Economic Development within the Framework of the Implementation of Economic Reform Programs\ Taxation Case Study

Dr. Wisal Abdullah Hussein

University of Baghdad/ Market Research & Consumer Protection Center
Assistant Professor, Oroba, Main. Ayesh/Middle Technical University/ Institute of Technical Management

Abstract: ***Iraq depends on oil resources as the main source to achieve the requirements of its economic development. The Iraqi economy is characterized by a rational economy, so the impact of the drop in world oil prices on its financial resources. Therefore, we tried to highlight the importance of relying on resources other than oil to finance the budget, Within the framework of economic reform programs, which branch out tax reform. We have tried to make it clear through tax indicators whether tax increases or taxes can be added to diagnose the obstacles to tax reform such as regulatory, human, financial, legislative, and technical constraints to determine the steps to start.***

Keywords: tax reform. development. economic reform. growth. tax energy

1. Introduction

Iraq's development plan for the period 2013-2017 relied on Iraq's revenues from the export of crude oil. As a result of the decline in oil prices in international markets (oil prices were below $ 50), the implementation of this plan was delayed.

The decline in oil prices led to a deficit in the state budget. In order to finance the development programs, it was necessary to look for financial resources other than oil, including tax revenues. This requires reconsideration and reform of tax administration policies to increase financial revenues. Review of the problems facing the tax reform process.

2. Search Problem

The deficit suffered by the general budget of the Iraqi state, as a result of its reliance on a depleted resource, oil, which has declined in global markets during the years of research, to the inability to meet the requirements of economic development, so it was necessary to search for resources other than oil, Of economic reform in order to contribute tax revenues to achieve economic development in Iraq.

3. Importance of Research

The research derives its importance from the fact that increases in tax revenues will contribute to the increase of revenues of the general budget of the state, as well as the importance of these revenues in achieving sustainability for the implementation of the economic development plan.

4. Research Objectives

1) Statement of the impact of tax revenues on economic developments.
2) To determine the possibility of increasing taxes and the addition of new taxes through tax indicators.
3) Highlight the problems that were caused by the lack of tax reform.

The hypothesis of research

The research was based on a basic premise that "there are no constraints affecting tax reform, which is the necessary condition for economic development."

First: Growth and Economic Development: General Concepts

Economic development is defined as the process by which the quantity of production and services is increased through the structural changes that occur in the economy and lead to an increase in the average real income of individuals accompanied by improving their living conditions. It is also concerned with the quality of goods and services provided to individuals. But to the species. It was also known as "a process of change in the sizes and values of the components of the economy until it reaches the components of the production elements, the production sectors, the average per capita income, the distribution of income between consumption, savings andand investment "(Maarouf, 2005: 11).

Economic growth means an increase in the value of goods and services produced by each sector of the economy. Economic growth can be measured by measuring the increase in a country's GDP.

The distinction between growth and economic development must be distinguished as the concept of development is broader than growth, as economic growth is the increase in population and per capita GDP. Economic development is the gradual change in economic construction. The growth of something means to increase it from the case of greater or better automatically without intervention either development of the thing means the act or growth events intentionally (Ben Qana, 2012)

Second: The concept of economic reform and tax reform

This term was used by the International Monetary Fund and the World Bank to address structural imbalances in the economy such as the budget deficit, high unemployment rates and other problems facing the economy. Tax reform is part of the economic reform prog The tax reform is defined as "a process aimed at efficiency, justice and the economy, including tax legislation and the tax system, and aims to harmonize economic objectives, efficiency and justice" (Kamach, 2010, 56). It can also be defined as the intended change of the existing tax system aimed at meeting new needs, or amending and responding to new environmental constraints, taking into account economic, social and political specificities "(Qadhi, 2011: 249).

Third: The Positive Reasons for Tax Reform in Iraq

The decline in oil prices in the world markets led to a decrease in Iraq's financial revenues, and then exacerbated the fiscal deficit in the federal budget, which means the need to reform the tax system in order to increase tax revenues. Article (25) of the Iraqi Constitution provided for the government to implement programs Reform of the implementation of tax reform (Bash, 2008: 94). In addition, the tax payment system in Iraq needs to be reformed. This is illustrated by the World Bank Index, known as the Easy Tax Paying Index for easy payment of taxes and the time it takes to deal with tax authorities. Table 1 shows

Table 1: Iraq's ranking in the Arab index of ease of payment of taxes for the period 2012 2013

Ranking				country	Ranking of Arab countries
Time to deal with tax authorities in hours		Easy to pay taxes			
2013	2012	2013	2012		
3	3	2	2	Qatr	1
2	2	4	4	United Arab Emirates	2
14	14	7	7	Saudi Arabia	3
8	8	8	8	Amman	4
29	29	11	9	Kuwait	5
3	3	13	14	Bahrain	6
22	22	26	22	Jordan	7
51	51	28	26	Palestine	8
62	62	34	46	Lebanon	9
125	125	53	50	Iraq	**10**

Source / World Bank Group / Business Performance Database

Table (1) shows that the performance of Iraq at the level of the Arab countries falls within the ranking of the tenth ranking (10), but the global ranking was easy to pay the tax for both 2012 and 2013 amounted to (50), (53), respectively, the time it takes to pay Tax hours lost (125) hours for the year 2012 and 2013 is a long time because of the complexities of procedures, which may give way to vulnerable souls to exploit this for personal reconciliation.

All this necessitated the implementation of economic reform programs, including tax reform programs.

Four: Tax Indicators in Iraq

In this regard, we highlight the most important tax indicators in Iraq:

1- **The tax energy index**

This indicator shows the extent of the taxpayer's ability to pay taxes through the ratio of average per capita income to national income, as in Table (2)

Table 2: Iraq's tax energy for the period 2010-2016 (ID million)

Tax energy 1/2%	National Income (2)	Tax Revenue (1)	Year
1.05	**146453468.5**	**1532438**	**2010**
0.93	192237070.3	1783593	2011
1.16	227221851.2	2633357	2012
1.40	243518658.5	3419976	2013
1.79	237554034.2	4263681	2014
3.94	187486415.2	7385399	2015
4.65	164536210.1	7645631	2016
2.13	Average 2010-2016		

Source / The table was prepared by the researcher using data from the Ministry of Planning, National Accounts, either tax revenues from the General Authority for Taxation, Planning Department

Table (2) shows the average tax energy for the period 2010-2016 (2.13%) with the highest rate in 2016 (4.65%) and the lowest tax capacity in 2011 (0.93%) due to the increase in taxes on state employees As well as the activation of Customs Taxlaw.

2. Tax burden indicator

Is the ratio between total tax revenue and gross domestic product (GDP). This indicator shows the efficiency of fiscal policy in financing (Camach, 2005: 105). In Table (3) we show the tax burden in Iraq for the period 2010-2016

Table 3: The tax burden in Iraq for the period 2010-2016 (ID million)

Tax burden 1/2%	Gross domestic product (2)	Tax revenue (1)	Year
0.95	162064565.5	1532438	2010
0.82	217327107.4	1783593	2011
1.04	254225490	2633357	2012
1.25	273587529.2	3419976	2013
1.60	266420384.5	4263681	2014
3.55	207876191.8	7385399	2015
3.89	196536350.8	7645631	2016
1.87			

Source / The table was prepared by the researcher using data from the Ministry of Planning, National Accounts, either tax revenues from the General Authority for Taxation, Planning Department

The tax burden during the period 2010-2016 reached (1.87%) and recorded the highest rate in 2016 (3.89%) and the lowest tax burden in 2012 (0.82%). When comparing the average The tax burden with the tax burden identified by the IMF studies of developing countries (18%) (NDI, 2016: 82) shows that it is possible to increase tax in Iraq or impose new taxes, meaning that there is a need to implement tax reform programs**.**

5. Conclusions

1) The bulk of the GDP, which is the extractive industry, is outside the tax accounts because it is state owned, except for licensing rounds.
2) The Iraqi economy sector, including agriculture and industry, is exempt from taxes.
3) The industrial sector is almost completely disrupted in Iraq at the present time, so taxes actually impose a small part of economic activities. Tax reform is necessary, and it is possible to move in certain directions in a way that does not affect economic activity and the standard of living of individuals. In addition, in the area of direct taxes, tax exemptions can be reformulated, in order to achieve the desired goal of the policy of exemptions and restrict them to the important aspect, with the existence of a body capable of evaluating the extent of benefiting.

6. Recommendations

1) Reformulation of the upward tax ladder in two directions:
   a) Raise the tax threshold to support low-income classes.
   b) Liberalization of the low tax rate (currently 15%) to the approximate price of tax rates in the neighboring countries.
2) Issuing a general amnesty for all violations.
3) Increase the tax rate and provide real support to the private sector, as the tax base can be expanded through this support.
4) enact legislation and deterrent laws that fight tax evasion.
5) Provide adequate and legal protection for employees working in the tax administration.

References

[1] Maarouf, Hoshyar, Studies in Economic Development, Dar Safa for Printing, Publishing and Distribution, Jordan, 2005.
[2] Ben Qana, Ismail Mohamed., Economics of Development, Theory of Models, Strategies, I, Amman, Jordan, Osama House for Publishing and Distribution.
[3] Khazali, Raya Hajafat Abdullah, The Impact of Financial Policy Change on Tax Revenue, Research Presented to the Higher Institute of Accounting and Financial Studies, University of Baghdad, 2015.
[4] Kamesh, Karim Salem, Future of the Tax System in Iraq in Transition to a Market Economy, PhD thesis in Economics, Faculty of Management and Economics, Mustansiriya University, Baghdad, 2010.
[5] Qadi, Abdul Hamid, Studies in Tax Science, Dar Jarir Publishing and Distribution, Amman, Jordan, 2011.
[6] Bash, Ali Abdul-Azim, The Role of Taxation in the Financing of the Public Budget in Iraq, High Diploma for Masters, The Higher Institute of Accounting and Financial Studies, University of Baghdad, 2008.
[7] World Bank Group / Business Performance Database
[8] Nadi, Saad Ali, The Role of the Tax System in the Redistribution and Distribution of National Income in Iraq for the Period 2004-2013, presented to the Higher Institute of Accounting and Financial Studies, University of Baghdad, 2016. Ministry of Planning, National Accounts, either tax revenue from the General Authority for Taxation, Planning Department