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ANALYSIS OF THE EFFECT OF INCREASING TAX REVENUES ON SALARIES AND WAGES

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Abstract

Taxes affect all aspects of economic and social life, and the importance of these effects has increased with the expansion of the state's role and the increase in its intervention and with the development of the concept of government finance or fiscal policy.

The instability of the economy resulted from the poor distribution of income, which resulted in a widening disparity in income levels and the lack of resources in financing the budget—problems of the economic effects of the tax.

The research aims to identify the size of the economic effects of the tax in general and the tax on wages and salaries in particular, as well as the study of tax evasion, which hurts economic development.

Keywords: Taxes, Wages, and Revenue.

Introduction

First: Problem of the Study

The research problem is summarized in the difficulty of adopting modern mechanisms to activate the role of taxes in increasing national income and the lack of fertile places to impose tariffs of high value.

Second: The importance of the Study

The importance of the research stems from the interest of academic organizations in the issue of taxes and their impact on workers' job performance and their reflection on productivity. This research may open horizons for researchers to study the effect of taxes on job performance and how they affect productivity.

Third: Objective of the Study

They stood on the types of taxes imposed and studied their impact on wages, performance, and productivity.

Chapter One

First: The Concept of Taxes

Taxes have been known since the emergence of the first type of human organization, which is the tribe, and its simple organization consists of the chief or leader of the tribe, and the members of the tribe need defense and protection from external aggressions—attacking her and preserving her dignity.

After that, the state appeared on the level of existence, and its aim at the beginning was limited to maintaining security and order internally and protecting it from external aggressions while letting individuals practice whatever activities they wanted in light of economic freedom so that the state could carry out its new tasks. It resorted to taxes, albeit in a primitive way.

Definition of tax: It is an obligatory and not a punitive duty that obliges the natural taxpayers or those entitled based on it to transfer some of their resources to the state forcibly, permanently, and without charge to achieve the goals that the state seeks by specific rules and standards.
As you also know:
That it is a compulsory (compulsory) non-punitive financial deduction determined by the state and obligating persons - natural and concerned - to perform it for the condition in a final and free form in order to enable the state to carry out its economic, social and political functions, i.e. to assist the state in facing public expenditures.
We will discuss this issue in two parts:
The first requirement: the characteristics of the tax
The second requirement: - the principle of the tax function
tax properties
1- The tax is a financial deduction: The tax is mainly paid to the state in cash, as it is not permissible to perform it in the form of personal or in-kind services.
2- The tax is imposed and paid compulsorily: Imposing and collecting the tax is considered an act of the state's public authority.
It follows from this that the state is the one that implements the tax, and it is the one that collects it through its employees in this field, and the tax may not be imposed except by law or decree.
3- Obligatory and not punitive: The tax is not imposed as a financial penalty as a result of the taxpayer doing an act that requires him to be punished, such as violating individuals, traffic rules and regulations, and the damage caused by some companies to the surrounding environment.
4- The tax is finally paid to the state: The tax is produced by the taxpayer to the state without getting it back again, i.e., the one who pays it has no right to recover what he paid, nor to charge him interest because he spends it as a contribution to the public expenditures that the state undertakes. This distinguishes it from the loans that the state borrows from individuals.
5- Transfer resources from the private sector (taxpayers) to the public sector (the state) forcibly: The tax is compulsory for taxpayers and not optional, and this distinguishes it from gifts and donations that individuals and companies make to the state voluntarily.
6- They are imposed to achieve financial, economic, social, and political goals: - The prevailing belief in modern monetary thought is that the aim of assessing taxes is not only to provide the necessary funds to cover the public expenditures of the state but the objective of them has become to achieve the economic, political, social and religious goals of the state. The tax is not an end but a tool available to the state to achieve public purposes.
7- Taxes are imposed according to specific basic rules, principles, and standards: The most important of which are justice, certainty, appropriateness, economy in collection expenses, flexibility, and stability.

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8- Without charge: The tax is paid by the taxpayer to the state without expecting to get a direct consideration for what was born, and this distinguishes it from the fee (fees), as the cost means paying a specific amount to benefit from a particular service directly. In its name, he is charged with delivering the tax as a member of the society.

principle of the tax function

First: The concept of the principle of the tax function

According to Marwan al-Qutb, the principle of the tax function means that the tax has a process that the state aimed to achieve in the past. Under the guardian state, the tax function was intended to secure the necessary revenues to cover the expenses of the state's basic facilities, such as the judiciary, defense, and army facilities, and the state's function had a financial dimension because the guard state prevents Intervention in the economic and social fields. But after the First World War and following the financial crisis in 1929, the state could no longer stand by as a spectator in front of the deteriorating economic and social conditions, and economic thought began to shift towards allowing the state to intervene. Thus, the principle of the tax function started to take shape.

At the beginning of the eighties, the last century, the state found that its internal policies lead it to fall into impotence, mainly when operating facilities of an industrial and commercial nature, such as electricity, communications, and public transport facilities. Economic theorists began to call for the need to amend the thought specific to the state's role, as the state is a failed merchant.

Second: Tax functions

1- The financial function: The financial position means that the tax constitutes revenue for the public treasury and is used to cover public expenditures. The state's economic policies have excessively considered the tax a source of general revenues, regardless of the harmful economic and social effects that may result, for example, indirect taxes. It is an essential resource for the state treasury, and the state resorts to imposing it due to its abundant revenues. However, it fails to achieve tax justice, as it is set at a single rate and needs to consider the taxpayer's personal and family conditions. In contrast, direct taxes are fairer, but despite that, the state can only impose a large group of indirect taxes to secure the most significant tax revenue that would cover public expenditures; that is, countries look at the financial function, in this case, more than looking at other jobs.

2- The economic function: - The tax is one of the tools that the state possesses to influence the economy to achieve financial stability and high growth rates. This function has multiple manifestations, the most important of which are:

1- In the case of deflation, in this case, the amount of money in circulation is limited and is never commensurate with the quantity of goods and services produced and offered for sale. In this case, the state must increase its spending to enhance monetary amounts and limit the imposition of new taxes. Instead, it must reduce tax rates and increase exemptions to create a new balance. It restores economic conditions to stability.

2- In the case of recovery and escalation of monetary quantities, it is feared that it will reach a limit where the offered amounts of goods and services exceed, which leads to the crowding out of large quantities of money in circulation. A limited amount of goods and services leads to a rise in prices and falling into inflation, which leads to the loss of money of its purchasing power.

In this area comes the role of the tax that absorbs the surplus quantities of cash by imposing new tariffs or increasing the existing tax rates to restore balance to the national economy.

3- Protecting national production Countries use taxes, especially customs duties that are imposed on goods and services when they cross the borders of the state, to protect national industries, especially those emerging from them, because imposing customs duties on imported goods will lead to an increase in their price, and thus these goods lose a certain amount of their competitiveness and allow the products to be sold National projects at competitive prices that achieve high income for national projects, and for local workers to impose new work and high incomes, and thus the tax contributes to the growth and development of the economy

4- Tax exemptions Exempting some economic projects from tax, whether permanently or temporarily, would strengthen the local industry and direct investors to economic projects that satisfy the general needs of citizens instead of absorbing them from foreign companies that acquire the most significant part of the added value.

3- The social function: The tax aims to achieve social stability and redistribute income among the classes of society. One of the most important manifestations of the social part of the tax is

1- Redistribution of income Income results from the elements of production, and the ownership of these elements varies between people, which leads to the creation of multiple social classes. Sociologists monitor three classes: the lower or poor class, the middle class, and the wealthy class. In capitalist societies, the rich class controls production elements, which is the source of its wealth. In contrast, the poor course provides labor in exchange for limited wages because it cannot secure its basic needs, which generates social problems that affect the entire society. Therefore, the state must intervene in order to redistribute income by imposing Taxes with high campaigns on the wealthy class and exempting the poor class from tax on the basic needs of these disadvantaged classes through social assistance and securing health, education, and housing services. Therefore, tax progression is an effective tool for redistributing income until the tax rate increases whenever the taxpayer's income increases.

2- Achieving social justice: Western systems seek, when imposing taxes, to take into account the social conditions of taxpayers through several means, the most important of which are:

1- Considering personal and family considerations Most tax systems deliberately exempt a specific limit from the tax base according to the individual and family considerations of the taxpayer. In Lebanon, this exemption is called the family deduction, which differs according to the taxpayer's family status. If the taxpayer is single, seven and a half million of his income is deducted. If he were married, two and a half million would be added to his salary, provided that his wife does not work, as he deserves half a million for each child, up to five children only.

2- Exemption of essential goods and services from tax. Goods in direct contact with the citizen's livelihood are exempted from tax, especially sales or value-added tax. In Lebanon, unprocessed vegetables and fruits are exempted from value-added tax. Sugar, rice, and meat are also exempted. Education activity is also exempted. From the income and value-added taxes, all this is to consider the social conditions of the taxpayers and achieve tax justice.

3- Relying on direct taxes There is no doubt that direct taxes take into account the social conditions of the taxpayers, so the progressive tax is applied to a wide range of corporate income taxes and the built-up property tax. It also considers family deductions that feel the personal and family conditions of the taxpayers. Here this means that direct taxes are more inclined to achieve social justice.

4- Reducing indirect taxes at fixed rates applied to all taxpayers regardless of their rationing ability and does not include deductions and exemptions that take into account the personal and family conditions of the taxpayers, which means that indirect taxes do not achieve the social function and tend to achieve the financial position of the tax, but most capitalist countries You are forced to rely on these taxes to secure financial resources to cover the state's expenses, which means that the economic function is forced to prevail in order not to fall into a financial deficit that could lead to a deterioration in public economic conditions and affect the entire national economy (adapted from a lecture by Dr. Marwan Al-Qutb)

From here, the principle of the tax function emerged, as each tax has some effect on the economic activity of the state, and thus taxes cannot be imposed to collect money, as the tax may have high proceeds, as taxes on income and companies also belong to us, with undesirable economic effects and even harmful to the economic activity of the state.

Chapter Two
Tax Legally

The critical position that the tax occupies in financing the state's general budget has made it the subject of constant attention by various legislations through its regular and continuous keenness to impose tariffs based on the well-known rules of tax justice enshrined in the state constitutions, including Algeria, where all the forms that I knew concerned with constitutional principles. The tax, including the Constitution of November 28, 1996, stipulated in Article 64 of the regulation of equality in tax payment among citizens and that each one participates according to his tax capacity—a constitutional guarantee for taxpayers against any abuse by the tax administration in imposing taxes. The legislator did not organize all the procedures related to determining the tax debt, its liquidation, collection procedures, and guarantees in the various laws about taxes, including the direct tax law and similar fees. And indirect taxes, the stamp and registration law, and tax procedures law. This interest in tax necessarily requires that we take care of the two parties to the tax relationship, namely the taxpayer and the tax administration, by clarifying the legal relations that link them.

We will discuss this issue in two parts:

The first requirement: the taxpayers

The second requirement: tax evasion

The first requirement

taxpayers

First: Natural persons

- Tax on gross income if it is achieved by income related to one of the following categories:

Profits from industrial, commercial, and craft professions

Profits from non-commercial activities

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Profits from agricultural investments
Income from renting built and unbuilt properties
- Income from movable funds
Salaries, wages, grants, and age rents
Drawing on professional activity
Real estate drawing
Second: If it is a financial company
- Tax on corporate profits (extraordinary profits)
Drawing on professional activity
Real estate drawing
- Value-added fee
Drawing on cars
Third: If it is a foreign company
A- If it owns an establishment
- If it is a financial company, as it is subject to the tax imposed on non-foreign companies
B- If the foreign company does not own an establishment, it is subject to tax on profits
Second: The rights and duties of taxpayers

The tax collection by the tax administration is for the service of the individual, so its collection must be a proper collection of the truth in a way that does not contradict the rules of public or private law. The tax law determines the rights and obligations of taxpayers. Our topic is whether he owes the tax debt or not. Such as commitment to notifications for those who started practicing the activity, conciliation, waiver of action, or evacuation, and the obligation to submit tax returns

Among the rights of taxpayers is the imposition by law on the tax administration of certain obligations that must be taken into account so that its claim for the tax debt or its collection is legitimate, including the obligation to notify the taxpayer of the elements of the tax assessment or the assessment decision, or the obligation to refund what happened from the taxpayer with the increase, as well as determining the tax rate when it is reserved by the text of the constitution for the law alone Because of its importance and impact on the public and economic life in society

First: The rights of the taxpayers

There is an overlap between taxpayers' rights and duties. Many requests are based on responsibilities, which Income Tax Law guarantees No. (31) of 1991 and its amendments, including:

1- The right to calculate the tax: It guarantees the taxpayer the right to calculate the tax based on the tax returns he submitted for all types of income taxes.

2- The right to assess the tax: It results from the tax returns submitted by the taxpayer, which is considered a tax assessment to determine the amount of tax the taxpayer must pay to the tax authority based on his correct estimates supported by data and documents.

3- Small taxpayers have the right: These are the persons for whom no data is available, the tax has already been assessed, and there is no data for them to pay their taxes by the Central Bank and commercial banks.

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4- The right of the taxpayer to inform him: The taxpayer cannot be claimed for the tax debt except by a notification delivered to the taxpayer or his representative through administrative information.

5- The right to object, challenge and appeal: The articles of the law guarantee the right to object and appeal before the various levels of litigation.

6- The right to recover amounts paid in excess or unlawfully.

The second requirement

Tax evasion

First: the concept of job evasion

It is the failure of the taxpayer (individual or company) to pay the taxes due to the state resulting from his income or wealth or any other incident that creates a tax (consumption or import) or to reduce the amounts of taxes through the use of methods and methods that are illegal by law and involve fraud, deceit, and misconduct. Intention.

Tax evasion is a crime punishable by law in most countries and exposes wrongdoers to accountability before the judiciary and civil and criminal penalties that may reach imprisonment.

Second: the reasons for tax evasion

1- Feeling the weakness of the institutions, the state's passing on the implementation of the law and imposing its sovereignty, and its inability to exercise it and its oversight responsibilities, and to refer the evaders to the judiciary

2- The rampant corruption within the state apparatus that encourages paying bribes instead of paying taxes due to the state

3- Imposing non-aggressive penalties on those convicted of tax evasion encourages taxpayers to evade if the proceeds are more significant than the penalties.

4- Feeling the heavy tax burden and its high rates and not benefiting from any government services in return, the citizen believes that taxes do not help him.

5- Feeling the illegitimacy of taxes in the first place if the ruling regime lacks democratic legitimacy

6- The absence of fairness in the distribution of taxes, with the feeling of social injustice and discrimination in front of meals by broad groups of society

evasion methods

There are many ways and methods that individuals and companies follow to evade paying taxes, including the following:

1- Failure to declare income and refraining from submitting tax personnel to the tax administration.

2- Reducing the value of taxable income.

3- Manipulating the amounts of taxes deducted from the income of workers and employees in companies and not transferring them to an entire state.

4- Submitting false invoices to the customs administration to reduce the value of customs duties and the value-added tax collected on imported goods.

Third: Damages from tax evasion

Tax evasion significantly limits the state's ability to prepare the resources and provide the necessary revenues to divert public spending, and this would weaken the quality of public services offered, reduce investment opportunities in the required infrastructure and facilities, and prevent the approach of government policies that stimulate economic growth and achieve development.

Because of the lack of resources and the budget deficit, tax evasion leads to forcing the government to increase the tax burden placed on the shoulders of employees, employees and others whose taxes are deducted from income from the source, and there is no way for them to evade or reduce the tax.

Chapter Three

First: Taxes and their role in the economic process

Taxes have many goals: achieving tax justice in the distribution of income and wealth among citizens, economic goals in financing the state budget and contributing to economic development, and other political goals represented in the state's sovereignty through the rule of law. Therefore, we discuss its role in the economic balance in the redistribution of income:

1- Taxes and their role in the economic balance

The ability of the state to spend publicly and increase the rate of economic growth depends on what is available to it of the necessary financial resources to finance its investments.

The role and importance of taxes are highlighted in enhancing internal financing and increasing the financial resources required by the development process. This is done by developing internal funding sources, which are taxes, by mobilizing the necessary national resources for the development process to create income that produces new taxes. The tax system's role is to support Economic development by directing resources toward investment channels that distribute income and wealth and achieve economic stability.

The tax system responds to economic changes, and the state has sufficient capabilities to review the existing tax structure and what it includes of taxable elements and rates, especially in the event of a deficit in the public budget, while achieving the objectives of the state's fiscal policy.

The effectiveness of the tax system in achieving economic balance is highlighted by the system's role in warding off deviations and fluctuations that afflict the movement of economic activity.

In Iraq, taxes were used to maintain the equilibrium situation and protect economic activity from fluctuations and financial crises, as tax policy plays a significant role in economic balance and stability and the regulation of government spending.

2- The role of taxes in the redistribution of income

We will discuss this issue in two parts:

The first requirement: the role of taxes in economic development.

The second requirement: - The impact of the tax on salaries and wages on increasing tax revenues.

The goals that public finance seeks to achieve with its various tools have made taxes one of the essential tools in the hands of the state for attaining many economic and social goals, including the contribution of taxes to the redistribution of national income, unlike expenditures that affect the primary distribution of income.

Taxes mainly focus their role in redistributing through their impact on cash and real incomes, and the most critical ways to redistribute taxes are:

1- Changing the demand for consumption commodities and the consequent effect on prices means the impact on real incomes.
2- Raising the prices of some commodities by adding taxes to them.
3- The effect on the level of employment and production, and then on the revenues of the elements of production, and this is known (as the effect of the Canadian output), which represents the indirect effect of taxes on the distribution of national income.

The first requirement

First: the role of taxes in economic development

The concept of economic development: It is the development process that aims, in essence, to increase the productive capacity of the economy, as it is defined as increasing output in addition to bringing about changes in the prevailing production technology in addition to fundamental changes in the economic system that govern the process of production and distribution. Objectives of economic development lead to an increase in national income. Therefore, the average per capita share of this income rises because the average per capita share of this income is equal to the division of the national income by the population in the country. The degree of development or underdevelopment is measured by two common influences: individual income and the average annual growth rate in national income. Economic development requires achieving a yearly increase in the gross national product by rates ranging from 5-7 or more—sources of adjusting development. Economic development is a partnership between governments. The origins of the supply of savings for a country are two primary sources:
1- Internal sources (domestic savings): - It is represented in the deliverance of the establishments, as the remainder of the establishments' revenues after the deduction of taxes minus the profits of shareholders and the deliverance of the family sector, which is what remains of the income after depreciation.
2- External sources (external financing): It means the flow of foreign capital to the state when local financing fails to achieve the appropriate volume of savings needed for development.
3- The role of tax in financing development Economic development often generates an additional need for tax revenues to finance visits in public spending. Still, at that time, it leads to an increase in the ability of countries to mobilize tax revenues to increase economic development.
The second requirement is the impact of the tax on salaries and airspace in increasing tax revenues. The role of a tax on salaries and wages in growing revenues in the pay and wages tax is matched by the use of the state in implementing economic development projects and providing public services in which the citizen will touch the role of this tax directly and since the salary and wages tax plays a vital role in serving the national economy by raising the general budget Large sums that contribute to the state playing its part in developing the country and completing development projects, and this is reflected in the feeling of those assigned to its position and the degree of commitment of those charged with it. The role of tax in raising the economy and the development process and non-tax evasion of salaries and wages between the retention of national income in society, which has environmental effects on the structure Economic, social, and financial in the country, there are several recommendations, namely:

1- Tax incentives must direct the growth of the economy and investment in projects and productive activities to create new job opportunities and to fight unemployment in society, where we find high profitability and productivity returns accompanied by a high per capita income level that results in significant and high tax revenues 2- The need to pay attention to raising the efficiency of management Tax by selecting the appropriate human element
3- It is necessary to follow up on the growing phenomenon among the private sector in terms of non-observance of official working hours
4- The salary and wages tax must contribute to combating the economic recession that is passing through the country at present. The role of the salary and wages tax in economic development.

Conclusion

1- Weakness of belonging and citizenship for many and a sense of self lead to non-payment of taxes
2- Ignorance of individuals in knowing the tax laws that define their rights and duties
3- Individuals' wrong understanding of the tax, as they consider it a levy due to the lack of the fundamental role of the importance of tax in the field of development
4- The high rate of annual tax leakage, which leads to weakness in development projects in Iraq
5- The government's wrongful disposal of tax revenues is one of the factors that lead to tax evasion

Recommendations

1. The establishment of various audio and visual media imposed to raise tax awareness
2. The use of the Internet site and the publication of annual controlsز
3. Printing some articles of the income tax law paragraphs and communicating them clearly too all individuals.

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