

THE ROLE OF TAX REVENUES IN FINANCING PUBLIC REVENUES IN IRAQ FOR THE PERIOD 2004–2020

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Abstract: Tax revenues are considered one of the key instruments of fiscal policy through which the state can provide the necessary funds to finance public expenditures, in addition to their role in achieving economic and social stability. However, the contribution of tax laws and legislation in Iraq has been limited in achieving economic and social objectives, due to the country's heavy reliance on oil revenues to finance public spending. The study concluded that tax revenues in Iraq are characterized by low flexibility and a limited ability to respond to the requirements of the general budget or to changes in its structure. Consequently, the role of tax revenues in financing the general budget has declined due to their decreasing share, as they have constituted fluctuating proportions of total public revenues. This confirms that the Iraqi economy is largely a single-resource economy, heavily dependent on oil revenues to finance the general budget. Finally, the study recommends enhancing the effectiveness of tax revenues in supporting the general budget and improving the efficiency of the taxpayer registration and identification system. This is a crucial step in identifying all taxable income sources. Furthermore, the accuracy of this system reflects the success of tax administration in enforcing tax laws and reducing tax evasion. It also highlights the importance of strengthening tax oversight through the formation of inspection committees composed of independent experts and academics with professionalism, integrity, and competence.

Keywords: tax revenues, public revenues.

**РОЛЬ НАЛОГОВЫХ ДОХОДОВ В ФИНАНСИРОВАНИИ
ГОСУДАРСТВЕННЫХ ДОХОДОВ ИРАКА ЗА ПЕРИОД 2004–2020 ГГ.**

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Аннотация: Налоговые доходы рассматриваются как один из ключевых инструментов финансовой политики, с помощью которых государство обеспечивает необходимые средства для финансирования государственных расходов, а также способствует достижению экономической и социальной стабильности. Однако вклад налогового законодательства в Ираке остается ограниченным в достижении экономических и социальных целей вследствие высокой зависимости страны от нефтяных доходов при финансировании государственных расходов. В ходе исследования было установлено, что налоговые доходы в Ираке характеризуются низкой гибкостью и ограниченной способностью реагировать на потребности государственного бюджета и изменения его структуры. В связи с этим роль налоговых доходов в финансировании государственного бюджета снизилась из-за уменьшения их доли, поскольку они составляют нестабильные доли от общего объема государственных доходов. Это подтверждает, что экономика Ирака носит преимущественно односторонний характер и в значительной степени зависит от нефтяных доходов при формировании государственного бюджета. В заключение в исследовании рекомендуется повысить эффективность налоговых доходов в поддержке государственного бюджета, а также улучшить систему учета и идентификации налогоплательщиков. Это является важным шагом для выявления всех источников налогооблагаемых доходов. Кроме того, точность данной системы отражает степень эффективности налогового администрирования в применении налогового законодательства и снижении уровня уклонения от уплаты налогов. Также подчеркивается необходимость усиления налогового контроля посредством создания инспекционных комиссий из числа независимых экспертов и ученых, обладающих профессионализмом, независимостью и компетентностью.

Introduction

Tax revenues are among the most important instruments of fiscal policy, enabling the state to influence economic activity in order to achieve financial, economic, and social objectives. Given the close relationship between tax revenues and public revenues, taxation plays a significant role in Iraq's fiscal policy as a source of funding for the state's general budget.

However, the relationship between tax revenues and total public revenues in Iraq is not always clearly reflected in financial indicators. This lack of clarity may result in misleading interpretations of budget deficits or imbalances and does not provide an accurate picture of the overall performance of the Iraqi economy. The state requires tax revenues to contribute effectively to the formation of public revenues. Nevertheless, the Iraqi economy is largely rentier in nature, heavily dependent on oil revenues to finance public expenditures. As a result, tax revenues represent only a small proportion of total public revenues, particularly during most of the study period.

This situation has contributed to insufficient public revenues to cover expenditures, leading to budget deficits and instability in public spending levels. Therefore, addressing these financial and economic challenges requires strengthening non-oil revenues, particularly tax revenues, as part of a broader strategy to diversify income sources and reduce dependence on oil revenues (1).

The main objective of this research is to clarify the concept of tax revenues, their types, objectives, and basic principles. It also aims to explain the concept of public revenues, their classifications, and sources, and to analyze the relationship and degree of correlation between tax revenues and public revenues in the Iraqi economy during the period (2004–2020). The study further examines the extent to which tax revenues contribute to financing public revenues, followed by conclusions and recommendations.

Importance of the Research

A key pillar for strengthening the Iraqi economy is reducing reliance on a single source of public revenue. Therefore, it is essential to diversify revenue sources and enhance their development. Tax revenues represent one of the most important sources of public income in most countries, not only for financing public expenditures but also for redistributing national income and achieving economic stability.

Research Problem

The research problem lies in the weak contribution of tax revenues in Iraq and the significant decline in their annual collection compared to other revenue sources. This has negatively affected the role of taxation as a financial, economic, and social instrument, leading to reduced financial stability and sustainability.

Research Objectives

The research aims to:

- 1) Clarify the concept of tax revenues, their types, objectives, and basic principles.
- 2) Explain the concept of public revenues, their classifications, and sources.
- 3) Analyze the relationship and degree of correlation between tax revenues and public revenues in the Iraqi economy during the period (2004–2020).

Research Hypothesis

The research is based on the hypothesis that there is a positive correlation between tax revenues and their contribution to the total volume of public revenues in Iraq during the study period.

Research Limitations

- 1) **Time Limits:** The study covers the period 2004–2020.
- 2) **Spatial Boundaries:** The Republic of Iraq.

Section One: Conceptual Framework of Tax Revenues

First: The Concept of Tax Revenues

Tax revenues can be defined in several ways that reflect their fundamental characteristics. They represent the total funds collected by the government through

various taxes, such as income and sales taxes. A tax is a compulsory payment made by individuals and entities to the state to finance public expenditures (2).

Tax revenues are also defined as the amounts collected by the tax administration after identifying taxable income sources of individuals and companies subject to tax laws. Furthermore, they are considered a stable source of financing that supports economic growth and enables governments to fund social activities. In general, tax revenues include all funds obtained by the state through legally imposed taxes on individuals and legal entities (5).

Based on these definitions, tax revenues can be understood as the total financial resources collected by the tax authority under legal obligations from individuals and entities, which are allocated to the public treasury.

Second: Types of Tax Revenues

Taxes vary across countries and over time, and each type has its own advantages and disadvantages. Modern tax systems do not rely on a single type of tax but instead adopt a diversified structure to meet economic and social objectives. This diversity explains differences in tax systems across countries (6).

Taxes can be classified into the following categories:

- **Taxes on persons:** These taxes consider the financial and social conditions of individuals, such as income taxes on wages and salaries.

- **Taxes on property (or wealth):** These taxes do not consider personal circumstances and are imposed on financial and material assets, such as customs duties (7).

- **Direct taxes:** These are taxes paid directly by individuals or entities to the government. The burden cannot be transferred to another party. Examples include income tax, payroll tax, corporate tax, and wealth tax (8).

- **Indirect taxes:** These are imposed on goods and services rather than directly on individuals. Their burden can be shifted to consumers through higher prices. For example, taxes on cars are passed on to consumers through increased prices, making the final consumer bear the tax burden (9).

Third: Basic Objectives of Taxes (10)

1) **Financial Objectives:** These aim to generate sufficient and stable tax revenues to finance public expenditures and support economic development. It is also important to minimize tax collection costs and expand the taxpayer base to ensure efficient revenue generation.

2) **Economic Objectives:** Taxes influence consumption, production, savings, and investment. Governments use taxation to guide economic policy, address crises, and stimulate key sectors.

A. Encouraging strategic sectors through tax exemptions or reduced rates.

B. Addressing economic cycles, such as reducing taxes during recessions.

C. Promoting investment and savings through incentives and exemptions.

3) **Social Objectives:** Taxes contribute to social justice by redistributing income and reducing inequality.

A. Imposing higher taxes on high-income groups to fund public services.

B. Discouraging harmful consumption (e.g., alcohol and luxury goods).

C. Influencing demographic trends through tax incentives or disincentives.

Fourth: Basic Rules of Taxation

1) **Rule of Justice:** Taxation should ensure fairness by aligning tax burdens with individuals' ability to pay, while protecting low-income groups (12).

2) **Rule of Convenience:** Taxes should be collected at appropriate times and under convenient conditions for taxpayers, without harming public finances (13).

3) **Rule of Certainty:** Tax obligations must be clear, predictable, and transparent, including tax base, rates, and payment procedures. This protects taxpayers and ensures stability in tax legislation (14).

4) **Rule of Economy:** Tax collection costs should be minimized so that the largest possible share of collected taxes reaches the public treasury. Efficient administration and simplified procedures are essential (15).

Section Two: The Conceptual Framework of Public Revenues

First: The Concept of Public Revenues

Public revenues are defined as the funds that the state obtains from various sources over a specific period in order to cover public expenditures and satisfy societal needs (16). They also refer to all financial resources required by the government to perform its economic, political, and social functions effectively, including both tax and non-tax revenues (17).

Public revenues can also be described as funds generated through taxes, the sale of goods and services, fines, and other sources to meet public expenditure requirements (18). Based on these definitions, public revenues represent the total financial resources available to the state to finance its activities and meet the general needs of society.

Second: Divisions of Public Revenues

Public revenues cannot be classified according to their purpose, unlike public expenditures, as their primary objective is to provide the state treasury with the necessary funds. This principle is known as the non-allocation of revenues. Therefore, public revenues are classified based on the method of collection, their nature, or their economic impact, as follows (19):

1) **Legal classification:** This classification depends on whether the state uses its sovereign authority to collect revenues. It includes compulsory revenues such as taxes, fees charged for public services, and revenues obtained in exchange for goods and services.

2) **Financial classification:** This classification distinguishes between permanent (regular) and temporary (extraordinary) revenues. Permanent revenues continuously flow into the treasury, while temporary revenues, such as public loans, must be repaid and therefore represent non-permanent sources.

3) **Economic classification:** This classification is based on two criteria. The first relates to the source of wealth, such as taxes on income, consumption, or capital. The second relates to economic impact, distinguishing between ordinary revenues, which are stable and do not disrupt economic balance, and extraordinary revenues, which may have destabilizing effects if used extensively.

Third: Sources of Public Revenues

1) **Economic revenues:** These are revenues obtained by the state in its capacity as an economic entity that owns assets and provides services. They include:

A. Public and private domains:

- **Public domain:** Assets owned by the state for public use, such as rivers and roads. These are generally not profit-oriented, although the state may charge fees (e.g., for parks or museums). Such revenues are usually limited and cannot be relied upon to finance public expenditures.

- **Private domain:** Includes three main categories:

- Income from state-owned real estate (e.g., agricultural land and rental properties)
- Revenues from extractive industries (e.g., oil, minerals, and natural resources)
- Financial investments (e.g., stocks, bonds, and investment portfolios) (20)

B. **Public pricing:** This refers to the prices charged for goods and services provided by public enterprises. Pricing policies vary depending on state objectives. If the goal is social welfare, prices are kept low; if the goal is revenue generation, prices are set competitively to achieve profits (21).

2) **Sovereign revenues:** These are compulsory revenues collected by the state through its sovereign authority, including taxes, fees, and fines. They constitute one of the most important sources of public revenue. The state may adjust tax rates to influence economic behavior, such as increasing taxes on harmful goods (e.g., alcohol and tobacco) or providing exemptions to encourage investment. Taxes are also used to promote social justice, particularly through progressive taxation on high incomes (22).

3) **Credit revenues:** These include the following:

A. **Public loans:** Funds borrowed by the state to finance budget deficits or influence economic activity. Unlike taxes, these must be repaid.

B. Subsidies: Financial support provided by the state to certain sectors or producers, particularly those with low profitability or strategic importance, such as emerging industries or export sectors.

C. Money issuance: The creation of new money by the state, typically used when tax revenues and other sources are insufficient to finance public expenditures. This is considered a tool of monetary policy.

Section Three

The Contribution of Tax Revenues to the Financing of Public Revenues in Iraq for the Period 2004–2020

First: The Development of the Structure of Direct Taxes in the Iraqi Economy

Direct taxes in Iraq have a long historical background and include several types. Iraq was among the first countries to introduce legislation regulating such taxes. Real estate tax dates back to the Ottoman period, when it was introduced in (1839). At that time, it was imposed on the capital value of property, while leased properties were taxed based on rental value, i.e., real estate income.

Thus, real estate tax is considered a direct tax imposed on both real estate capital and income. It is levied on the annual income derived from real estate owned by the taxpayer, excluding residential housing. Its provisions are regulated by the Real Estate Tax Law No. (162) of (1959) and its amendments (24).

The origins of income tax in Iraq date back to (1927), reflecting the economic philosophy of the ruling system at that time. This tax is imposed on individuals and entities engaged in various economic activities that generate net annual income. It is generally applied on a progressive basis, although in some cases a proportional system is used. Income tax represents a significant share of total tax revenues and is regulated by the Income Tax Law No. (113) of (1982) and its amendments (25).

Second: Analysis of the Evolution of the Structure of Direct Tax Revenues in the Iraqi Economy for the Period 2004–2020

Table (1) shows that real estate tax experienced continuous growth during the period (2004–2013), driven by rising property values and increased real estate activity. It increased from (4537) million dinars in (2004) to (63244) million dinars in (2013). The growth rate of total direct taxes reached (23.1) in (2013), although growth fluctuated in other years.

Income tax also showed steady growth during the period (2004–2013), reaching (37835) million dinars in (2013). This increase can be attributed to the inclusion of salaries of public and private sector employees under income tax starting in mid-(2004), as well as the introduction of taxes on oil companies operating in Iraq.

However, real estate tax revenues remained relatively low compared to income tax revenues during this period. This can be explained by the suspension of taxes between (16/4/2003) and (31/3/2004) due to political and economic conditions, as well as taxpayers' reluctance to comply during that time.

Overall, these increases contributed to the growth of total direct taxes, which rose from (42372) million dinars in (2004) to (1044251) million dinars in (2013). This growth was driven by higher wage levels following the political changes after (2003), as well as increased real estate prices and transactions, which in turn increased related tax revenues.

In (2014), however, total direct tax revenues declined significantly, with a negative growth rate of (60.4) compared to (2013), which had recorded a growth rate of (23.1). This decline was primarily due to the deterioration of the security situation in several Iraqi provinces and their occupation by terrorist groups (Daesh). As a result, economic activity was disrupted, real estate transactions declined, and tax collection became difficult or impossible in affected areas. Additionally, the national economy experienced contraction due to falling oil prices and the loss of control over some oil fields.

During the years (2015–2016), total direct taxes increased again compared to (2014), reaching (572044) and (707909) million dinars, respectively. This

increase was driven by the implementation of the Income Tax Amendment Law No. (48) of (2015), as well as the introduction of new taxes, including taxes on travel tickets, cigarettes, and mobile phone and internet recharge cards.

In (2017), real estate tax decreased to (13452) million dinars compared to (16497) million dinars in (2016). This decline was due to the dominance of income tax in the structure of direct tax revenues, which reached (663971) million dinars in the same year. Another reason was the amendment to the Real Estate Tax Law No. (162) of (1959), which abolished the additional real estate tax of (35%) and replaced it with a rate of (10%) on annual real estate income (25).

In (2018), real estate tax increased to (22338) million dinars compared to (2017), while income tax rose to (964733) million dinars. As a result, total direct taxes reached (987071) million dinars, with a growth rate of (45.7). This improvement reflects better security conditions and economic recovery, as well as increased individual incomes.

However, in the years (2019–2020), total direct taxes declined again to (750316) and (742786) million dinars, respectively, with negative growth rates of (23.9) and (1.0). This decline was mainly due to the COVID-19 pandemic, which disrupted economic activity across the country.

Table (1) Evolution of the Structure of Direct Tax Revenues in the Iraqi Economy for the Period 2004-2020 (Million Iraqi Dinars)

Years	Property Tax and the arenas	Income Tax	Total Taxes Directness	Annual Growth Rate of Direct Taxes
2004	4537	37835	42372	—
2005	9847	133808	143655	239,0
2006	10589	256495	267084	85,9
2007	11292	387638	398930	49,4
2008	21196	405939	427135	7,1
2009	34820	395991	430811	0,9
2010	50336	421779	472115	9,6
2011	52334	580232	632566	33,9
2012	59859	788385	848244	34,1
2013	63244	981007	1044251	23,1
2014	26595	387422	414017	60,4—

2015	24988	547056	572044	38,2
2016	16497	691412	707909	23,8
2017	13452	663971	677423	4,3-
2018	22338	964733	987071	45,7
2019	23131	727185	750316	23,9-

Third: The Development of the Indirect Tax Structure in the Iraqi Economy

Customs taxes are one of the main types of indirect taxes imposed on imports, with the aim of encouraging and protecting emerging domestic industries. Export customs taxes are used to limit the export of essential goods that are important for local markets.

In (1933), the Customs Tariff Law No. (11) of (1933) was issued. It was developed by a specialized committee under the supervision of experts from the League of Nations. Although the tariff primarily had fiscal objectives, it also included protective measures for national industry and agriculture. Subsequently, the government reduced customs duties on some consumer goods, lowering tax rates from (5% to 1%), particularly after the increase in oil revenues (26).

Despite numerous amendments to this law, the Coalition Provisional Authority introduced changes in (2004), replacing customs duties with the so-called "Iraq Reconstruction Levy." This tax was imposed starting from (April 15, 2004) on all imported goods, except those exempted by the order, at a rate of (5%) of the value of the goods. Its revenues were allocated to support reconstruction efforts and assist Iraqi society.

As for sales taxes, they are imposed on specific goods at a rate of (15%) in accordance with paragraph (a) of Article (33) of the Federal General Budget Law of the Republic of Iraq for the year (2015), as well as the implementing instructions No. (5) of (2015), published in the Iraqi Chronicle No. (4363) on (4/5/2015) (28).

Fourth: Analysis of the Evolution of the Structure of Indirect Tax Revenues in the Iraqi Economy for the Period 2004–2020

Table (2) shows that both customs tax revenues and sales tax revenues fluctuated over the study period. In (2004), customs taxes amounted to (81020) million dinars, while sales taxes were only (45) million dinars, representing the lowest level of indirect tax revenues during the study period. This was due to the political and economic conditions following (2003), including the change in the political system, occupation, security instability, and weak control of customs authorities over border crossings.

Indirect tax revenues increased during the period (2005–2009), reaching (118250) million dinars in (2005) and rising to (590688) million dinars in (2009), with a growth rate of (56.7). This increase was driven by the lifting of the economic blockade, a rise in imports, and the expansion of markets with various goods, which in turn increased customs and sales tax revenues.

However, indirect tax revenues declined in (2010) to (566796) million dinars and further in (2011) to (437615) million dinars, with negative growth rates of (4.5) and (22.8), respectively, compared to (2009). This decline was influenced by the global financial crisis and its negative impact on Iraq's economic growth.

Subsequently, indirect tax revenues increased again during the period (2014–2017), reaching (1465261) million dinars in (2014) and rising to (5093887) million dinars in (2017). This growth can be attributed to stricter enforcement measures and improved tax collection aimed at compensating for declining oil revenues.

However, indirect tax revenues declined again in the years (2018), (2019), and (2020), reaching (4160935), (3116257), and (2038755) million dinars, respectively, with negative growth rates of (18.3), (25.1), and (34.6). This decrease was mainly due to political instability, widespread protests, and the economic impact of the COVID-19 pandemic, all of which contributed to reduced economic activity and lower revenue collection.

The data also indicate that indirect taxes in Iraq rely heavily on customs duties rather than sales taxes. This is due to the relative ease of collecting customs taxes, as well as the weakness of the domestic production system, which is unable to meet growing consumer demand.

Table (2): Evolution of the Structure of Indirect Tax Revenues in the Iraqi Economy for the Period 2002–20040 (million Iraqi dinars)

Years	Customs Taxes	Sales Tax	Total Taxes Indirect	Annual growth rate of indirect taxes
2004	82020	45	82065	
2005	118176	74	118250	44,1
2006	219032	1071	220103	86,1
2007	229076	1874	230950	4,9
2008	376539	2273	378812	64,0
2009	590688	2881	593569	56,7
2010	565718	1078	566796	4,5–
2011	436814	801	437615	22,8–
2012	517865	1099	518964	18,6
2013	884708	2538	887246	70,9
2014	1330685	1263	1465261	65,1
2015	1306507	682	1723688	17,6
2016	3018543	2958	3408420	97,7
2017	4364782	3142	5093887	49,5
2018	3740217	3198	4160935	18,3–
2019	2254738	3247	3116257	25,1–
2020	2035472	3283	2038755	34,6–

Source: Prepared by the researcher based on:

- Ministry of Finance, General Tax Authority, Planning and Follow-up Department.

- The growth rate for direct taxes was calculated by the researcher using the following equation: **Growth rate = (Comparative year / base year – 1) × 100**

Fifth: Analysis of the Percentage Contribution of Total Tax Revenues to Public Revenues in the Iraqi Economy for the Period 2004–2020

Table (3) shows that the contribution of tax revenues to total public revenues in Iraq remained low throughout the period (2004–2020). This is mainly due to weak legal procedures and inadequate enforcement, which contributed to a deficit in public revenues. In addition, weak legal provisions encouraged tax evasion, while widespread smuggling of goods without proper customs procedures further reduced state revenues.

The Iraqi tax system consists of both direct and indirect taxes. However, it is relatively outdated, as its foundations date back to (1927), when the first income tax legislation was introduced (29). The structure and performance of tax revenues are illustrated in Table (3), which shows that tax revenues declined after (2003). This decline resulted from reliance on traditional tax assessment methods, which created a significant gap between tax revenues and oil revenues, as well as from the economic and political conditions that followed (2003).

Although tax revenues increased during the period (2004–2008), their contribution to total public revenues remained very low. This reflects the government's limited focus on developing tax revenues as an important internal source of financing, despite their potential for growth. Instead, the state has relied heavily on oil revenues to finance public expenditures.

This heavy dependence on oil exposes Iraq to significant risks, particularly in the event of declining oil prices, which may hinder the government's ability to implement budget plans and finance both operational and investment expenditures.

The fluctuations in the contribution of tax revenues continued until (2014). Following the oil crisis in (2014) and the decline in Iraqi oil exports, oil revenues decreased significantly, leading to an increase in the relative contribution of tax

revenues. In (2015), tax revenues amounted to (2295732) million dinars, representing (3.45) of total public revenues, compared to (1.78) in (2014).

This upward trend continued until (2018), when tax revenues reached (5148006) million dinars, accounting for (4.83) of total public revenues. In (2019), tax revenues amounted to (3866573) million dinars, representing (3.59) of public revenues. The decline in the percentage contribution during this period can be attributed to rising oil prices, which increased oil revenues and reduced the relative share of tax revenues.

In (2020), tax revenues decreased further to (2781541) million dinars compared to (2019). However, their contribution to public revenues increased to (4.40), compared to (3.59) in (2019). This was due to the COVID-19 pandemic, which reduced oil production and exports, leading to a decline in oil prices and oil revenues, thereby increasing the relative importance of tax revenues.

Overall, the data in Table (3) indicate that tax revenues in Iraq remain low both in absolute terms and as a percentage of total public revenues. This is due to weak tax administration, excessive tax exemptions, poor control over border crossings (a major source of customs revenues), widespread tax evasion, and the absence of an effective electronic tax system capable of expanding the tax base.

Table (3): Evolution of Tax Revenues and Public Revenues in the Iraqi Economy for the Period 2004–2020 (Million Iraqi Dinars)

Years	Total tax income	Annual Growth Rate of Tax Revenues	General Revenues	Annual growth rate of public revenues	Ratio of Tax Revenue to General Revenue Contribution
2004	124437	—	32982739	—	0,37
2005	261905	110,4	40502890	22,8	0,64
2006	487187	86,0	49055545	21,1	0,99
2007	629880	29,2	54599451	11,3	1,15
2008	805947	27,9	80252182	46,9	1,00
2009	1024380	27,1	55209353	31,2-	1,85
2010	1038911	1,41	69521117	25,9	1,49
2011	1070181	3,00	99998776	43,8	1,07
2012	1367208	27,7	119466403	19,5	1,14
2013	1931497	41,2	113767395	4,8—	1,69
2014	1879278	-2,70	105386623	7,4—	1,78
2015	2295732	22,1	66470252	36,9—	3,45

2016	4116329	79,3	54409270	18,1–	7,56
2017	5771310	40,2	77335955	42,1	7,46
2018	5148006	-10,8	106569834	37,8	4,83
2019	3866573	-24,8	107566995	0,9	3,59
2020	2781541	-28,0	63199689	41,2–	4,40

Source: Prepared by the researcher based on

Sources and Methodology Notes

- Ministry of Finance, General Tax Authority, Planning and Follow-up Department.

- The growth rate of direct taxes was calculated by the researcher using the following equation: **growth rate = (comparative year / base year – 1) × 100**

- The percentage of contribution was calculated by the researcher using the following equation: **(part / whole) × 100**

Conclusions

1. The contribution of tax revenues to the financing of public revenues in Iraq remains weak. However, it still represents a potentially important source of public financing if properly developed and prioritized by the state.
2. There is a clear imbalance and disparity between total direct and indirect taxes throughout the study period.
3. Indirect taxes rely heavily on customs duties due to their ease of collection compared to other indirect taxes. This reflects the weakness of Iraq's production system and its inability to meet growing consumer demand, as well as its heavy dependence on imports.
4. The Iraqi economy is a rentier economy that depends primarily on oil revenues to finance public revenues. As a result, the tax system remains a secondary source of financing, as reflected in the low contribution of tax revenues to total public revenues.
5. Weak performance of the tax administration, low efficiency of tax employees, poor organizational structure, outdated tax laws and legislation, and lack of flexibility in fiscal and economic policy all contribute to the weak performance

of the tax system. These issues are further compounded by insufficient institutional support.

Recommendations

1. Diversify sources of public revenue in Iraq and reduce dependence on oil revenues by supporting all types of financial resources and encouraging the private sector, which can expand the tax base and increase tax revenues.
2. Implement comprehensive reforms in the tax system, including reforming the Iraqi Income Tax Law, which contains multiple amendments that create administrative confusion and fail to ensure balance between direct and indirect taxes.
3. Improve the efficiency of the taxpayer registration and inventory system as a fundamental step in identifying all taxable income sources. Accurate inventory reflects the efficiency of tax administration and reduces tax evasion.
4. Enhance the efficiency of tax administration employees by improving their skills, providing adequate training, and involving them in continuous development programs aimed at improving tax revenue performance.
5. Given the important role of both direct and indirect taxes in increasing tax revenues and, consequently, public revenues, greater attention should be given to tax policy, including studying factors that increase revenues and developing appropriate legal and administrative reforms.

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