the tax administrations shall examine these reports so that they may be accepted or rejected. If the rejectionist delegate fails to determine the income of the taxpayer herself, based on the information collected by him, (David, 2009: 71)

4. The final estimate: the final estimate is to obtain an estimate of a person in a given year of final grade. This is done after five years of that discretionary year (Al-Hilali, 2001: 528). The law gave the right to the financial authority to estimate the tax based on real income if it had not been assessed on a person subject to it or estimated to be true in the last year or in one of the previous five years, that is, if a person was assessed in an estimated year. The authorities discovered that the tax is worth less than the truth, it is entitled to go back and estimate their income for what it is.

Either in the same estimate year or heights next peaks, but after those years from the abdomen by reference and earn the previous estimate determinism or end (Alabodi 2012 69).

We can see that the methods of appreciation are held within talent states and tax policies and the awareness to see or then play a role in determining the appropriate method for estimating education in Iraq, the method of standard controls is used to determine the taxable income of the taxpayers. However, with the introduction of the Senior Taxers Division, the self-assessment method was adopted in determining the amount of Arabic utilised and for giving a picture. The tax structure in Iraq and some detail of deals with the Iraqi legislator between direct and indirect taxes in the framework of the development of the structure of the tax structure in the Iraqi economy, including

***First: Direct Tax - The Direct Tax of the Following Types***

1- income taxes, the perspective of multiple sources of income has become Income tax is of great importance in modern tax systems. The source may be from work or from capital or both. It can also be business, industrial or a free profession. Each of these sources is called income, either national or sub-income and total incomes obtained by the individual from a different sources know the total evidence, the benefits of this tax in Almsath and the ease in determining the tax price as well as a lack of, in particular, with tax management for easy access to information on the taxpayer tax. The nests in the figure can be divided into

a. Income Tax. Iraq has applied the unified tax system on income according to Law No. (52) of year 1927 and the development of the amendments and cancellations several times Law No. (59) for the year 1959, which remained in effect despite the amendments made to it, For the year 1982 which is so far the application to this time.

b. Property Tax: The first property tax law No. 49 of 192, which was the subject of many amendments until the repeal of Law No. 35 of 1927, which has been a lot of amendments to the issuance of Law (62) for the year 1959, which regulates the tax of Attar in Iraq, This tax is a fixed basic form of annual real estate individuals, but it has been subjected to a number of amendments, the most important of which was the promulgation of Law No. 66 of 2001 (Law of Amendment of the Real Estate Tax Law No. 162 of 1959), which cancelled the text of Article The second of the law, the second which came under a power order Coalition No. 49 of 2004.

c. The agricultural tax has been imposed on the estimated rental value of the land and the object for which it is located is the fact of that agricultural land, or the income derived from the agricultural investment. It was imposed according to Law No. (60) of 1961 but was cancelled in 1980, (Tax, 2010: 122).

2 - Taxes on capital: the capital means, from the point of view of the tax, the sum of movable, movable, material, moral, and cashable funds, which is owned by the person at a given moment, whether it is income-generating Me or my eyes (Penguin, 140: 1972) through this definition, we find that the capital identified from the point of tax all the material things or grilled owned by a person at a particular moment of view, which can be estimated Balnfod whether income or midwife to generate income and are movables.

Real estate such as buildings and agricultural lands are capital, and annual capital is property rights for shares and bonds, and capital taxes can be divided into the following:

A-Taxation of inheritance: The inheritance tax is a non-cycle tax imposed on the occasion of the transfer of wealth from loyalty. The inheritance tax is characterised as an effective tool used in the redistribution of income. Many laws regulating tax beauties have been enacted as of Law No. 157 of 1959, (No. (7) of 1966 and its amendments. The previous law was repealed by the issuance of Law No. (64) for the year 1985, and this law continued in 1994. All corporate tax laws were repealed under Law No. 22 of 1994, For the year 1995, under which the imposition of the tax on inheritance.

B-Land Tax: The Land Tax Law regulates the Land Tax Law (15) for the year 1940, and then under Law No. (53) for the year 1950. This tax was imposed again under Law No. (26) of 1962, which defined land as being within the borders of the Municipality of Baghdad And municipalities in the centre of the provinces, districts and sub-districts, whether they are impregnated or suspended or the fashion registration real estate or granted crisis, if not built on them for the purpose of housing or for any purpose of investment or were not independent economic exploitation under the instructions issued under this law.

### **Direct Taxes Include Indirect Taxes Shapes of the Species**

1. Taxes on consumption are referred to as current expenses, which is the alternative of sieving as a tax base (Debate, 1997; 160). This tax is imposed on the individual on the occasion of the consumption or expenditure incident. The difference between the income tax and the income tax. The income tax is imposed directly on the income of the individual. In contrast, the consumption tax is used when using the revenue in consumption, or indirectly, and the consumption taxes are divided into two categories:

A- Customs Tax: The taxes imposed on goods and products imported from abroad or exported. The provisions of the Customs Law No. (56) for the year 1931 and the Customs Tariff Law No. (77) for the year 1955 are regulated by Law No. 25 of 1984 (54) for the year 2004 and Order (38) for the year 2003 to keep up with the changes that have taken place in the country. Customs taxes in Iraq are currently taxed and replaced with the reconstruction tax imposed on imported goods entering Iraq. Goods such as food, medicine, medical equipment, touch, books are examples of goods imported for humanitarian assistance and imports for diplomats, the United Nations, other international organisations and non-profit organisations. (Camach, 127: 2010).

B- Sales Tax: This tax is imposed on all goods in the case of selling or trading, which is a cumulative tax due to the fact that it is imposed at every stage of the trading of goods. For example, when selling from the product to the wholesaler and again when selling from the wholesaler to the retailer and from the retailer to the latter, and the most important features of this tax is the abundance of proceeds due to cover all kinds of goods as well as the fight against fraud and tax evasion. This tax was imposed in Iraq by virtue of Decree No. (36) of



1997, which included a 10% tax on sales and services provided by hotels and restaurants of first-class and excellent.

C- Production Tax: This tax is on locally produced goods. The inherent safety characterises this tax because it is integrated into the price of the item, so it does not discriminate against the taxpayer because it is inconsistent with the rule of justice in charging the tax smoking. The production tax is one of the important sources in the financing of the treasury of countries as well as an important means by which the impact of the budget because of the supply and demand for the goods subject to these, thus maintaining the balance of the domestic market and is a tax tool that can be by reducing the consumption

2) Taxes on trading: These include taxes on income and wealth when they are traded by the other, and on legal actions, and they are in several forms: ('Ubaidi, 159: 2011).

A- The stamp tax has been imposed in Iraq since the Ottoman period, and the first national law was introduced in Iraq by No. 30 of 1919. The laws and regulations pertaining to the stamp duty were issued until Law No. (16) For the year 1974, which is still in force until now, as amended by Law No. (4) for the year 1977 and apply this tax on contracts of companies, individuals, bonds, shares, networks and others.

C- Registration tax: It is imposed on transfers of ownership to officially documents such as transfer of ownership of the property and cars. These taxes were imposed initially in proportion to the size of the service provided by the State, so they were called fees. At present, the price is not commensurate with the college of the service supplied to the person. Taxation and not of the type of fees, according to the technical tax and the fee.

## **Methodology of Paper**

Despite the issuance of amendments to the Income Tax Law No. 113 of 1982, in particular, the Coalition Provisional Authority No.49 and 84 in 2004, the tax system in Iraq is still in the direct or indirect deduction. Gaps and weaknesses and weakness of follow - up of the Department of direct extinction and other sections in the General Authority for the second: the importance of research comes the importance of research through:

1. To detect the weaknesses and weaknesses in these processes and to identify their names to develop appropriate solutions to avoid them in the future.
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The aim of this paper is to study the General Authority for the strike in Iraq and stems from the overall goal Other sub-goals is the paper firstly, in general, to a critical and analytical study of the calculation of income tax method of direct deduction and non-direct ways to collect taxes in the General Authority for the Needle.

Secondly, highlight the contribution of tax revenues in the state budget, and finally, the proposed mechanism for developing tax in Iraq and improving its contribution to the state budget.

### *Practical Side*

It will address the issue of tax reform in Iraq and the proposed mechanism for the development of tax collection after the review of tax revenues for the last four years from 2014 to 2017 and contributed by the tax institution in support of To balance the general state and the extent of the contribution of other sectors in the budget as shown in Table No. (1)

**Table 1:** Structure of the general revenue for the period ( 2014 – 2017) and Contribution rates

Year Indicators	2014	Ratio of Contribution	2015	Ratio of Contribution	2016	Ratio of Contribution	2017	Ratio of Contribution
The revenues of oil1-	97072.4	91.9	51412.6	77.2	44267.1	81.4	65071.9	84.1
2- Taxes on Incomes and wealth	1402.1	1.3	1618.7	2.4	3229.5	6	4533.8	5.9
3- Commodity taxes and production fees	489.5	0.5	396.4	0.6	632.4	1.2	1764.5	2.3
Fees4-	678.6	0.6	608.0	1	669.2	1.2	788.2	1
Balance of public sector profits5-	1497.1	1.4	1045.3	1.6	682.8	1.3	700.8	0.9
Capital Incomes-6	66.8	0.1	83.1	0.1	41.0	0.1	56.9	0.1

7- trans forming Incomes	1749.7	1.7	2153.3	3.2	3020.5	5.6	2202.5	2.8
8- Another Incomes Summation	2653.6	2.5	9253.0	14	1867.0	3.4	2217.2	2.9
Summation	105609.8	100.0	72546.3	100.0	53413.4	100.0	77335.9	100.0

**Sources:** Central Bank of Iraq, Department of Statistics and Research, Annual Economic Report

### *Tax Reform in Iraq from Mansour International Institutions*

Summary Fundamental changes in the vision of the experts of the IMF and the World Bank to the need to increase the lexicon of speech and the introduction of reforms and reform of the tax administration and the method of collection and opens the IMF in this regard also some of the guiding steps:

- 1 - Reducing taxes on income and the return of capital invested in the private sector
- 2 - Giving quarters of new investments Tax to stimulate investors to increase their investment rates.
- 3- Introducing customs facilities on investment imports by intermediaries for new projects.
- 4- Increasing the rates of indirect taxes such as sales tax
5. Expanding the tax base and reducing tax escalation.
6. Inclusion of activities that have not been tax-deductible.
- 7- Coordinating between customs and sales duties.

**Table 2:** The tax increasing before 2003 and the last amendment to the income and adopted as 1112000

Per . resident		Limited Company	
Slide	Tax price	Slide	Tax price
0 - 250000	% 10	0 – 150000	% 15
250000 - 1000000	% 20	150000 - 3000000	% 25
1000000 - 2000000	% 30	3000000 and more	% 35
2000000 and more	% 40		

**Source:** General Authority for Taxation – Business and professional

**Table 3:** The tax increasing after 2003 according to the amendment made to the income Tax Law No .113 of 1982 as amended by No . 49 of 2004 .

NonResident and resident All types of Companies

Slide	Tax price	Companies
0 - 250000	%03	The ratio of price is %15
250000 - 500000	%05	
500000 - 1000000	%10	
1000000 and more	%15	

**Source:** General Authority for Taxation – Business and professional Section

The Direct Tax Administration - with the importance of a unified income tax - has prepared a draft consolidated income tax code that has not yet been legislated. Problems of the draft unified tax law on money

(1) The draft law is a mating between the Income Tax Law No. 13 of 1982 amended and the law of the crime of real estate No. 162 of 1959 amended

(2) and then take the draft considering the possibility of dealing with another length such as local agricultural income under the law Income Tax No. 113 of 1982, which kept the draft exemption as it is.

(3) The draft law divided the contract of imposing the tax between the champion of the resident's taxpayer and the non-resident taxpayer's income, as indicated in the table (3).

**Table 4:** Consolidated income tax prices proposed under the draft Consolidated tax law on income

The Residence		Non-Residence	
Slide	The price of tax	Slide	The price of tax
0 – 3000000	%3	0 - 3000000	%5
3000000 – 6000000	%5	3000000 - 6000000	%7
6000000 – 10000000	%7	6000000 - 10000000	%10
10000000 – 15000000	%10	10000000 - 15000000	%15
15000000 and more	%15	15000000 and more	%20

This is the path between values and non-residents. In some respects, there is no justification for standing at the last price of 15%, and it could not play its role in achieving the objectives of the tax system.

(4) Drafts draft Tax on the transactions exclusive ownership of the property after the exemption of the first 50 million or fifty percent of the estimated value of the property or by the two more According to the second: Up to 150 million one hundred and fifty million dinars Ammar for one million and one hundred and fifty million dinars and up to 300 million



three hundred million dinars Which has returned about 3000000 three hundred million dinars up to 550. 000. 000 Five hundred and fifty million or more than 5500000 Five hundred and fifty million dinars up to 95000000 nine hundred and ten million dinars 10% of the reported 950000000 nine hundred and fifty million dinars The draft fatwas with the contents of resolution 120 and 2000 with some modifications, which has cancelled the performance Article (20) of the Transport Tax Law No. 113 of 1982, amended without offering an alternative, and the highest debt (10%) after surah is high. It was better to stand at 60% despite the fact that it is stable about the tax credit of the dam, which is subject to profits for tax, but e This village was realized and that the property was sold at a loss to the limited Iraqi companies. The draft law subjected it to a relative price of 15% and was relatively low, far from the shame of beatings in the tax systems of the protectorates. Algeria, for example, levies a tax rate on the wind. To 30%, and Jordan lends its share to the target person from 15% to 35% according to sectors and vital importance. Under the latest amendment, which was implemented as of 1/1/2002, after the tax rate peaked to 55%.

However, the distinction between national and foreign companies may not be accepted as it may hinder the flow of foreign investment and oppose the orientations of international institutions. However, the draft unified income tax law represents an important step towards the development of tax forces and upgrading them following the requirements of the reform.

### 3 - 3 Proposed mechanism to be developed collection mechanisms in the tax system in Iraq

The researcher adopted a program to develop mechanisms of tax collection in Iraq and water:

First: the response to Article (25) of the Constitution, which imposes on the government the need to reform the Iraqi economy and economists know that there can be economic reform without tax reform, and Article (107) of the Iraqi Constitution, which gave the central government powers to formulate fiscal and customs policy.

Second: the need to leave Old methods of taxation and economic policies. What Iraq needs now is an adaptive tax system that meets three elements: fairness, objectivity and simplicity, as follow:

1. Objectivity means adapting the tax system to suit the reality of the Iraqi economy.
2. The commitment of justice in the imposition of the tax is the way that calls on the taxpayer to implement his commitment voluntarily, or it will leave a psychological impact Sina has to pay to tax evasion.
3. Simplicity is achieved by leaving old methods and the imposition, of the assessment and collection of the tax, which will cost the state additional expenses and efforts and add the relationship between the taxpayer and the administration.

We can suggest a set of measures to achieve this mechanism is as follows:

1. The unification of the direct tax laws currently in force in the unified income tax law under the Real Estate Tax Law No. (162) for the year 1959 and the Land Tax Law No. (26) of 1962 with the Income Tax Law No. (113) for the year 1982. Dispersion in the collection of existing taxes is known to be. The taxpayer reviews many tax branches, some of which are in the provinces, which complicates the tax procedures. At the same time, the unified law financed the taxpayer's fees in case of application to review one department and one appraiser and to account for all his income from the professions and real estate. The issuance of such a law must take into account:

A. Encouragement of investment and national production by exempting these investment projects or productivity from the tax for a specified period at the start of its work.

B. To subject the funds of Iraqis at home and abroad to a tax subject to double taxation. C. To reduce the tax rate on the salaries of state employees as low-income people, so that they do not apply the same provisions of tax collectors of companies and traders.

D. Commentators who have taxable income and who have not been audited are subject to this law, but on condition that they register themselves in the tax services and pay the tax on time.

2-In the case of indirect charges, the researcher finds that the value-added tax, which proved successful in most countries, especially developing ones, is the best in terms of internal consumption control and the financial resources that can be charged from this tax.

3- Providing legislative and legal navigators by keeping pace with global and regional developments by enacting laws and legislations, followed by reality and meeting the needs of the Iraqi economy instead of obsolete laws.

4-The need to adhere to the income tax and activate its role as a tool for planning and economic guidance.

5- pursue a policy of raising tax rates or reducing some exemptions for some relatively high incomes.

6- The work of the legal environment that governs the economy by avoiding the gaps in existing laws to reach laws that are commensurate with the current economic situation.

7-In order to meet the obstacles facing the collection of tax revenues to the tax administration.

8- Develop and update the performance evaluation indicators approved by the General Authority for Taxation, conduct an analysis of the growth indicator of the tax revenue to take into account the impact of each type and each section and branch in the body as it is implemented within the organizational structure to monitor the performance of each and accurately requires.

9-The General Authority for the poor increases its role in tax awareness community and current and prospective donors, which contributes to reduce tax evasion and raise the level of commitment through the use of various media and making seminars.

10. Raising tax rates on high-income earners on the one hand and widening the tax base, on the other hand, leads to an increase in tax revenues.

11-Develop deterrent legal measures to prevent tax evasion. The Iraqi Council of Representatives shall establish binding laws for the resident and non-resident Iraqi individuals to pay taxes, taking into consideration the residents of the appropriate areas.

12- Use cross-checking programs similar to the social protection network to follow up taxpayers and collect taxes from them.

13-Activating coordination with the ministries of the state, trade unions and various bodies to provide the Authority with the quotes of the work done with the recipients through the Internet Advanced

### The Reforming of Tax in Iraq

<b>Increased the efficiency of achievement tax</b>	<b>The Reforming of Tax</b>		<b>With data</b>	<b>Objectives</b>	
<b>Combating tax evasion</b>	<b>Expansion of the tax base</b>	<b>The tax on added value Repairing of the tax of the karmic Activation of canceled taxes and introduction new taxes</b>	<b>The degree of government intervention in Economic activity</b>	<b>Increased tax revenues</b>	<b>Financial</b>
<b>Improved tax administration by Using the incentive system for employees Raising the efficiency of staff Transparency tax Using the enabled information</b>	<b>The Price of Tax</b>		<b>Economic development strategy</b>	<b>Activation of its role of economic</b>	<b>Economic</b>



<b>systems</b>				
<b>Mobilization of possible areas of tax linkage</b>	<b>The legislation of Tax</b>	<b>The level of Economic activity</b>	<b>Achievement of social Justice</b>	<b>Social</b>
	<b>The awareness of tax On the level of taxpayers On the level tax administration</b>			

## Conclusions

These conclusions include:

1. Several factors contributed to the increase in tax revenues, including:
  - (A) the reduction in tax rates following Order No. 49 of 2004 issued by the Coalition Provisional Authority;
  - (B) doubling the 100% taxable segments as per Order No. 20 of 2008;
2. It is noted that there is no amount that has not been taxed before the start of the first tranche, as prescribed in some countries, in order for the taxpayer to feel the interest of the State in it, and is born with the desire to pay the tax owed to the tax administration.
3. There is an inverse relationship between tax rates and tax proceeds, i.e. the lower the tax rates, the higher the tax proceeds, due to the taxpayers' obligation to pay the tax amount. When the tax rates rise, the tax proceeds decrease because taxpayers evade paying the tax amount.
4. Some factors affect tax revenue; among these factors is poor tax awareness among taxpayers, so taxpayers do not initiate information about their taxable activity and thus affect tax revenue.
5. The inefficiency of tax administration compared to developed countries and the adoption of backward methods and methods in determining the tax base and its inability to reach most tax bases lead to a decrease in tax revenues.
6. Failure of the tax legislator to keep pace with the development that is happening in the world regarding tax legislation
7. The Commission did not use technological developments and modern techniques in contacting the parties with whom the businessmen are associated, especially the department concerned in coordination with the General Authority for Taxes, as well as in all ministries, unions and public associations in order to motivate its dealers to obtain a clearance from the Authority before ending the work with them or granting them licenses to practice the profession. As in the unions



## **Recommendations**

- 1- The need to adhere to the imposition of income tax, through the reduction of tax rates to raise the proceeds of tax revenue and should not return to double the segments on which the tax is imposed.
2. Increase the contribution of tax revenues to the state budget.
3. Activate the tax collection process in the Commission by setting standards for collection levels and on the contrary, punish the sections that did not reach the required level and reward the sections that achieve the required level rewarding rewards
4. The use of modern technological techniques in the collection as well as the use of advanced control methods to follow up the taxpayers and the adoption of cross-checking methods in the work of the Commission like the program used in the social protection network



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