

The Impact Of The Application Of Direct Withholding Tax On Improving Tax Revenues And Financing The State's General Budget (An Applied Study In The General Tax Authority)

Sana Masmoudi¹ , Haider Odeh Kazem Al-Saadi²

Abstract:

The research aims to address the knowledge pillars of direct withholding tax in terms of its concept, importance, types, mechanisms of application and characteristics, in addition to identifying the necessary requirements for its application in the Iraqi General Tax Authority with an indication of the impact of this in improving tax revenues, and the research is based on the basic premise that follows: There is a possibility of applying direct withholding tax in Iraq in a way that helps in tax revenues, and the research was applied in the Iraqi General Tax Authority for the data of the fiscal year ending on 31/12/2022 in order to show the possibility of applying the direct withholding tax in addition to indicating its impact on improving tax revenues and financing the state's general budget in a way that helps reduce the budget deficit and encourage investment, and the research reached a set of conclusions, the direct withholding tax law, including³ the necessary clarifications about the entitlement and collection of tax, and determining the funds and things exempted from it, with the need to adopt a single tax rate, to ensure ease and accuracy of application and to prevent diligence in interpretation the most important and it can also be considered a good tax reform in order to provide a resource Abundant and regular taxation.

Introduction:

¹Laboratory " Economic and Financial Analysis and Modeling Research: URAMEF"

Ecole Supérieure de Commerce de Sfax- University of Sfax-Tunisia

masmoudisana@yahoo.fr sana.masmoudi@escs.usf.tn

²PhD Student at the Faculty of Economics and Management in Sfax-University of Sfax-Tunisia. haider.odeh@qu.edu.iq

¹ **Sana MASMOUDI**, PHD, is an accomplished Associate Professor specializing in Auditing and Control at Higher Business School at the University of Sfax, Tunisia. With a distinguished academic career, Dr. MASMOUDI has made substantial contributions to the field of auditing and control through her extensive research and publications. She is widely recognized for her impactful research, which centers on critical issues in auditing and control. Her work encompasses a broad spectrum of topics, including audit quality, internal control systems, risk assessment, corporate governance, earnings management, ESG disclosure and Corporate Social Responsibility. She has a notable record of publications in reputable academic journals, where her research findings have added valuable insights to the field.

² **Haider Odeh Kazem AL-SAAD**I, assistant professor at Al-Qadisiyah University / College of Administration and Economics / Accounting Department, lecturer in financial accounting, auditing, control, taxation, and the unified accounting system. He published many researches in the field of financial accounting, supervised a number of master's students in accounting, and discussed many among the master's theses in Iraqi universities, the areas of research interests are financial accounting, financial accounting standards, financial reporting, auditing, control, and tax.

The economic developments in the world impose on our country one of two options, either anticipation and waiting, which means failure to catch up with the march of economic, cultural and social changes, or keep pace with them through the modernization of regulations, legislation and laws that regulate work and public economic activity and restructure, and the current research tries to stand at a new tax option that many international tax institutions have begun to apply, which is the direct withholding tax to gradually solve the solution Customs duties, which have become one of the main sources of tax resources. The main features of this tax are that it has a wide base imposed on multiple stages of production, and the deduction of taxes on production inputs from taxes on production outputs, which means that merchants who are obliged to collect tax on all their sales, are entitled to demand a deduction of taxes they have incurred on their purchases. Of course, the countries that adopted this tax were able to collect taxes on the domestic product more than those collected in the countries that did not adopt it, which means that the direct withholding tax was able to compensate for other ordinary taxes and contributed to increasing the tax collection easily and effectively, meaning that there is a possibility of applying the direct withholding tax in Iraq, and it can also be considered a good tax reform in order to provide an abundant and regular tax resource. .

The first topic: research methodology

11 Search problem:

The economy of Iraq suffers from the lack of diversity of its sources of revenues, which easily exposes it to deterioration and collapse during crises, as it depends on financing its budget on only one resource, which is oil, and did not tend to develop its other resources, as taxes in Iraq have a limited impact on GDP, as taxes did not take their real role in directing the economy to high degrees of growth, and therefore the research problem can be expressed through the following question: Can the direct withholding tax be applied in Iraq in a way that helps improve tax revenues and finance the state's general budget?

12 Research Objectives:

The research aims to address the knowledge foundations of direct withholding tax in terms of its concept, importance, types, mechanisms of application and characteristics, in addition to identifying the necessary requirements for its application in the General Authority for Taxes of Iraq with an indication of the impact of thither direct withholding tax law, including the necessary clarifications about the entitlement and collection of tax to need to adopt a single tax rate, to ensure in improving tax revenues and financing the general budget of the state.

13 The importance of research :

The direct withholding tax is characterized by its abundance of resources, comprehensiveness and fair application, and this type of tax can replace the excise tax and sometimes the sales tax. This research seeks to study the application of this type of tax in Iraq and to identify the most important results reached and develop a model for its application the direct withholding tax law, including the necessary clarifications about the entitlement and collection of tax, and determining the funds and accuracy of application and to prevent diligence in interpretation in a way that achieves the goals sought by the General Tax Authority..

14 Research hypotheses:

The research is based on the basic hypothesis of the following: (There is a possibility of applying direct withholding tax in Iraq in a way that helps improve tax revenues and finance the state's general budget).

15 Research sample:

The research will be applied in the Iraqi General Tax Authority for the data of the fiscal year ending on 31/12/2022 in order to show the possibility of applying the direct withholding tax, in addition to indicating its impact on improving tax revenues and financing the state's general budget, in a way that helps reduce the budget deficit and encourage investment.

The second topic: the theoretical framework of the research

21 The concept of direct withholding tax:

The direct withholding tax is a general consumption tax imposed on all money and services consumed within the territory of the state, whether locally manufactured or imported, except for items exempted from this tax, and thus it is an indirect tax that the law allows to be imposed in favor of the treasury by institutions legally subject to this tax (Mokpo, 2013:142). This tax affects every delivery of funds or the provision of services for consideration or what is considered as the delivery of funds or the provision of services in return for consideration and every import operation, whether the person who carried out the import process is subject to tax or not. The process of delivering money or providing work services means that the beneficiary is able to dispose of the money or service and the owner disposes of his property, and the final consumer bears this tax within the price of the money delivered to him or the service provided, which is a tax imposed on the total final consumption (Ridha, et.al., 2002:55).

It is also a tax imposed on the sales of locally produced or imported goods and services, except for what is excluded by a special provision, the tax on direct deduction is an indirect tax on consumption, paid to the treasury in part at each stage of the economic cycle, calculated on the selling price and affects only the added value, when the taxable person makes the deduction account by suppliers, and its burden falls on the consumer (Jaeger & Biafra, 2014:16).

Therefore, the direct withholding tax is a general tax on consumption and applies to direct deduction, that is, to the increase that is added to the value of goods and services consumed within the territory of the state, except for items exempted from this tax, whether locally produced or imported, and it is applied at every stage of its production and circulation so that it deducts at each stage the tax paid in the previous stage, which makes it a non-cumulative tax (Polka, 2010:8).

The idea of direct deduction was first discussed by Adam S in 1776. According to his opinion, any commodity has two values, a use value, which shows the ability of the commodity to satisfy needs, or in other words the benefit of the commodity, while the second type of value is the exchange value, which shows paid on their purchases of goods and services against the tax imposed on their sales of goods and services. Despite the clarity of this matter, practical applications show different ability of the commodity to exchange with other goods, which is known as price, and such a type is determined by objective market factors (Washita & Sancho, 2014:48).

Regardless of the name, this tax is not really a direct withholding tax, it is a tax on spending, it is calculated at all stages of production with a certain mechanism to subtract the tax that taxpayers paid on their purchases of goods and services against the tax imposed on their sales of goods and services. Despite the clarity of this matter, practical applications show different coefficients for them according to the nature of the inputs (Nambe & Badin, 2014:203).

22 Mechanisms for applying the tax on direct withholding:

The legislation adopted for the direct withholding tax system imposes a tax on each operation at any stage of production and delivery, and the tax is imposed by the subject to enter its value in the price of the money and services he delivers or provides to his customers (Gurus, 2014:56).

The direct withholding tax does not have a cumulative effect because those subject to it have the right to deduct the tax paid by them on their purchases from the original tax they impose on the sale of their goods and services from their customers (i.e. the tax collected from customers), and the difference between the tax collected from customers and the tax paid from the taxable person within a specific period is clear if the taxable person must pay this difference to the tax administration or requires retrieving it from it as a surplus of the tax paid or recycling This difference to the later period, can be illustrated by the following two points: (Chambal & Sauna, 2009:204)

1. If the tax collected is greater than the tax paid, it will result in a tax due to the tax administration.
2. If the tax paid is greater than the tax collected, it will result in a tax surplus that can be deducted or recovered.

With regard to import operations, every person registered with the tax administration must pay the tax on direct deduction for the import of money and services if they are subject to tax, and the tax on direct deduction is collected by the customs administration at the point of import, and it is imposed on the basis of the customs value plus all customs duties due because it is a general tax on consumption and applies to direct deduction, that is, to the increase that is added to the value of goods consumed within the country (Al-Masonry,et.al.,2005:411) .

23 Characteristics of the direct withholding tax:

The direct withholding tax has some characteristics and advantages that differentiate it from other taxes and these characteristics are as follows: (Burly & keen, 2011:122-124)

1. **Generality of tax:** It is a tax on consumption in the first place, as it affects goods and services, including imported goods, when this consumption occurs.
2. **Single-rate:** There is a group of countries that impose one rate of direct deduction tax despite the different goods and services consumed.
3. **Indirect character:** The tax on direct withholding is an indirect tax, although it is not collected directly from the consumer, but its final burden falls on him, as the seller plays the role of the collector who pays the tax to the state and then retrieves it from the consumer.
4. **Provides abundant and regular tax revenue:** its proceeds are large in the event of economic recovery, weak unemployment and citizens' demand for consumption on a large scale.
5. **Tax justice :** This tax has a small impact on low-income people due to the exemption of most basic goods and services from it.
6. **Economic efficiency:** This tax achieves a distribution of the tax burden, as the expected revenues from it allow the achievement of a primary financial surplus that enables to cover the cost of public debt.
7. **Tax neutrality:** This tax is neutral for local or foreign products, and thus contributes to stimulating production and is considered neutral because it adopts a single rate.
8. **Tax regionalism:** It is applied regionally within the borders of the country, import operations are subject to tax, in addition, every delivery of funds or provision of a subject service takes place within the territory of the state, while export operations outside the borders of the state are exempt from tax (or subject to a zero rate) .
9. **Non-cumulative tax:** One of the most important features of this tax is that it is collected and paid in part at each stage of the economic cycle.
10. **It is a tax based on the right of deduction :** the tax amount is deducted on the taxpayer's income and the net is delivered to the government periodically, in order to calculate the value of the tax due to the treasury at the end of each tax period.

24 Obstacles to implementing direct withholding tax:

Establishing an effective tax system in developing countries faces many challenges, and the obstacles to implementing direct withholding tax can be illustrated through the following: (Lionel, 2008:35-38).

1. The composition of the economic systems of developing countries makes it difficult to impose and collect specific taxes, in addition to the weak management of this tax as a result of the lack of qualified persons for this work and the absence or weakness of the data necessary to calculate the tax.
2. Some developing countries are characterized by small enterprises, a modest share of wages in national income, and poor spending. Developing countries are also characterized by inequality in the distribution of income, as those with high incomes are influential and therefore resist any change in the tax system if their incomes are affected.
3. Poor efficiency of people working in the tax sector due to the lack of incentives for their work and their low level of wages, as well as the lack of institutions to keep accounting records, all factors make it difficult to establish an effective tax system.

The imposition of a direct withholding tax requires preparations for one or two years at several levels, starting from any public administration to the private sector in general, while the difficulty of application lies in obliging all producers to adopt accurate and complete accounting so that everything is recorded to benefit from the tax deductions on which the tax is based (Paradises, 2004:159). .

The direct withholding tax, like any other tax, depends on the method of its management, and the preparation of methods of full and accurate legislation and effective procedures if we want to achieve effective management of this tax, and the introduction of the direct withholding tax system requires audit procedures different in nature and requirements from the audit and tax examination of income tax (Tony, 2006: 339). .

25 Requirements for the application of direct withholding tax in Iraq:

The success of the state in choosing the optimal tax system depends on a full knowledge of the ideologies of society and all its economic, social and political conditions, and the goals it seeks to achieve, and on an in-depth understanding of the scientific foundations for drawing up tax policy, and that operational methods are the key to the successful management of direct withholding tax, as it depends on the method of its management and the preparation of clear, complete and accurate legislation and executive procedures for direct withholding tax (Gurus, 2014:56) .

For example, the successful and modern introduction of this tax in the Egyptian society had to create a tax-rejecting climate in that society and rely on the most important elements, the most important of which is working to find clear and flexible legislation that achieves the goals and is compatible with the economic conditions of the country. And work to prepare a business community to be organized (keeps regular books and records) and work to find an administrative body capable of the following: (Ford & Parrish,2016:9-10)

1. Full understanding of the uses of technology in all stages of work.
2. The use of scientific method in management.
3. Instilling confidence in the community in tax and transforming the tax institution from a collection interest to an interest that performs a service to the community.
4. Work towards finding a supportive public opinion and support the tax.

One of the most important elements for the successful implementation of direct withholding tax in Iraq is the tax reform that aims to modernize the tax administration and improve the service provided to citizens, through the following: (Harvey, et.al., 2014:46)

1. Development of tax legislation.
2. Restructuring the organization of the tax administration according to the categories of taxpayers and the type of services provided.
3. Introducing mechanization and new work methods.
4. Accepting permits through mail and payment through commercial banks.

5. Communicate with the citizen through the dissemination of information and the establishment of specialized units for services.
6. The commitment of officials of the Ministry of Finance at all levels to follow up the progress of work continuously.
7. Participate in discussions with representatives of the private sector to overcome obstacles first-hand.
8. The use of foreign expertise from international organizations and countries through the follow-up of the latest tax introduction programs, the development of the work carried out by the International Monetary Fund and the provision of financial resources for its application, with the need to issue a unified financial number for each taxpayer (Jaeger & Biafra, 2014:17) .

Globalization has made tax administration a difficult issue, and if not managed properly, it leads to revenue losses and thus the trend towards homogeneity of tax systems (Al-Masonry, et.al., 2005: 413)..

The third topic: the applied side of the research

31 About the General Tax Authority:

The General Tax Authority was formed from the merger of the General Income Tax Directorate responsible for implementing the Income Tax Law with the General Revenues Directorate, which was applying the Real Estate Tax Law, and the merger took place during the year 1982, where it applied the Income Tax Law No. 113 of 1982, and the organizational structure of the General Tax Authority consists of the following:

1. **Sections:** The organizational structure of the Authority includes ten sections, namely the Department of Business and Professions, the Department of Companies, the Department of Profits of Transfer of Real Estate Ownership, the Department of Real Estate, the Department of Information, the Department of Auditing, the Financial Department, the Legal Department, the Department of Electronic Computer, the Department and the Administrative Department.
2. **Branches of the Authority:** The organizational structure of the General Tax Authority includes (40) tax branches distributed according to the geographical area of the city of Baghdad and its suburbs in addition to the provinces, and the structure of these branches consists of estimative units for the divisions of business and professions and profits of transferring ownership of real estate ownership, audit and collection units, the secretariat of the fund and the electronic computer unit.
3. **Estimation units operating in the border customs areas:** It includes estimative and audit units and the secretariat of the Fund, and these units undertake the conduct of tax accounting on goods and goods imported under customs permits and collect the estimated tax as trusts for the benefit of the General Tax Authority and send the records of the secretariats to the financial department at the Authority's center for the purpose of entering them into the tax secretariats system.

32- Applying the direct withholding tax in the Iraqi General Tax Authority and indicating its impact on improving tax revenues and financing the state's general budget:

The goods that can be subject to direct withholding tax in Iraq are those that negatively affect human life and damage to his health, as well as luxury goods that are not necessary for his life, so those subject to direct withholding tax are legally charged with paying the tax amount, but in fact they add the tax amount to the price of selling goods so that their burden falls on the consumer, and these taxpayers are tobacco traders and its manufactures, gold traders, importers of goods from abroad represented by some electrical appliances, luxury goods and contractors for works Real estate and others and service providers.

There are two ways to calculate VAT, and the taxpayer can use the method of his choice, which must show the value of the tax due in his records clearly, and these two methods can be clarified through the following:

First method: Calculating the tax within the price of the good or service: When using this method, the taxable person must explain to the consumer that the price of the commodity offered includes the tax amount, and the net selling price and the tax amount must be separate in the invoice given to the customer, as well as in the accounting entries and books. The tax is calculated as follows:

$$\text{Tax amount} = \frac{\text{Net Price}}{(\text{Price minus discount})} \times \frac{\text{Tax rate}}{(\text{VAT Rate} + 100)}$$

If the direct deduction tax rate is 10%, and a person buys an electrical appliance worth 400,000 dinars (including the tax amount) and benefits from a 5% deduction, the tax on direct deduction is calculated as follows:

Amount payable by the buyer	400000 dinars
Minus discount (400,000 × 5%)	(20000)
Net Amount	380000
× Tax rate divided by (tax rate +100)	<u>× 10/110</u>
Direct withholding tax (tax amount paid by the buyer)	<u>34545 IQD</u>

The second method: calculating the tax outside the price of the good or service: In this method, it separates between the basic price of the commodity and the amount of tax due on it, and this detail appears in the invoice, and accounting books, and the tax is calculated according to this method as follows:

$$\text{Tax amount} = \frac{\text{Net Price}}{(\text{Price minus discount})} \times \frac{\text{Tax rate}}{100}$$

If the direct deduction tax rate is 10%, and a person buys an electrical appliance worth 400,000 dinars (including the tax amount) and benefits from a 5% deduction, the tax on direct deduction is calculated as follows:

Amount payable by the buyer	400000 dinars
Minus discount (400,000 × 5%)	(20000)
Net Amount	380000
× Tax rate	<u>× 10%</u>
Direct withholding tax (tax amount paid by the buyer)	<u>38000 JOD</u>

When importing raw materials, goods, fixed assets or services for consumption within the territory of the State, the tax must be paid at customs at the point of entry into the country on the total value of the goods approved to collect the customs duty plus shipping expenses and all expenses added to the price of the customs commodity plus customs duties, and that the value of the direct deduction tax paid must be clearly shown in the documents to be the taxable person from its deduction. The expenses incurred by the Organization for the exercise of its taxable activity must be taxed and can be recovered, and this tax is included in the calculation of receivables from the direct withholding tax. In the event that part of the purchased goods is returned, the seller issues a notice of discount, stating the number and date of the invoice that he had previously issued at the completion of the sale, and the buyer is refunded the value-added tax, whether the buyer is registered in the direct deduction tax or not, and the amount is reduced from the total sales. Tax on direct deduction must be paid on the amounts paid in advance out of the price of the goods purchased or the service

provided. This is if the goods or service have not been invoiced or delivered. However, in the event that these amounts have been paid out of the price of goods delivered to the buyer or for a service that has already been performed, the tax on direct deduction is due on the entire goods.

The State Budget:

The correlation coefficient (Pearson) between the direct withholding tax, improving tax revenues and financing the state budget can be clarified, in order to show the extent to which there is a possibility of applying direct withholding tax in Iraq, and it can also be considered a good tax reform in order to provide an abundant and regular tax resource through the following table:

Table (1) Pearson correlation coefficient between direct withholding tax, improving tax revenues and financing the state budget

Correlations			
Details		Direct withholding tax	Improving tax revenues and financing the state budget
Direct withholding tax	Pearson Correlation	1	.911**
	Sig. (2-tailed)		.000
	N	142	142
Improving tax revenues and financing the state budget	Pearson Correlation	.911**	1
	Sig. (2-tailed)	.000	
	N	142	142
**. Correlation is significant at the 0.01 level (2-tailed).			

Source: Researcher preparation based on SPSS-24 .

It is noted through the above table that the correlation coefficient (Pearson) between the direct withholding tax and the improvement of tax revenues and financing the state budget was (0.911), and this indicates that there is a strong positive relationship between the two variables, meaning that increasing interest in this type of tax will help in advancing the Iraqi financial reality by improving tax revenues and supplementing the general budget of the Iraqi state during the specified fiscal period, imposing withholding tax Direct on the income of the affiliate in his name and deducted from them after granting him the legal permission and downloads stipulated in these instructions, and the tax is imposed on the income of married women subject to tax in her name and deducted from them after granting her legal permission and downloads stipulated in the law, and therefore the direct withholding tax has an important role in improving tax revenues and financing the state's general budget, meaning that there is a possibility of applying direct withholding tax in Iraq, and it can also be considered a good tax reform in order to provide an abundant tax resource. and regular.

34 Research hypothesis test:

The third hypothesis states the following: (There is a possibility to apply direct withholding tax in Iraq in a way that helps improve tax revenues and finance the state's general budget), and in order to test this hypothesis, the values of the coefficient of determination and the corrected coefficient of determination will be calculated, and analysis of variance (ANOVA) will be performed, as well as estimating the value of the regression parameter and the value of t And its significance for the variables of this hypothesis, and the values

of the coefficient of determination and the corrected coefficient of determination of the variables of the third hypothesis can be clarified through the following table:

Table (2) Values of the coefficient of determination and the adjusted coefficient of determination between direct withholding tax, improvement of tax revenues and financing of the state budget

Model Summary ^b									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	Warm up	Sig. F Change
1	.820	.799	.785	.445627	.799	152.369	1	140	.000
a. Predictors: (Constant), Improving tax revenues and financing the state budget									
b. Dependent Variable: Direct Withholding Tax									

Source: Researcher preparation based on SPSS-24 .

From the above table, it is noted that the value of the coefficient of determination (R-Square) amounted to (.799) and the corrected coefficient of determination is (.785), which means that the regression model has explained the estimated (78.5%) of the total deviations, while the remaining of this percentage is explained by other variables not included in this study. The results of the ANOVA analysis table can be illustrated) between the variables of the third hypothesis through the following table:

Table (3) Analysis of the variance (ANOVA) between direct withholding tax, improving tax revenues and financing the state budget

ANOVA						
Model		Sum of Squares	Push	Mean Square	F	Sig.
1	Regression	189.235	1	189.235	356.112	Per Month
	Residual	53.455	140	.785		
	Total	242.69	141			
a. Dependent Variable: Direct Deduction Tax						
b. Predictors: (Constant), Improving tax revenues and financing the state budget						

Source: Researcher preparation based on SPSS-24 .

The above table shows the analysis of variance (ANOVA), where we note that the calculated F value is (356.112) which is significant at the level of significance (5%) 000 = Sig This is evidence that the model is significant, and this analysis is a test that is used in statistical analysis to obtain a decision whether there are differences between the averages or not, in order to identify what makes the average differ from other averages, where the analysis of variance (ANOVA) is used When there are more than two averages in the data collected from the study sample, and this test is like the T-test, which deals with continuous variables and the measurement is interval, and the analysis of variance is of several types, and the type of analysis of variance depends on the number of independent variables, so the direct withholding tax is imposed on the income of the affiliate in his name and deducted from them after granting him the legal permission and downloads stipulated in thisInstructions, as the tax is imposed on the income of a married woman subject to tax in her name and deducted from them after granting her legal permission and the discounts stipulated in the law, the obligation to deduct tax arises with the person obligated to deduct when the legal fact establishing the obligation to deduct the tax is realized, and every resident, whether he is taxed or not, must under this system, paid on their purchases of goods and services against the tax imposed on their sales of goods and services. Despite

the clarity of this matter, practical applications show different and thus the direct withholding tax can help in supplementing the general budget with revenues and thus improving tax revenues and financing the general budget of the state.

Fourth Theme: Conclusions and Recommendations

41 Conclusions :

During this research, a set of conclusions were reached, which are as follows:

1. The introduction of direct withholding tax in Iraq can be considered a good tax reform in order to provide a tax resource that replaces the customs duties collected by the state from importers of goods through its border crossings.. it secures abundant and regular tax revenue.
2. The weakness of tax awareness does not enable tax appraisers to carry out assessment procedures, as well as their lack of knowledge of tax legislation and accounting registration specified for that.
3. There is a possibility of applying direct withholding tax in Iraq, and it can be considered a good tax reform in order to provide an abundant and regular tax resource.
4. Direct withholding tax is a tax on the consumption of goods and the performance of services and is collected at every stage of the economic cycle except for items exempted from it .
5. The application of the tax on direct withholding in Iraq is a subject of controversy, as some consider it a fair tax that includes all economic activities, while others believe that it is difficult to achieve and that it affects local production and productive sectors.

42 Recommendations:

Based on the conclusions reached, the research recommends the following:

1. Choose the appropriate time to apply this tax in a way that does not lead to an increase in the problem of recession or economic inflation that our national economy suffers from.
2. Preparing the direct withholding tax law, including the necessary clarifications about the entitlement and collection of tax, and determining the funds and things exempted from it, with the need to adopt a single tax rate, to ensure ease and accuracy of application and to prevent diligence in interpretation. .
3. Establishing an organizational structure based on the function (organizing the tax administration according to the categories of taxpayers and the type of services provided) as one of the important steps to reform the tax administration, which will allow it to use an integrated method in dealing with taxpayers.
4. Adopting a self-assessment system in order to enhance trust between the taxpayer and the tax administration and spread tax awareness, and the tax will not be deducted unless the taxpayer submits his priorities .
5. Carrying out tax reform to modernize the tax administration by taking the direct deduction tax administration with the latest foundations of management in terms of organization, planning and preparation of human resources .

References:

1. Washita, S. & Sancho, P. (2014), "The Effect of Tax Planning in Financial Performance", *Journal of Accounting*, 4. (2), pp. (44-56).
2. Mokpo, C. (2013), "Tax Evasion and Avoidance Typologies", *Journal of Industrial and Business Management*, Vol.(1), No.(4), pp:(133-154).
3. Nambe, C. & Badin, A. (2014), "Calculation the Tax Amount in Company", *Journal of Civil Engineering*, 8(3), pp:(200-215).
4. Paradises, Thierry (2004), "Influence of Capital Gains Tax Policy", *Journal of Financial Management*, Vol. (6), No. (4), pp:(154-166).

5. Polka, A. (2010), "The Case of Income Tax Evasion in Malaysia", *Journal of Accounting*, Vol. (15), No. (8), PP:(1-16) .
6. Ridha, D., Shehadeh, H., & Al-Halabi, R. (2002), "Principles of Financial Accounting", 1st ed., Al-yazwary Publishing, Jordan .
7. Tony G. (2006), "Tax Planning, Corporate Governance and Equity Value", *International Sciences Review*, Issue (15), pp:(334-366).
8. Al-Masonry, R. ; Yarn, J. & Maria, D. (2005), "Tax Compliance Internationally", *Management Status Review*, 9(12), No. (8), pp. (304-323).
9. Burly, Liam & keen, Michael (2011), "International Monetary Fund", 1st ed., Washington, Publishing, New York, USA .
10. Chambal A. C. & Sauna, S. M. (2009), "The Incentives for Tax Planning", *Scientific Researches and Essay Review*, 7(4), pp:(201-223)
11. Ford, M. & Parrish, E. (2016), "Tax Measuring by Using the Activity Based Costing", *Journal of Industry Business*, 4(1), pp:(1-18).
12. Gurus, E. (2014), "Effective Tax Planning within the Property and Casualty Insurance Industry", *Journal of Economy*, 8 (2), pp:(50-72).
13. Harvey, H.; Vilas, K. & Paris, G. (2014), "Tax Planning or Tax Fraud", *Journal of Mechanical Engineering*, Vol.(5), No. (8), pp:(42-55).
14. Jaeger, Z. & Biafra, A. (2014), "Gauging IFRS Effect on Tax Planning", *Journal of Sciences*, Vol. (4), No. (5), pp. (12-29).
15. Lionel, H. (2008), "Using Activity Based Costing and Target Cost in Costs Management", *Journal of Sciences*, Vol. (5), No. (5), pp:(30-44).