

The possibility of applying value-added tax to enhance tax revenues in Iraq

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Abstract:

With the aim of reaching a future vision related to the possibility of implementing value-added tax in the country, which would work to increase tax revenues, which ultimately increase the state's public revenues and address deficits that occur in the annual general budget law. The research worked and through its reliance on financial tools to set the right base and what would achieve its basic objectives. These tools revolve around addressing administrative, technical or legislative obstacles and how to find a way out of them to provide an appropriate ground for the application of this type of tax. The research came out with a set of conclusions, the most important of which are, the indirect taxes were effectively based on customs taxes during the research period because of the ease of collecting them in relation to other indirect taxes. And the application of this tax in the country faces a number of technical problems, namely the problems related to taxpayers, laws and legislation, and the damages resulting from imposing a direct value tax on sales. A set of recommendations and conclusions were drawn up

I. An Introduction:

The tax is no longer the main tool for securing the financial resources of the state, but it has also become a planning tool as it is one of the means that enables the state to intervene in economic and productive activities and direct these activities in the right direction in a way that enhances the country's revenues. Consumption, saving, production and investment, and this reflection and impact varies according to the political and economic composition of the state, in addition to the stages of growth it has reached. One of the most important types of tax is the value-added tax It is a tax that is imposed incrementally based on the increase in the value of a product or service at each stage of production or distribution. VAT mainly offsets the common services and infrastructure provided in a particular region by a country and financed by its taxpayers that were used in the preparation of that product or service and is not levied on all regions, and goods and services destined for export may be exempt. VAT is usually applied as a destination-based tax where the tax rate is based on the location of the consumer It is applied to the selling price. Confusingly, the terms VAT, GST, consumption tax, and sales tax are sometimes used interchangeably. The value-added tax raises about one-fifth of total tax revenue worldwide, as 166 of the world's 193 countries use value-added tax, except for the United States, which uses the sales tax system instead.

1-Research Importance

The importance of the research stems from that it clarifies this principle by imposing the value-added tax and the obstacles to applying the new value tax to the tax culture. Will the taxpayer be fully aware and convinced of this tax and its importance so that he can deal with it in a conscious and responsible manner?

1.1-Research Problem.

The problem of the research is the failure to design and implement the value-added tax in Iraq, due to the difficulty in this according to the opinion of those who address the financial policy, despite its importance in financing the state treasury with more revenues that enhance and support the Iraqi economy, especially at the present time, which is witnessing a decline in oil prices.

1.2- Research Hypothesis.

The research is based on the following hypothesis:

<<There is a significant correlation between imposing a tax and increasing state revenues by an amount that exceeds its collection costs in the case of an effective administration that adopts efficient procedures in imposing and collection by adopting accounting records and in a framework of good tax awareness >>

1.3-Research goal:

The research aims to study the concept of value-added tax, identify its mechanisms and systems, analyze its income within the country's tax system and the possibility of its application in the country to the economic and social sectors, especially that this tax provides a high tax revenue that helps reduce the budget deficit and thus positively affects development and achieves Tax and administrative benefit.

1.4-search structure:

In order to cover the topic of the research, it was divided into three sections: the first topic: the concept of taxes and related variables, the second: obstacles to the application of value-added tax in the Iraqi economy, and the third topic was devoted to the analysis of indirect taxes in the Iraqi tax structure for the period (2004-2020).

1.2- Research Hypothesis

First: the concept of taxes:

Taxes have a distinguished position in modern financial legislation because of their direct impact on the state's general budget, as they represent one of the most important sources of public revenue. They also have a historical role in achieving economic, social and financial goals, as well as a major role in redistributing national income. Taxes occupy the widest area of interest. Researchers and specialists in financial affairs and in comparison, with the rest of the state's resources.

The tax is defined as "a monetary obligation that an individual forcibly pays to the state or one of the local public bodies as a final contribution to bearing the public costs and burdens without bringing any private benefit to him."¹

Second: The differences between value-added tax and sales tax:

The value-added tax is a modern tax system and is broader than the indirect taxes imposed on sales. The difference between both types of taxes can be found through the following:

1.The value-added tax is imposed on goods in all their stages until they reach the final consumer, unlike the sales tax that is imposed on goods upon consumption².

¹ جيمس جوارتيني، وربيجارد استروب، الاقتصاد الكلي: الاختيار العام والخاص، دار المربخ للنشر، الرياض، 1990، ص 346.

² قاسم نايف علوان، نجيه ميلاد الزباني، ضريبة القيمة المضافة المفاهيم، التطبيق، القياس، دار الثقافة، عمان، 2008، ص 220.

2. The value-added tax is not imposed on production goods, and it is imposed on imported goods, as well as other taxes, which leads to an increase in their prices¹.

3. The value-added tax base is broader than the general tax base in wholesale trade, because the value-added tax is imposed only on imported and domestic sold goods and services at all stages of production, unlike the general tax that is imposed on manufactured goods when sold to retail trade, meaning that it excludes services from Subject to the tax and therefore less comprehensive than the value-added tax².

On the other hand, there are a number of differences between value-added tax and sales tax, as shown in the following table (1):

Table (1)

The difference between value-added tax and other taxes

Statement	value added tax	sales tax
financial revenue	The tax revenue provided by VAT is considered high, as it is applied to all stages of selling goods	The revenue you provide is less than the value-added tax revenue, as it is imposed on the last stage of the sale of the commodity
Anti-tax evasion	It reduces tax evasion because it obliges the taxpayers to submit the tax invoice at each stage of the sale of goods, which enables the tax auditor to monitor the taxpayer's activity	Taxpayers can evade sales taxes because taxpayers are held accountable at the last stage of selling goods, and so merchants may be able to evade tax during the intermediate sales stages
Local product support	VAT contributes to protecting the local product by increasing the prices of imported goods after imposing a tax rate higher than the rate imposed on local goods	It is imposed at one price on imported and local goods, and this may reduce the competitive strength of the local product
tax base	VAT is considered to have a wide tax base as it includes all stages of selling goods as well as services	With a lower tax base because it is imposed on the final stage of the sale of goods and does not include services

¹ ذوالفقار علي ريس الساعدي، الضريبة على القيمة المضافة وتطبيقاتها في التشريعات المقارنة، منشورات الحلبي الحقوقية، لبنان، 2015، ص 23-25.

² أيمن ارشيد حداد، المحاسبة الضريبية (الضريبة العامة على المبيعات والضريبة على الدخل)، دار صفاء للنشر والتوزيع، عمان، 2010، ص 23.

Source: Prepared by the researcher based on:

Zulfikar Ali Rasan Al-Saadi, Value Added Tax and its Applications in Comparative Legislation, Al-Halabi Human Rights Publications, Lebanon, 2015, p. 23_25_29.

Third: The Importance of Value Added Tax:

The value added tax is of great importance in most countries of the world and is one of the main sources of financing and has a significant impact on macroeconomic variables.

The added value is a measure of the performance systems most used in developed countries because it is one of the most accurate indicators at the present time to identify the effectiveness of institutions and their performance towards society. The added value is an accurate indicator for measuring the effectiveness of any institution so that it goes beyond determining the effectiveness of factors related to levels of achievement, as is the case in the proficiency of service provision in service institutions and the associated quality of the institution's performance, how it is organized and managed, the prevailing values in it and its partnership with community institutions.

The added value also looks at each of these factors and is interested in studying the relationship between them, which is the quantitative improvement recorded in each field of the institution and in all departments, which the institution has achieved year after year¹. The importance of value added tax can be summarized as follows:

1. Social importance: by creating social justice, that is, by preventing the accumulation of wealth in the hands of a small number of members of society, or by imposing taxes on the number of family members, that is, increasing and decreasing because of this number, and encouraging housing by reducing or exempting this sector from taxes².
2. Economic importance: by creating rational economic investment through the surplus percentage for development purposes and not losing it in the luxury aspects of the presence of unproductive individuals³.
3. Redistribution of national income: through the effect of this tax on the redistribution of national income by transferring the tax burden, or by reducing spending after imposing these taxes⁴.

The second topic: Obstacles to the application of value-added tax in the Iraqi economy

In the Iraqi economy, there are shortcomings in the country's tax system due to its inability to implement value-added tax, and this led to the lack of tax balance, as well as the lack of consistency in tax legislation with the prevailing economic and social conditions, which generated great challenges standing in front of the application of value-added tax, including Weakness in the tax administrations in the country, which makes it **imperative to find propose First:**

Administrative Obstacles:

¹ خالد حمد محمد الحمادي، زيد احمد مبارك الخميري، إثر القيمة المضافة على الأداء الأمني (مبادرة الثقافة الأمنية نموذجا)، إدارة مركز بحوث الشرطة، الشارقة، الامارات العربية المتحدة، ط1، 2016، ص23.

² حسين العمر، مبادئ المالية العامة، مكتبة الفلاح للنشر والتوزيع، الكويت، 2002، ص 175.

³ Tait, Alan. 1990. "VAT Revenue, Inflation and Foreign Trade Balances," In Value Added Taxation in Developing Countries, ed. Malcolm Gillis. International Bank for Reconstruction, pp. 17-31.

⁴ Drs. Robert Carroll, Robert Cline, and Tom Neubig Ernst & Young LLP And Drs. John Diamond and George Zodrow Tax Policy Advisers LLC and Baker Institute for Public Policy and Economics Department, Rice University - / The Macroeconomic Effects of an Add-on Value Added Tax Prepared for the National Retail Federation / - Ernst & Young - October 2010.

Iraq must develop its economic system to face the economic crises it faces by providing public revenues, of which the value-added tax is one of its components, which is imposed on taxpayers as they are solidarity members of the state to secure public services and social and economic reform.

Among the most important challenges and basic administrative obstacles in this field are¹:

1_ The difficulty of preparing the taxpayers and making them able to provide an appropriate tax assessment for each stage of production with the accuracy required by the tax authorities, and this by its nature leads to inaccuracies in the self-assessment of the tax amount and its safety, which requires raising the sense of responsibility and the spirit of citizenship among the taxpayers and making them pay what they owe of taxes while they are convinced of the desired interest in paying taxes for the added value.

2_ The lack of an efficient, effective and impartial tax system, as it requires when implementing the value-added tax to make amendments to the tax laws and legislation and make it able to meet these challenges. It is subject to interpretation to prevent double taxation and at the same time prevents tax evasion, taking into account all the social and economic aspects surrounding the country.

3_ The administrations of value-added tax systems are not able to keep pace with the changes that occur in the tax system when implementing this tax, as well as preparing an advanced and efficient cadre capable of collecting value-added tax without causing economic or social problems.

4_ The absence of a computerized and advanced tax system that would be able to apply value-added tax at every stage of production or service in a systematic manner according to specific scientific standards prepared for this purpose and that are proportional to the nature of each economic sector.

On this basis, these challenges must be faced by the Iraqi tax system by creating a value-added tax law with the General Authority for Taxes providing efficient and effective administrative cadres with the availability of the necessary devices and equipment to do this aspect, which enables

tax authority to calculate the tax with high accuracy away from personal guesswork.

Second: Technical Obstacles:

Value added is seen as one of the main tools for reforming the tax system, especially with regard to consumption taxes, and the application of this tax in the country faces a number of technical problems that can be referred to as follows²:

1_ Problems related to taxpayers:

The person charged is either a natural or legal person who deals with consumer goods, whether by producing these goods or selling them with the intention of trading or importing them, and he is within a certain ceiling of this trading. Goods borne by the consumer and higher costs for entrepreneurs while exporters to the United States are subject to a direct value tax.

2_ Laws and Legislations:

This is one of the main foundations on which the success or failure of value-added tax applications depends, so we note that there are disturbances in Africa regarding these laws, with the failure of this trend in some other countries, which led to the abolition and imposition of this type of tax, which requires the application of this tax. It is to benefit from the experiences of other countries that have succeeded in imposing it, as is the case in the United States, India,

¹ مرتضى حسين علوان، التميمي، دراسة مقارنة لضريبة المبيعات في العراق وضريبة القيمة المضافة في إيران ودورهما في تمويل الموازنة العامة للدولة للمدة (2004-2014)، مجلة جامعة كربلاء العلمية، المجلد 5، العدد 1، 2017، ص 12.

² محمد حلو داود، الخرسان، دراسة إمكانية فرض ضريبة القيمة المضافة في العراق، مجلة التقنيات، المجلد 23، العدد 6، لسنة 2010.

Egypt, Nigeria and Kenya, and by relying on the experiences of these countries, he was able to develop a tax system commensurate with the structure of the state that is in the process of imposing this type of tax by taking the negatives in Iraq and its treatment, and we also take the advantages and advantages to take advantage of them.

Third: Political Obstacles:

In order to shed light on these obstacles and difficulties, the following issues should be investigated:

tax law¹:

This law, as it is, is considered one of the most important political obstacles in this field, as it needs a political agreement for the purpose of amending and approving it in the House of Representatives, because this law, which bears the number 113 of 1982, does not include any legal texts related to the value-added tax, despite making some minor amendments to it. Which necessitates the formation of a specialized committee to review and amend it in general and in all respects, including the sectors that have taken some exemptions, with the determination of this tax rate that must be equitably imposed on all goods and services in a manner that achieves the principle of legality at work, and accepting the amendment of this law It is an urgent necessity because public budgets always end in deficit due to the lack of public revenues for public expenditures, which requires searching for new sources of public revenues, and that the revenue resulting from value-added tax is a suitable source for this purpose, so there must be a political agreement for the purpose of agreeing on this law and its legislation.

The goal of tax reform in Iraq lies in the following aspects:

- 1_ The necessity of leaving the old methods of taxation and economic policies.
- 2_ Article (25) of the Iraqi constitution requires the government to carry out economic reform in accordance with modern economic principles.
- 3_ Article (26) of the constitution states that the government is the one who guarantees and encourages investment.
- 4_ Taxes are an essential means for the government to encourage and sustain investment.
- 5_ Tax reform and attracting and encouraging investment cannot take place without a modern tax system that keeps pace with economic development in the world.
- 6_ Article 107 of the Iraqi constitution granted the central government wide authority in setting tax and customs policies to implement these reforms.

In this regard, there will be legal, organizational and political foundations for tax reform²:

- 1_ The processes of creating tax systems are subject to some determinants, including constitutional, administrative, legal, and the political structure of the country in terms of whether it is central or federal.
- 2_ The principle of legality, that is, no tax is imposed without a law, and this is what Article (28) of the Iraqi Constitution stipulates.
- 3_ The authority to impose taxes, as there are some constitutions that allow the project to set tax laws with certain standards (central or regional).
- 4_ Public revenues generated from taxes must be used for public purposes only.

¹ الوقائع العراقية، رقم العدد 2917، تاريخ العدد 1982.

² الوكالة الامريكية للتنمية الدولية، المشروع الاقتصادي بيرننغ بوينت، ص الحكومي (2)، الإصلاح الضريبي في العراق، شركة 8.

5_ Article (103) of the constitution stipulates that the activation of these principles shall be through independent courts.

The third topic:

analysis of indirect taxes in the Iraqi tax structure for the period (2004 _ 2020)

This topic is concerned with the analysis of indirect taxes for the mentioned period, and the evaluation of the tax system is very important for the purpose of detecting the imbalance in the tax system and then fixing it, as most countries of the world evaluate the tax system permanently and work to detect new taxes when there is a weakness in the applicable taxes. In order to keep pace with the foreseen economic and social activities, and on this basis, in this topic, the existing tax system will be analyzed in Iraq and a statement of tax revenues and the percentage of their contribution to the national product in the first requirement and for the specified period. My agencies:

First: direct taxes:

They are fully borne by the taxpayer and are imposed on his income or revenues, whether natural or legal, and these taxes are divided into the following sections:

1.Direct Income Tax: It is the tax that is imposed on a large segment of taxpayers who engage in various economic activities and generates a net annual income for them. It is imposed progressively, except in certain cases, and is regulated by the Income Tax Law of 1982. Table (2) shows the income tax during the period (2003 -2020):

Table (2)

Income tax revenues in Iraq during the period (2003-2020)

year	income tax revenue (1)	Total direct and indirect tax revenues (2)	total revenue tax (3)	Rate 1/2	Rate 1/3
2003	17739	24039	24039	0.74	0.74
2004	37835	42372	124437	0.89	0.30
2005	133808	143655	261905	0.93	0.51
2006	256400	267084	487187	0.96	0.52
2007	387638	398930	629880	0.97	0.61
2008	405939	427135	805947	0.95	0.50
2009	395991	430811	1024380	0.92	0.38
2010	421779	472115	1038911	0.89	0.40
2011	580212	632566	1070181	0.92	0.54
2012	788285	848244	1367208	0.93	0.57
2013	981007	1044251	1931497	0.94	0.50
2014	1137206	1198045	1629993	0.95	0.69
2015	1275352	1342529	1778225	0.95	0.71
2016	2118569	21935245	2726227	0.96	0.78
2017	2139471	2194458	2785316	0.97	0.76
2018	2161182	2203257	2779989	0.98	0.77

2019	2159998	2199988	2698819	0.98	0.80
2020	2178997	2188891	2794529	0.99	0.77

Source: Prepared by the researcher according to the official data issued by the Ministry of Finance, General Tax Authority, Planning and Follow-up Department.

We note from Table (2) that the income tax contribution was the lowest in 2003 and then increased until it reached its maximum at (0.99) in 2020.

As for its contribution to the total taxes, it was at low and unstable rates during the period approved by the analysis, reaching the lowest in 2004, reaching (0.30) due to the deterioration of the security situation, then it started increasing in recent years due to the imposition of new direct taxes such as the tax on Oil companies until they reached (0.61) in 2007 and then gradually increased until they reached (0.80) in 2019.

2. Property Tax:

It is the tax imposed on the taxpayer's total annual income from his real estate income, with the exception of a year, and the regulation of this tax is under the real estate tax of 1959. Table (3) reviews this tax during the period: 2003 - 2020:

Table (3)

Real estate and estate tax revenues during the period (2003-2020)

Amounts: million dinars

year	Real estate tax revenue and arrears	Total direct tax revenue on income	total tax revenue	Rate 1/2	Rate 1/3
2003	6300	24039	24039	0.26	0.26
2004	4537	42372	124437	0.11	0.03
2005	9847	143655	261905	0.07	0.04
2006	10589	267084	487187	0.04	0.02

2007	11292	398930	629880	0.03	0.01
2008	21196	427135	805947	0.05	0.02
2009	34820	430811	1024380	0.08	0.03
2010	50336	472115	1038911	0.11	0.05
2011	52334	632566	1070181	0.08	0.05
2012	59859	848244	1367208	0.07	0.04
2013	63244	1044251	1931497	0.06	0.03
2014	60839	1198045	1629993	0.05	0.04
2015	67177	1342529	1778225	0.05	0.04
2016	74955	2193524	2726227	0.035	0.03
2017	75822	454932	303288	0.06	0.04
2018	76499	535493	305996	0.07	0.04
2019	77523	387615	232569	0.05	0.03
2020	79112	553784	39556	0.07	0.05

_Source: Prepared by the researcher based on data from the Ministry of Finance, General Tax Authority, Planning and Follow-up Department.

It is clear from Table (3) that real estate and property tax revenues during the period (2003-2020), and their ratio to the total direct tax revenues on income, have achieved an unstable and low percentage, as they achieved (0.26) and then gradually decreased until they reached their lowest in the year (2007) with a percentage of (0.03) due to the deteriorating security situation in the country, then it gradually increased until it reached a maximum of (0.11) for the years (2004), (2010).

We also note the great fluctuation in the ratio of real estate and property tax revenues to the total tax revenues, as it was at its highest in 2003 at a rate of (0.26), then it gradually decreased until it reached the lowest rate of (0.01) in 2007, then it increased until it reached a percentage of (0.05) in several years, the last of which was 2020.

Second: Indirect taxes

These are the taxes that the taxpayer can transfer their burden in whole or in part to others, and they are divided into the following taxes:

1. Taxes on consumption: They are divided into the following taxes:

A- Customs taxes: a tax that is imposed on imports with the aim of protecting local industries, and there is another inverse tax imposed on exports to preserve some commodities necessary for local consumption. This tax is of great importance and an important source of state revenue. Increased oil revenue lowered this tax from.

B - Production tax: This tax is imposed on the production and manufacture of goods. This tax was imposed in 1979 and is indirect because the consumer is the one who bears the burden of this tax.

Table (4) shows the customs tax and production tax during the research period.

Table (4)

Revenues from customs tax and production tax during the period (2003-2020) million dinars

year	Customs tax revenue (1)	Total indirect tax revenue (2)	total tax revenue (3)	Rate 1/2	Rate 1/3
2003	-	-	24039	-	-
2004	82020	82065	124437	0.99	0.66
2005	118176	118250	261505	0.99	0.45
2006	219032	220103	487187	0.99	0.44
2007	229076	230590	629880	0.99	0.36

2008	376539	378812	805947	0.99	0.46
2009	590688	593569	1024380	0.99	0.57
2010	565718	566796	1038911	0.99	0.54
2011	436814	437615	1070181	0.99	0.41
2012	517865	518964	1367208	0.99	0.37
2013	884708	887246	1931497	0.99	0.45
2014	430685	431948	1629993	0.99	0.26
2015	306507	435659	1778225	0.99	0.17
2016	-	532703	2726227	0.70	-
2017	-	542109	2785916	-	-
2018	-	541299	2815817	-	-
2019	-	542317	2839724	-	-
2020	-	541299	2888125	-	-

Source: Prepared by the researcher according to the data of the Ministry of Finance, General Tax Authority, Planning and Follow-up Department.

Note: The production tax has been discontinued due to its cessation in 2016 and later.

We note from Table (4) that the indirect taxes were effectively based on customs taxes during the research period because of the ease of their collection in relation to other indirect taxes.

The proportion of customs tax revenues and production tax to the total indirect tax revenues reached a maximum of (0.99) in all research years except for the year 2003 and until 2015, followed by the stoppage of production tax during these years because production was basically stopped and production tax was not met.

As for the ratio of customs tax revenues and production taxes to the total tax revenues, it was characterized by instability and fluctuation, and the ratio reached a maximum of (0.57) in 2009, and a minimum of (0.26) in 2014, and this ratio started high in 2004 with an amount of (0.66).

Sales tax: This tax is imposed on sales of certain goods at a rate of (0.15), and Table (5) shows the sales tax revenues, including mobile phone tax revenues during the research period. My agencies are:

Table (5)

sales tax revenue

year	sales tax revenue (1)	mobile phone sales tax (2)	Indirect tax revenue (3)	total tax revenue (4)	ratio 3/1	ratio 4/1
2003	-	-	-	24039	-	-
2004	45	-	82065	124437	0.0005	0.0003
2005	74	-	118250	261905	0.0006	0.0002
2006	1071	-	220103	487187	0.0004	0.0021

2007	1874	-	230950	629880	0.008	0.003
2008	2273	-	378812	805947	0.006	0.0020
2009	2881	-	593569	1024380	0.005	0.0028
2010	1078	-	566796	1038911	0.002	0.001
2011	801	-	437615	1070181	0.0017	0.0007
2012	1099	-	518964	1367208	0.002	0.0008
2013	2538	-	887246	1931497	0.003	0.001
2014	1263	-	431948	1629993	0.003	0.008
2015	682	128507	435696	1778225	0.001	0.0003
2016	2958	529745	532703	2726227	0.005	0.001
2017	3110	539813	544801	2741211	0.005	0.001
2018	3209	542920	549703	2761213	0.005	0.001
2019	3308	55801	572109	2882409	0.005	0.001
2020	3401	56712	588113	2922518	0.005	0.001

Source: Prepared by the researcher based on the Ministry of Finance, General Tax Authority, Planning and Follow-up Department.

We note from Table (5) that the indirect taxes depended to a low degree on the taxes of tourism services for hotels and restaurants of the first and excellent class in relation to the same services in the rest of the world.

The ratio of sales tax revenues to indirect tax revenues was close during the research years and was confined between the ratio (0.001) and (0.008), while the sales tax revenues to the total tax revenues were also very low and reached at the end of the research years to (0.001), and this reflects the extent of the sales tax is low, and the mobile tax that was implemented in 2015 increased indirect taxes.

For the purpose of shedding lighter on the contribution of tax revenues as public revenues, we must compare it with the total of other government revenues, and this is what Table (6) presents:

table (6)

Ratio of tax revenue contribution to total government revenue

year	total tax revenue (1)	total government revenue (2)	Ratio 2/1
2003	24039	2146346	1.1

2004	124437	32982739	0.37
2005	261905	40502890	0.64
2006	487187	49055545	0.99
2007	629880	54599451	1.1
2008	805947	80252181	1
2009	1024380	55209353	1.8
2010	1038911	70178223	1.4
2011	1070181	108807392	0.98
2012	1367208	119466403	1.2
2013	1931497	113480076	1.7
2014	1629993	105609846	1.5
2015	1778225	66470252	2.6
2016	2726227	54327966	5
2017	2799113	16794678	6
2018	2749221	15120715.5	5.5
2019	2798811	16792.866	6
2020	2838766	18451.979	6.5

Source: Prepared by the researcher based on the Ministry of Finance, General Tax Authority, Planning and Follow-up Department.

We note from Table (6) that the ratio of total tax revenues to total government revenues was fluctuating and characterized by instability throughout the research period, and it was at (1.1) in 2003, then it gradually decreased and then resumed its gradual rise in 2006, reaching (1.1) and so on until it rose to its maximum at the end of the research years, starting in 2016 and onwards.

The third requirement: analysis of the effectiveness of the tax system

1.The analysis of the effectiveness of the tax system is important to reveal the extent of tax efficiency and increase its effectiveness, through the following indicators:

Ratio of Tax Revenues to Total Government Expenditure:

The effectiveness of taxes increases the more they are transferred to government spending, because the more tax revenue leads to an increase in government spending, as shown in Table (7):

Table (7)

Ratio of tax revenues to government spending during the period (2003-2020)

Amounts in millions of dinars

year	tax revenue (1)	Government spending (2)	The ratio2/1
2003	24039	1982548	1.2
2004	124437	32117491	0.3
2005	261905	26375175	0.9
2006	487187	38806679	0.2
2007	629880	39031232	1.6
2008	805947	59403375	1.3
2009	1024380	52567025	1.9
2010	1038911	70134201	1.4
2011	1070181	78757666	1.35
2012	1367208	105139576	1.3
2013	1931497	106873027	1.8
2014	1629993	113473517	1.4
2015	1778225	70397515	2.5
2016	2726227	67067433	4
2017	2936118	70158211	4
2018	2957213	70469322	4
2019	296824	70679123	4
2020	299715	70772134	4
General percentage rate for the period			2.18

Source: Prepared by the researcher based on the data of the Central Bank of Iraq and the Ministry of Finance, the General Tax Authority, Planning and Follow-up Department.

It is clear from Table (7) that the contribution of total taxes of all kinds exceeds (2.18) during the research period, and the lowest contribution to tax revenues was in 2006 at a rate of (0.2%) and this is attributed to the security aspects in this period, until after the year 2015 the situation changed as government spending decreased with the increase in tax revenues, in a relative manner, and this led to an increase in the percentage of tax contributions.

2_ Tax burden:

It represents the amount of change in the prices of goods when taxes are imposed, whether they are paid by the legal taxpayer or transferred to other taxpayers. By knowing this burden, it is possible to know the amount of the deducted part of the domestic product transferred to the state in the form of taxes and used in financing government budgets or redistribution income between the strata of society.

Table (8) shows the percentages of tax revenues to the value of the gross domestic product and the determination of the tax burden according to this percentage during the research period.

Table (8)

Tax burden (tax revenue / gross domestic product) during the research period (2003-2020) (billion dinars)

year	tax revenue (1)	Gross domestic product (2)	tax burden 2/1
2003	28	29586	0.09
2004	73	53235	0.11
2005	184	73533	0.24
2006	308	95537	0.32
2007	441	111455	0.41
2008	528	157026	0.32
2009	606	130643	0.46
2010	723	162064	0.44
2011	874	217327	0.41
2012	1148	254225	0.45
2013	1360	273537	0.49
2014	1465	253900	0.57
2015	1723	253911	0.67
2016	1824	263911	0.71
2017	1895	264123	0.71
2018	1898	275224	0.68
2019	2011	277195	0.72
2020	2013	278243	0.72
Average tax burden			%0.52

Source 1: Prepared by the researcher based on the Ministry of Finance, General Tax Authority, Planning and Follow-up Department.

Source 2: Ministry of Planning, Central Bureau of Statistics.

We note from the table that includes the measurement of the tax burden during the research period (2003-2020) it was very low, as it was low below the level (1%), and the lowest percentage was in 2003 when this percentage amounted to (0.9%), then it increased dramatically Gradually, until its increase was very small, and it reached (0.57)% in 2014 due to the imposition of the mobile phone tax and income tax on the oil companies in the country, then it took a relative increase until it reached (0.72)% during the year before it,

and this proves The decrease in tax effort during the research period indicates a clear decrease in the effectiveness of the tax system.

Conclusions and Recommendations

Conclusions:

1. The indirect taxes were effectively based on customs taxes during the research period because of the ease of collecting them in relation to other indirect taxes.
2. The application of this tax in the country faces a number of technical problems, namely the problems related to taxpayers, laws and legislation, and the damages resulting from imposing a direct value tax on sales.
3. The political obstacles are related to the tax law and its amendments.
4. The main problem is the inadequacy of the country's tax systems, which are not concerned with value-added tax, and this has created a tax imbalance, and the lack of appropriate tax legislation for the economic conditions in the country makes challenges to the implementation of value-added tax on the local side.
5. The country has not worked to organize taxes, whether direct or indirect, in one law, but rather impose them in different laws, and the tax system did not specify the persons charged with paying taxes, and this is caused by the country's lack of interest in tax revenues for its interest in oil revenues in the country for the harmony of the economy The Iraqi economy is rentier and unilateral, which is completely dependent on oil revenues, and tax allowances have increased, which included all institutions, ministries, government agencies, as well as people residing in the country and others, and all of this weakens the tax capacity in the country and greatly reduces its revenues.
6. The taxes currently imposed under the country's tax system are direct taxes (real estate tax, income tax, property tax) and indirect taxes (sales tax, customs tax).

Recommendations:

1. Iraq must develop its economic system to face the economic crises it faces by providing public revenues, of which value-added tax is one of its components, which is imposed on taxpayers as they are solidarity members of the state to secure public services and social and economic reform.
2. Challenges must be faced through the Iraqi tax system by creating a value-added tax law, with the General Tax Authority providing efficient and effective administrative cadres with the availability of the necessary equipment and devices to do this aspect, which enables the tax authority to calculate the tax with high accuracy away from personal guesswork.
3. The research recommends preparing the taxpayers and making them able to provide an appropriate tax estimate for each stage of production, with the required accuracy, while providing an efficient, effective and impartial tax system.
4. Addressing the problems related to taxpayers, laws, legislation and damages resulting from imposing direct value tax on sales.

5. Addressing problems related to the country's tax systems that are not concerned with value-added tax, with finding a tax balance, and finding appropriate tax legislation for the economic conditions in the country.
6. Organizing direct or indirect taxes in one law, with the identification of the persons charged with paying the taxes.
7. Work on the value-added tax legislation in the country because the taxes currently imposed under the country's tax system are direct taxes (real estate tax, income tax, property tax) and indirect taxes (sales tax, customs tax).

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