

THE ROLE OF TAX REVENUE IN ADDRESSING THE BUDGET DEFICIT IN IRAQ

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ABSTRACT: *General Budget in Iraq relied on oil revenues to finance aspects of spending accounting for a large proportion of between (94.97%) of the total public revenues estimated, posing a risk to the overall Iraqi economy to link oil prices, foreign currency and its impact by making the economy of Iraq depends resource and one to get its revenue, while the amount of the contribution of other revenue ranged between percentage (%6.3) of the estimated total public revenues, and decreased tax rate in the state budget over the past years, ranging between (25%) of the total estimated revenue. Since starting the process of economic reform requires activating the role of the sovereign and in particular tax revenues, it has been highlighted on the size of tax revenue and its role in the financing of the budget for the period 2011 until 2013 statement continued reliance on oil revenues, up to the present day. Through this study also measured the tax performance indicators for the period 2004- 2012, which are available data, to measure the effectiveness of the tax system through tax power indicator, the tax burden, tax effort, the income elasticity of taxes, has been shown that there is an untapped tax energy in the Iraqi tax system helps on the possibility of introducing new vessels within the tax structure and the imposition of new taxes.*

KEYWORDS: Budget, Taxes, Budget Deficit, Iraq

INTRODUCTION

Continued adoption of Iraq's budget on oil resources as revenue to finance government spending programs, and this contrasts with the declared policy of the Government aimed to diversify its funding of public budget sources (the federal budget of the Republic of Iraq Law No. 22 of 2012). It is the risk index for the fact that these resources are depleted added it affected the global market of speculation and expectations are changing crude oil prices, which Snek heavily on oil revenues in Iraq and thus find the source of the funding basis of the general budget. Since starting the process of economic reform requires activating the role of the sovereign revenue, particularly tax them for the advancement of its role in the financing of the general budget. It is through this study to answer the following question: Is the Iraqi tax system bears Add new taxes to increase tax revenue? And measure the effectiveness of the tax in the Iraqi economy through tax performance indicators for the period 2004-2012 to see the possibility of increasing tax revenue and reduce the deficit problem facing the Iraqi budget for the time being. This is what made this study differs from other studies.

THEORETICAL FRAMEWORK OF THE RESEARCH

Definition of the General Budget

Word (Budget) are derived from the Old French word (Bougette), which means a bag or small bag, use starting in Britain shows the government bag that he was carrying Minister English Treasury when he went to parliament and they contain financial documents and seals Obianat ministry-related expenses of state and revenue (Muhammad: 1977). Budget has been known from the Iraqi Finance Management Act of 2004 as "a financial program based on annual estimates of revenue and expenses and in-kind transfers and transactions of the government (financial management and public debt: 2004)." Also known as "the state budget Governmental Accounting Manual issued by the regional conference of the United Nations, held in Beirut in 1969, including:" The budget is an annual process based on the planning, coordination and control the use of resources to achieve the objectives required efficiently they are essentially the process of decision-making in a way can be performed by by officials at various levels of management planning and implementation of program operations planned manner to get the best results through the distribution and the most effective use of available resources (Al-Khatib and Mahayni: 2008).

As in Iraq, has been known legislator general budget as "contained guess revenues and expenditure for the financial year and one had to be in the budget law tables" is also "based on annual estimates of revenue and expenditure of transfers in-kind transactions of the government financial program" (Daoudi: 2013). oanzer the public budget by legislative power as a tool of control and accountability for the work and activities of the executive branch and the government's policy in different areas by modifying and reducing the required funds for the implementation of policies (Mashhadani: 2010). Through the above, it is clear that the previous definitions dealt with the concept of balancing accurate treatment and gave the meanings clear that the public budget is only a financial expression of the government's program of action for economic activity.

MODALITIES FOR FINANCING THE GENERAL BUDGET

The State is seeking to adopt a structure that would increase the general revenue of the state by raising the efficiency of government institutions, with consequent low efficiency of the work of government institutions, poor public services and high levels of cost, which is reflected in the increase in the budget deficit. And sources of government revenue is as follows (Albkhittawi: 2011) as follows:

- Current revenues (normal)
- Capitalism revenue
- Grants and aid
- Funding

That many public revenues tools, and every tool an effect different from the effect of other tools on the state budget and the economy, the taxable income of both types of direct and indirect taxes can contribute to the financing of the budget deficit without causing any negative effects on economic activity as events inflation or deflation as long as deducted for exceeding the limits of the estimated national cost. In Iraq, the tax directly, both the indirect a

percentage not exceeding 4-5% of the total public budget revenues did not contribute to the duration of the search and hold this rate to the present day, despite the possibility to take advantage of the size of the tax revenue to address the budget deficit will be discussed through the study of its importance as a source of funding.

DEFINITION OF TAX AND TAX PERFORMANCE INDICATORS

A. Definition of Tax

The tax was a form since ancient times, a source "financially" major "But evolution has become important not to provide funds to finance the public treasury only for the state but for being one of the most important means to influence the movement of the economy to achieve social and political goals seek to achieve each state. And I have known tax "cash amount charged by the state or one of the local bodies where Jabra" collected from the taxpayer and are final and without charge, according to the law or specific legislation, and the goal of taxation contribute to cover various expenses of the State and the achievement of some of the economic and social objectives which the State is seeking to access it (Abu Nassar: 2011).

The (Khureis) tax has been known that it is obligatory financial performance required individuals to public authorities, permanently, without for a certain, according to the rules scheduled to be able to achieve the overall objectives (Khreis: 2012).

B. Tax Performance Indicators

There are some scientific measurements that depend key indicators to measure the performance of the tax system to determine the extent of its ability to achieve its objectives in the mobilization of financial resources to the crisis in public finance and budget as follows:

–Tax power indicator

Energy tax is one of the most important indicators used to measure the performance of the tax in any country to get to know through the tax system efficiency and effectiveness because it is the tax revenue that the government can obtain. So we can say that tax energy is (maximum tax burden is best that society can afford in light of its productivity as well as "the government's ability to collect taxes, and this concept of tax energy to make it represents the tax burden is best which reconciles the government's need for tax revenue to finance public expenditure and the amount of capacity to limit the tax levied on the one hand and between the individual's ability to pay taxes and bear the burden of the other) (Bash: 2010).

The decline has been relying on the line equation is the ratio of foreign trade to gross national product as well as the average per capita income, according to the following formula:

$$T/Y = b_0 + b_1 YP + (FY)$$

T/Y The ratio of total tax to GNP

YP Average per capita income

F/Y Foreign trade ratio (economic openness)

– The tax burden index

The indicator "to clarify the extent of state intervention in the national economy as well as it reflects the extent of the tax system efficiency in funding. This represents the ratio between the total tax revenues to GDP (Kemash: 2002).

–Tax voltage indicator

Is one of the indicators used in the performance and efficiency of the tax system in any country as it shows the size of the tax revenue that the government would like to get them to improve the income from taxes and tax effort is extracted by dividing the tax burden on tax Energy Assessment (Kharabsheh: 1997).

c. Income elasticity of taxes Index:

Degree and dealing with tax changes resulting in GDP response and when the value of the income elasticity coefficient greater than the right one for taxes this indicates that the tax structure is flexible and responsive to changes in the gross domestic product, either when the value is less than the correct one modulus of elasticity or equal This indicates that The tax structure is flexible and that the GDP growth rate of total, a greater degree of tax growth rate (Shaykhli: 1997) and is extracted this index by dividing the tax rate of growth of the GDP growth rate (Muhammad:2009).

RELATIVE IMPORTANCE OF TAX REVENUES TO FINANCE

1/ Sources of funding for the general budget in Iraq

The overall revenues one side of the general budget and relies heavily on the oil sector in the financing, and the most prominent revenue used to finance the general budget in Iraq is also in the following table:

Table (1) The source of funding for the general budget in Iraq for the period 2011- 2013

Year Revenue type	2011			2012			2013		
	The actual	relative importance%	% Growth rate	The actual	relative importance %	% Growth rate	The actual	relative importance %	% Growth rate
Oil revenues	71872,5	88,8	128,2	94378	89,9	131,3	111078,9	90,3	117,7
Tax revenue	952,7	1,2	144,3	4215	4,0	442,4	4769	3,9	113
Other revenue	8109,5	10,0	161,4	6433	6,1	79,3	7153	5,8	111,2
Total	80934,7	100	433,9	105026	100	653	9123000	100	341,9

Table (1) note that the relative importance of oil revenues in the state budget for each of the years(2011, 2012.2013) was (88.8%, 89.87%, 90.3%), respectively, a percentage too high so as to resume the export of oil, which confirms the adoption of funding in the Iraqi economy on oil revenues, while the tax revenue they constitute less important in the proportion of funding for the state budget in terms of (1.2%, 4.0%, 3.9%) for each of the years (2011.2012 0.2013), respectively. Non-interest income was the relative importance in each of the years) 0.2011, 2012.2013 (reached (10.0%, 6.1%, 5.8%), respectively.

Thus, we conclude that the tax revenue not rely upon as a source of financing for the general budget in Iraq, where it formed the highest relative importance in 2012 where he was (4.0%), a very small percentage "compared to oil revenues and other income, which means the continuation of palaces Lease role of taxes.

Percentage contribution of tax revenue to finance current expenditures

Through the table (2) has been compared to the proportion of tax revenue to the government current expenditures, as follows:

Table (2)

The contribution of tax revenue from current expenditures for the period 2004- 2010 (Million)

year	tax revenue 1	running costs 2	rate 1/2
2004	253500	20145100	1,26
2005	647355	35981168	1,80
2006	2417018	37494454	6,45
2007	950215	39031232	2,43
2008	4802871	59403375	8,09
2009	2837239	52567025	5,40
2010	13097191	64351984	20,35

Note from Table 2 shows the ratio of tax revenue to finance the government current expenditures during the period 20.04201 million and that these varying ratios during this period, and the lowest rate of (1.26%) in the year 2004 which is a very low ratios as the increase in not worth the increase in taxes expenses, and the highest percentage (8.09%) in 2008 to work some tax reforms, such as increasing taxes on the salaries of state employees, for example, but these ratios do not fit the size of expenditure in the budget, it must activate the role of taxes in fits and economic developments in Iraq.

INDICATORS TAX PACInNG IN IRAQ

The energy tax and the tax burden and the income elasticity of taxes and tax effort of the most important indicators for measuring the effectiveness of the tax system in order to take the necessary measures for the advancement of the tax system to take advantage of it in the

general budget and finance as follows:

1/ Energy tax

We will calculate the tax power in Iraq, depending on the researcher rates (Zidane: 2012) because it was originally adopted the International Monetary Fund rates because it is closer to reality, as adopted in tax energy is calculated on the international CT sample bench a large group of developing countries, instead of the time series and won researcher on the results proved conformity with the outcome of the International Monetary Fund in spite of updated data as a function of energy tax has been calculated for the average per capita income and the degree of economic openness equation :

$$T/Y=8.86+0.0002YP+0.12FY$$

$$1-8.86+0.0002(1.54)+0.12(131.50)=25,56$$

Table (3) Energy tax calculation in Iraq in terms of average income per capita and the degree of openness for the period 2004- 2012 (Million)

Year	the average per capita income of 1	degree of economic openness 2	1/2% energy tax
2004	1,54	131,05	25,56
2005	2,03	127,075	25,08
2006	2,92	75,97	18,51
2007	3,73	122	24,35
2008	2,65	118,56	23,92
2009	4,0	4,71	9,46
2010	4,76	0,66	8,94
2011	4,2	3,2	9,24
2012	3,65	2,1	9,11
2012 - 2004 Average for the period			17.13

Seen from the above table shows that the average study period 2004-2012 amounted% (17.13) function of the average per capita income and the degree of economic openness) through ratio proves that there are energy tax untapped moderate rate compared to that called for by (Colin Clark) not to override the tax deduction for (25%) of the gross domestic product .mma shows that there is a tax on energy untapped.

The tax burden

Through Table (4) note that the tax burden taking disparity between the rise and fall as it reached its highest level (8.21%) in the year 2010 as a result of an increase in both tax revenues and GDP, where tax revenue recorded the highest level in the year 2010 through duration of the study. And that the average tax burden for the period 2004 - 2012 was (3.94%). The low proportion of the tax burden for Iraq indicator confirms the possibility of expanding the introduction of new receptacles within the tax system which achieves the goal of the research.

Table (4) The tax burden in Iraq for the period 2004 - 2012 (Million)

Year	tax revenue 1	GDP 2	tax burden 1/2%
2004	253500	47958545.6	0.53
2005	647355	64000065.6	0.97
2006	2417018	95587954.8	2.53
2007	950215	107828462.5	0.88
2008	4802871	155635503.6	3.57
2009	2837239	139330210.6	2,04
2010	1309719	159607124	8,21
2011	952,7	62600000	1,52
2012	4215	89850	4,69
	Average for the 2012-2004 period		3.94

Source/Ministry of planning National Accounts

Tax effort

Table (5) Tax effort in Iraq for the period 2004- 2012 (Million)

year	2/1% tax burden	Energy tax 2	Tax effort 1/2
2004	0.53	25,56	0,02
2005	0.97	25,08	0,04
2006	2.53	18,51	0,14
2007	0.88	24,35	0,04
2008	3.57	23,92	0,15
2009	2,04	9,46	0,22
2010	8,21	8,94	0,92
2011	1,52	9,24	0,16
2012	4,69	9,11	0,51
	The average tax effort for the period 2004 - 2012		0,24

Source/ table has been prepared by the researcher using table 3,4

The table shows (5) that the tax effort for the years 2004 to 2012 amounted to less than the correct one much, as the average for the period amounted to (0.24) and this confirms that there is a tax energy untapped in the Iraqi economy, as it appears that the tax policy after the events of 2003 ineffective in the performance of its functions in financing the state budget.

Income elasticity of taxes

Will be the income elasticity of the tax is calculated in the Iraqi economy for years to research of duration (2004 - 2012) through (Table 6), as follows:

Table (6) The income elasticity in Iraq for the period (2004- 2012)

year	Tax rate of growth	GDP growth rate	The income elasticity of taxes
2004	-16.9	62.1	-0.2
2005	145.3	33.4	4.3
2006	288.6	49.3	5.8
2007	-60.8	12.8	-4.7
2008	487.2	44.3	10.9
2009	-48.9	-10.4	4.6
2010	461,6	133,5	3,5
2011	144,34	34	4,2
2012	442,42	43	10.3
Average period 2004 2010			4,3

Source / table has been prepared based on the data of the Ministry of Finance, the Ministry of Budget and Planning Department, the Central Organization for Statistics and Information Technology, and with respect to 2011 and 2012 of the Ministry of Finance data, economic indicators

Note from the table (5) shows that the average income elasticity of taxes in Iraq for the period (2004, 2012) amounted to (4.3%) and the lowest was flexibility in the years (2004 and 2007) by a factor of negative elasticity (0.2 -, 4,7-) on respectively, and these transactions contrary to economic theory with respect to Trdah about the relationship between these two variables (taxes and GDP), where it turned out that the income elasticity coefficient for each of the years (2005.2006, 2008, 2009.2010, 2011.2012), which is positive and greater than one values correct this evidence "that the tax system in Iraq flexible and can add other taxes to increase tax revenue.

We conclude that there is a lack of reliance on tax revenue to finance the state budget, despite the existence of untapped energy tax in the Iraqi tax system. "

RECOMMENDATIONS

- 1- not to overlook the role of taxes in financing the presence of oil revenues, but must remain an important resource, because oil resources subject to fluctuations due to external or political reasons fluctuations and that any sharp decline in the national .
- 2- Activating the role of taxes in financing the state budget through the introduction of new vessels within the tax structure, by doing serious reforms in the tax system
3. Encourage the private sector in the exercise of its role in economic activity, the fact that private sector activity represents a good pot of tax.
4. Eliminate the administrative and financial aspects of corruption and misuse of state funds rationalize and control public spending.

5- Benefit from the experiences of developed tax systems and to utilize them in various fields of work

6- Need for tax reform to take place for all the episodes of the tax administration process, tax legislation, tax awareness Touch tools and other information.

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