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Analyzing and evaluating the effects resulting from the application of the tax incentives policy at the macroeconomic level

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Abstract
Tax incentives have multiple policies, including tax exemption, accelerated depreciation, investment allowances (tax deduction, additional depreciation), tax discriminatory rates and other policies that are linked to tax rates. The tax exemption includes two types of exemptions, social exemptions and economic exemptions, which in turn are divided into two types, exemptions to prevent double taxation, and incentive exemptions that work to attract and provide investments and direct them towards the projects targeted in the economic plans. Specific exemptions for a certain number of years or are absolute exemptions. As for the policies of investment allowances, they are policies that result in either reducing the tax debt itself or reducing the taxable base, and the amount of the reduction is linked to a percentage of the volume of investments in investment projects. Objectives of the economic development plan.

Keywords: evaluating, macroeconomic, policy, resulting

Introduction
That the tax policy can play a role in this field, through what the tax policy possesses of various types of incentives, it can directly or indirectly affect the actual and potential profitability involved in the investment opportunities available within the various economic activities, allowing for an increase in the actual and potential relative profitability. Reducing the degree of risk associated with some desirable investment opportunities, allowing for an increase in the flow rate of private funds in the direction of these opportunities and achieving effectiveness in the process of economic development.

Although most developing countries use different forms of tax incentives in this field, although they have succeeded in attracting capital, most of these funds are not directed towards investing in capital assets, and they are the most important needs of these countries to achieve their economic development goals.

That tax incentives - in general - are indirect government spending, and that the failure to use them optimally results in a waste of part of the state's resources, in addition to the other negative side effects it achieves. Therefore, the decision-making process regarding the use of tax incentives must be based on economic foundations and criteria. To compare it with the other alternative represented in direct government spending, in the light of the concept of opportunity cost.

Nature of the problem
The research problem of this study is that the rationalization in the use of tax incentives is a kind of rationalization of government spending. Hence, they are similar in nature to direct government expenditures, grants, or subsidies, and they are all alternative ways to achieve those purposes that are specific to achieving tax incentives. Therefore, the tax legislator in any country should take into account the utmost care and accuracy when choosing the forms of incentives that are included in tax legislation.

Although most developing countries use different forms of tax incentives in this field, although they have succeeded in attracting capital, most of these funds are not directed towards investing in capital assets, and they are considered the most important needs of these countries to achieve their economic development goals.

Research Objectives

Despite the possibility of multiple goals that can be achieved from this research, they can all crystallize into a main goal, which is to determine the role that tax incentives can play in encouraging and rationalizing private investments in a way that achieves effectiveness in the process of economic development. A number of goals emerge from this goal. Other subs including:

1. Determining the basic features of an optimal policy for tax incentives with its various components aimed at achieving the main objective of the study.
2. Determining a number of results, from which a number of recommendations emanate, which represent a proposed tax incentive policy in light of the conditions and characteristics of the Iraqi economy.

Research Importance

There is no doubt that the achievement of the previous objectives will contribute to the achievement of many positive effects at the national level in general and the size and quality of private investments in particular, which will result in increasing the actual and potential role of the prevailing tax incentives in their positive impact on the determinants of the investment decision and allowing the achievement of The effective participation of the national and foreign private sector in the economic development process, in addition to increasing the role of tax policy in achieving targeted regional economic development.

The first topic

Analyzing and evaluating the negative effects resulting from the application of the tax incentives policy at the macroeconomic level

The negative effect of tax incentives represented in tax sacrifice or decrease in tax proceeds is considered a clear and direct effect, usually represented in the amount of direct and indirect taxes that the state would have received in the event of establishing investment projects without tax incentives.

This sacrifice represents a cost on the part of society that it bears in order to attract capitals that finance investment projects and that participate in the economic development process, and these sacrifices are used by developing countries in competition to attract capitals, because capitals are scarce in nature, and developing countries seek to attract foreign capitals to them. And the non-flight of national capitals from them, and in this endeavor they compete with each other, and this competition results in the expansion of granting tax incentives (National Bank of Egypt, 1994,p.18) [1].

It may be said that the tax sacrifice resulting from the use of tax incentives does not result unless the investments that will be granted tax incentives are certain to come without any incentives. And that tax incentive policies lead to an increase in investment rates and doubling the size of projects, and then inflating the tax bases and increasing tax revenues even in the first years of using these investments, which compensates for the lost taxes as a result of these incentives.

The researchers believe that this saying is correct, provided that the main reason for bringing in these investments is tax incentives. The researcher deals with the tax sacrifice as a cost borne by the community in the event that investment projects are granted tax incentives, and this cost is considered by the researcher as an element for comparison between one incentive policy and another.

If we have two policies for tax incentives, under which investment projects achieve the same rate of return on investment, but the first results in a tax sacrifice greater than the second, then the decision of the planning authorities in the state in this case is to apply the second policy as long as it gives investors the target rate of return and achieves the state has a lower tax sacrifice.

This results from the tax sacrifices that the volume of resources that appears in the state budget, especially from taxes, will not be affected despite the emergence of new investment projects under the policy of tax incentives, especially during the years during which these projects enjoy the effect of applying the policy of incentives, and this may result in other negative side effects It can be defined as follows. (AEL. Iraqui, 1983. pp. 85-86) [2].

1. The loss of investment opportunities that the state could have made through tax resources that were sacrificed as a result of granting tax incentives.
2. That there is a kind of investment projects, whether they are funded with foreign or national capital, in which the investment is made for other non-economic and non-social (for example, political) considerations. Therefore, granting such projects tax incentives is unnecessary, because it will result in a loss of tax revenue that is not Losing it or sacrificing it is justified.
3. In the case of investment projects financed with foreign capital, for which the country issuing the capital applies the tax deduction system, the tax sacrifices resulting from granting such projects tax incentives are nothing but financing for the foreign investor's country's treasury in an indirect way, and that the decision to increase the volume of exemptions in This case will only result in an increase in the financing of the treasury of the foreign investor's state and will not have any effect on the decision to invest in the capital's host country or on the movement of capital to these countries.

The researchers believe that the successful tax policy is not the one that gives more tax incentives, but rather the one that links tax incentives with the factors affecting the investment decision.It is that policy that chooses the types of tax incentives that entail attracting investments that help the state achieve economic development plans, and if this is achieved, the negative impact becomes harmless.

In order to measure the amount of this negative impact on the level of the national economy, the goal of measuring it should be determined first. If the goal is to plan a policy of tax incentives to be granted in order to encourage capital owners to invest in projects that help implement plans related to economic development, then in this case we are facing Projects not yet implemented.

And since the tax incentives are either in the field of indirect taxes, such as customs taxes on imports of machinery and equipment necessary for the establishment of investment projects, and on imported operating requirements necessary during the productive life of those projects, such as sales taxes on the products of those investment projects, or they are in the field of taxes directly on the income generated from these investment projects during their productive life.

And since the time value of money is taken into account when preparing feasibility studies for these projects before their implementation, it is necessary when making a decision or planning a tax incentive policy that the current value of direct or indirect taxes that would have been obtained by the state in the event of the establishment of these projects without incentives should be taken into consideration. Tax, and this concept can be relied upon in the comparison between multiple tax incentive policies, so that the best policy from this angle is the policy that entails the lowest current value of tax sacrifices, and on this basis the tax incentive policy or policies that can be granted are planned.

But if the goal is to evaluate the effectiveness of investment projects that have already been created and granted tax incentives in a specific field, whether at their establishment or during their productive life, then the matter here differs, as we are facing projects that can determine the amount of taxes lost to the state actually as a result of granting them tax incentives, and these wasted taxes It is considered as a non-refundable loan or, in other words, a grant from the state granted to investment projects in installments during their life, whether at construction or during operating periods, and the total of these payments reflects the negative impact of the tax incentives policy that has already been granted to these projects.

Whether the negative impact is measured with the aim of making a decision to apply a policy of tax incentives or with the aim of measuring the effectiveness of a tax incentive policy that has already been applied, this impact cannot be measured apart from the positive impact, as they must be compared in order to know the net effect of applying this policy.

The second topic

Analyzing and evaluating the positive effects resulting from the application of the tax incentives policy at the macroeconomic level

The search for the positive effects resulting from the application of the policy of tax incentives is nothing but a search for the side of the benefits accruing to the national economy from the investment projects that arise under the application of this policy.

These benefits are multifaceted. The inflow of foreign capital and the availability of local savings affect the capital formation, and this results in an increase in the national product, and thus an increase in national income and an increase in labor capacity. It may have an effect on the distribution of income between the return of capital and the return of labor, just as the flows of Foreign capital and the technology and knowledge it carries on the growth and development of the technological level within society, and from another angle, these investments, whether local or foreign, have an impact on the balance of payments from the point of view of export, import, or external borrowing.

In the following pages, the researchers will address the benefits that can accrue to society as a result of the investments that arise under the application of the tax incentives policy, as it will address:

1. The effect on capital accumulation.
2. The impact on the national product and the national added value.
3. The impact on the national income and its distribution.
4. Impact on the workforce.
5. The impact on the balance of payments.

(1) The effect on capital accumulation

Tax incentives are a means to motivate foreign and national investors to invest their money in the areas and activities required by economic development plans, and this results in capital formations within those areas and activities, and this leads to an increase in the volume of capital accumulation within society, which is reflected in the national wealth. Capital accumulation is part of the wealth. Nationalism, which in turn expresses the society's possessions of things that have the ability to satisfy the needs and desires of the members of society, whether directly or indirectly, and comparing this wealth during successive periods enables one to measure the extent of economic progress within society (Abdel Aziz, Samir Mohamed, 1997, pp. 207-268) [3].

One researcher considered capital accumulation as an indicator of the effectiveness of tax exemptions contained in the Arab and Foreign Investment Law in Iraq, as this researcher found that there is a strong correlation between the volume of capital and tax exemptions during the period from 1978 to 1984. In his study, he explained that the policy of tax exemptions is clearly effective in achieving capital accumulation in projects established in accordance with the investment law. (Abdel Badie, Mohamed, 1985, pp. 24-27) [4].

The researchers believe that when planning a policy of tax incentives, we can take the amount of capital formation that is expected to be achieved from investment projects that grant tax incentives as an element for the comparison between the multiple tax incentive policies, so the best incentive policy is that policy that is expected when applied to the largest volume of capital formation compared to other policies. other, however, this indicator cannot be taken in an absolute manner. Rather, the sector or activity in which this capital formation is intended to be realized must be specified. This capital formation must also be expressed in the form of assets that have a productive capacity that helps satisfy the needs of society and achieve economic well-being and not just accumulated money.

(2) The impact on the national product and the national added value

One of the expected positive effects of applying a policy or set of tax incentive policies is the increase in the national product as a result of the goods and services produced by the investment projects established under these tax incentives.

The National Accounting Book determines the value of the national product based on the value-added method, as the value-added is the difference between the value of goods and services produced by a sector or activity and the value of intermediate goods obtained by this sector or activity. The national product is the sum of the amount of added value that arose in the different stages of production (Abdel-Wahhab, Ibrahim Taha,2000, pp. 106-79) [5].

Based on the previous definition, the added value of investment projects is the difference between the value of goods and services produced by these projects, and the value of intermediate goods obtained from other sectors. This added value expresses the direct contribution of investment projects to the national product.

The researchers agree with the writings that see that when the added value is taken to express the positive impact that results from investment projects, the part that is transferred abroad and not spent in the host country for investment is excluded from it, and this part is usually in the form of wages paid to foreign workers or interest on foreign loans or profits. For foreign participation shares or foreign fees and rents, because these amounts do not add anything to the national income, and they must be excluded when evaluating the viability of investment projects from a national point of view.

The researchers believe that the policy of tax incentives may have an influential role in determining the size of the amounts transferred abroad. The policy of tax exemption for profits reinvested within the host country for investment, the policy of accelerated depreciation of assets, the policy of credit or tax deduction, and any policy related to its granting of profits when reinvested in the same project. Or in other investment projects, which will push the owners of foreign capital not to export their profits or benefits to their home countries, and to invest them inside the country hosting the investment, and this will result in a decrease in the volume of amounts transferred abroad, and thus an increase in the amount of national added value.

Investment projects may have indirect effects on the national product, as their establishment may result in an increase in the volume of production of the sectors whose production is input to these projects. The dairy products industry, as a result of the presence of new investments in this sector, requires an increase in the production of the dairy animal breeding sector, and so on. Based on that, the establishment and formation of investment projects in a sector not only entails an increase in the production of this sector, but also an increase in the production of other sectors according to the relationships of interdependence and overlap between the sectors, as in Input-output method and unitiv matrix of technical coefficients of overlap between sectors, thus, the added value of investment projects becomes the direct and indirect added value resulting from it. It is a chain that begins with the added value of industries whose production is included as production requirements for investment projects, and ends with the direct added value of these projects (Lotfy, Amin El-Sayed Ahmed,2000 pp. 242-273) [6].

One (Al-Khalawi, Muhammad Abd Al-Majid, 1986, pp. 106-110) researcher presented a study to measure the direct and indirect effects of Arab and foreign investment in Iraq (in light of the tax exemption policies stipulated in the investment law in Iraq) on the production of the industrial sector in Iraq, using the method of inputs and outputs. Food industry 82 million pounds in 1983 required indirect production from other sectors with a capacity of 53.13 million pounds, and to produce 51 million pounds from the textile industry in 1983, indirect production from other sectors with a capacity of 54.4 million pounds was required. These results gave an indication that shows the importance of indirect production. Direct when planning investment and directing domestic and foreign capital, when planning policies that encourage capital to invest in projects in a specific sector in order to increase the output of this sector, it is necessary to have similar policies that attract a measure of capital towards investment in other sectors related to this sector. If tax incentives are one of these policies, then the best a tax incentive policy in this case is the one that works to link the tax incentive to the volume of investments in the target sector and increase its production, as well as other sectors that serve this sector, and its production must be increased to keep pace with the increase in its output, i.e. that policy that works to attract domestic and foreign capital towards the sectors that they complement each other, and thus the greatest possible added value is achieved in comparison with other policies.

Related to the impact on production is the impact on the technological level, especially with regard to foreign capital, which always targets developing countries by bringing in the transfer of advanced technology, as most foreign investment projects apply advanced production techniques and methods that drive investment projects established with local capital to work similarly to these advanced methods and of course This leads to the growth and development of production.

It is noted that the Iraqi legislator in the field of the law of investment of Arab and foreign money, was keen to highlight the importance of arts and advanced productive methods in the field of investment, as stipulated in Article 2 of Law No. 43 of 1974 and its successive amendments that it is considered money invested in machinery, equipment, means of transportation, raw materials and commodity requirements imported from Abroad necessary for the establishment or expansion of projects, provided that they are consistent with modern technical developments and have not been used before, and the state's policy to encourage private investment aims to develop and increase production by using advanced technological means.

The researchers believe that the use of modern technology methods always depends on the intensity of capital, while what is necessary for developing countries - especially the - methods depend on the intensity of work, and that foreign capital usually keeps the secrets of advanced technology, and thus guarantees the dependence of those developing countries on it.

The researchers believe that a distinction should be made between technology and technological progress, as the first is a transferable production factor, while the second is a non-transmissible growth factor.

There is no doubt that investment projects financed by foreign capital affect the transfer of advanced technology, but it may not affect technological progress. For example, in the field of searching for alternatives to energy sources, it is noted that developed countries encourage developing countries to make the way in that nuclear energy.

This is because it controls the secrets of this energy and its sources of raw materials and seeks commercial marketing for it by transferring it to developing countries under some restrictions and conditions, while there is solar energy, which has all the elements of its development available in most of these countries, but this technology is still modern. And if it is developed and developed in these countries and interest in its research, then it will have inexhaustible energy and become independent from developed countries, and this is what such countries do not want, and therefore they do not encourage research in this field.

The researchers also believe that, based on this concept, policies that work to attract and encourage investments that aim not only at technology transfer, but also at achieving technological progress, which is a growth factor, must be put in place, and tax policy in this field can have an effective and influential role by granting Tax incentives for projects that achieve technological progress. The method of tax exemption or discriminatory rates can be used to encourage investment projects whose production depends on locally available raw materials, or whose proportion of locally manufactured components in the final product is greater than the proportion of imported components.

In general, an incentive or a set of tax incentives can be granted to those projects that work on transferring modern technology from developed countries, developing it, and adapting it with the society to which it was transferred in order to achieve technological progress, and this progress will be reflected in the national added value and, accordingly, on the growth rate of the national product, and thus the incentive policies become Taxes that help encourage investments and achieve technological progress have an impact on the national added value, albeit indirectly.

(3) Effect on National Income and its Distribution:

There is no doubt that an increase in production leads to an increase in income. Therefore, if the policy of granting tax incentives led to the formation of investment projects that contributed to an increase in national output, it also leads to an increase in national income, although this increase depends on the relative size of the production of these projects in relation to the output. national.

The policy of tax incentives granted in the field of exempting or reducing taxes on the income of investment projects is not limited to the field of increasing national income, but this effect extends to the distribution of national income between the return of property and the return of work (Madeo A. Plegier, Adrian Chesney,1986, pp. 16-19) [8].

As the exemption or reduction of the tax debt on the income of investment projects entails an increase in the return on ownership (i.e. the return of the owners of capital), and also if the granting of tax incentives for a project is related to the use of this project for advanced productive assets, then the owners of this project will turn their investments to technical methods that depend on They are relatively capital-intensive so that they can enjoy the greatest amount of tax incentives, and therefore the relative share of the income return from work will decrease in exchange for the increase in the relative share of the return on property rights, and thus the national income has been distributed in favor of those with large incomes.

Whereas, if the tax incentive policy requires projects to reach a certain number of workers in the main activity of the project, this procedure will push capital owners to search for technical methods that depend on labor intensity, and therefore the return on work in this case will rise in exchange for a decrease in return. Capital, and a policy of tax incentives can be used to achieve a kind of balance between the return on work and the return on capital.

The researchers believe that the role played by tax incentives in distributing income between returns to work and ownership can be used in the comparison between multiple tax incentive policies. The balance between the return on ownership and the return on work, and their application does not result in an increase of one at the expense of the other.

It is noted that the application of the tax exemption policy in Iraq as one of the types of tax incentives that work to attract local and foreign investments, led to an increase in the return on ownership over the return on work because it gave privileges to owners of capital without taking into account the workers in projects established with these funds, as it resulted in exempting the income of investment projects for a certain number of years, the owners of capital tend to projects in which reliance on capital increases in order to achieve the largest possible income during the years of tax exemption, and consequently, the distribution of income in favor of the owners of capital.

The researchers add that the production of investment projects affects the distribution of national income between consumption and investment. And this is at the expense of saving, while if the output of these projects is capital commodities, this creates among income earners a tendency towards saving in order to invest in such commodities. Tax incentives can influence this angle by granting incentives in the field of projects that work to provide capital goods or projects that work to provide consumer goods necessary for society and do not create a consumption pattern that is wasteful for society.

(4) Impact on Workforce

It is considered one of the most important goals pursued by developing countries behind granting incentives to encourage and attract domestic and foreign investments to employ more manpower and provide job opportunities in various economic fields and activities. The quality of technology was high and complex whenever it required the availability of high skills and expertise. These skills may be available, but rarely, and they work in other regions. Therefore, investment projects will try to attract them from the regions in which they work by offering them high wages, or they may not be available, and in this case they are imported from abroad. The degree of mechanization also affects opportunities. The work that can be made available, as the projects that depend on mechanization provide a small number of job opportunities.

The researchers believe that investment projects that depend on high technology or a high degree of mechanization are considered a double-edged sword, as they may achieve a large amount of production with high quality, and they also push society to develop the skills it has in order to be in line with this degree of technology and mechanization. On the other hand, it provides a small amount of job opportunities.

Just as investment projects affect the size of the labor force in society, the size of the labor force and its growth rates can also affect planning for the size of the required investments, by identifying the coefficient of the investment cost required to employ one worker, and multiplying it by the number of workers to be employed results in the size of the required investments. In this case, the role of the tax incentives policy is highlighted, as it must work to provide this volume of investments in order to achieve or employ the target size of employment.

When measuring the impact of investment projects on the workforce, the size of the workforce that works directly in these projects should be taken into account, and the size of the workforce that works indirectly as well, which are those that work to increase production in projects whose production is inputs for investment projects, as one of the, the studies conducted for Arab and foreign investment projects in Iraq show that the volume of employment resulting from the production of these projects in 1981 is 146,573 thousand workers, including direct employment in the same Arab and foreign investment projects amounting to 25573 thousand workers, and indirect employment in other sectors that serve the projects sector The investment amounts to 121 thousand workers.

It is noted that the Iraqi Tax Law No. 157 of 1981, amended by Law No. 187 of 1993, stipulated in Item 8 of Article 120 an exemption for a period of five years for industrial funds companies that employ fifty workers or more, provided that they maintain regular accounts.

The researchers believe that the aim of this incentive is to open job opportunities in order to develop skills and increase the productive labor force in society and thus increase the national product. Such as clerical and office work and cleaning workers, until the number of workers reaches the size that allows the project to benefit from the exemption. Therefore, it would have been more appropriate for the legislator to link this exemption to the size of the technical labor required for the project in addition to the requirement for regular book-keeping, i.e. linking the tax incentive to the size of the labor that is related to the main activity of the project, and this measure will push the companies to more investments so that they can absorb the size of the technical labor that allows them Benefiting from the exemption, thus achieving the main purpose of this incentive.

The researchers also believe that the legislator gave this exemption to new companies, and it starts working from the first fiscal year to start production, but it was better to grant it to any company, whether it was a new company or an existing company, as long as it made new investments that lead to increasing the size of its technical workforce to the size that allows It may benefit from the years of exemption, because this procedure will push the existing companies to carry out investment projects for the purpose of replacement, renewal, expansion, or new projects in order to increase the size of their technical workforce in order to benefit from the exemption decided, and this will have an impact on the national product, of course, as it will result in an increase in The size of the national product and thus increase the national income.

The third topic

The main features of the optimal policy for tax incentives

Based on the study and analysis of the economic effects of tax incentives with its various tools, and based on the extrapolation approach, a number of important results can be drawn that represent in their entirety the basic features of the optimal policy for tax incentives, and since the optimal policy for tax incentives necessarily includes achieving ideality in its various tools, the researcher will It defines the basic features of the optimal policy for associated incentives for each of its tools, as shown below.

First: The basic features of the optimal rates for income taxes

In light of the objective and assumptions of the proposed framework, and based on the study of the economic effects of discriminatory rates for investment income taxes, the optimal income tax rates include the following features:

1) The use of discriminatory prices for investment income taxes as a tool of economic guidance and in accordance with the objective of the proposed framework requires, first of all, to design the structure of those taxes to allow for discrimination in tax rates. Not only in the direction of the desired economic activities, but also in the direction of the areas that the state wishes to develop at relatively fast rates, so that the tax rate on profits made in economic activities and desirable areas is reduced, provided that this is accompanied by an increase in the tax rate on profits achieved in economic activities and undesirable areas. its development.

And in pursuit of achieving ideality in investment income tax rates, the following should be taken into account:

a) Discrimination in the tax rate shall not be limited to the profits of desirable economic activities and undesirable economic activities, but the scope of discrimination in the tax rate shall extend within the scope of desirable economic activities, so that the tax rate may differ from one industry to another within the desired activities sector. As the equal reduction in the tax rate on the profits achieved in the desired economic activities will reduce the effectiveness of the tax in achieving its objectives and works to direct private investments in a distinct direction for some investment opportunities that achieve high rates of profits before and after the tax and in the disadvantage of others.

b) It is possible to rely on indicators of relative profits within the different industrial sectors when deciding discrimination in investment income tax rates. Failure to use such indicators will reduce the effectiveness of discrimination in tax rates. Reducing tax rates on profits achieved from some desirable economic activities may not be effective. It represents an effective incentive to increase the rate of private capital flow towards these activities, when the net profits achieved from desirable economic activities, after tax reduction, are relatively small compared to the net profits from undesirable economic activities. The reason for this is due to the large increase in the profits of undesirable economic activities before the imposition of tax, and the low ability of the investor who works in the desirable activities sector to transfer the tax burden back and forth compared to the ability of the investor who works in the undesirable activities sector, in addition to the price discrimination The tax on those activities was not great.

c) To achieve the ideal and effectiveness of the discriminatory tax treatment in favor of profits realized in economic activities that contribute effectively to achieving economic development, a set of conditions must be met, the most important of which are:
   - That the reduction in tax rates on profits of desirable economic activities be accompanied by an increase in tax rates on profits of undesirable economic activities.
   - That the relative burden of income taxes before reducing the tax rate on the desired economic activities is relatively large, which makes the tax reduction an effective tax advantage.
   - That the relationship between the relative profits achieved in the desired economic activities and the undesirable economic activities becomes in favor of

the first group of activities and not in favor of the second group. In other words, the reduction in tax rates on the profits of desirable economic activities must be accompanied by a change in the relative profits in favor of those. activities.

- That the projects or investment opportunities available in the field of desired economic activities achieve positive results, but if these opportunities achieve negative results, especially in the early stages, then investment income taxes become ineffective or ineffective in influencing the volume of private investments in the direction of these activities.

(D) In order to achieve more effectiveness in the discriminatory rates of investment income taxes between different regions, discrimination in tax rates should not be limited to regions only, but should extend to include the profits of different economic activities within the same region or region so that the tax rate differs from one activity to another within the same region., As the equal reduction of the tax rate within the areas whose development is targeted may result in achieving some negative effects that reduce the effectiveness of economic development in those areas, as it leads to the concentration of private investments in the direction of fast-profitable and easy-to-liquidate economic activities that are not effective in achieving economic development.

2) Investment income taxes should be viewed as one of the determinants of the private investment decision and not the only determinant, and in certain circumstances investment income taxes as a determinant of the investment decision become relatively less important in influencing the investment decision and the guiding role of investment income taxes becomes relatively weak.

It is proposed, before determining the tax rate on investment income in various economic activities, to study the reasons for the reluctance of private investments in the direction of these activities in order to find out the importance of the factors determining the investment decision. It may be that the main reason for the reluctance of private investments is not due to the decrease in the realized profits, but rather to the large amount of capital necessary to implement these investments, which the private sector is unable to provide, or the high degree of risk facing the implementation of some investment opportunities in the desired economic activities. Such as the risks of changing consumer tastes, the change in the productive techniques used, and the risks resulting from achieving certain losses in some years, etc. In such circumstances, reducing the tax rate on the profits of desired economic activities becomes ineffective in attracting private investments in the direction of those activities. Rather, credit facilities may be provided, and work to reduce the degree of overall risk by allowing losses to be carried forward or deducted from other profits. It is more effective in attracting private investment towards these activities compared to reducing the tax rate.

3) The makers of the optimal tax policy related to income taxes must take into account that increasing the tax rate on the profits of undesirable economic activities, in light of allowing deduction of benefits from the tax base, creates a strong incentive for investors within the scope of those activities to change the financing structure of their projects in favor of borrow. A desire to obtain the advantages of tax savings resulting from deducting interest from the tax base. This behavior in itself will create an incentive to increase the cost of borrowing, and reduce the ability of investors in the desired economic activities to obtain the necessary funds for their investments at an appropriate cost, and reduce the tax benefits resulting from the low tax rate.

To address this problem, researchers propose that discrimination in income tax rates in favor of desirable economic activities and in favor of undesirable activities should be accompanied by the following:

A. Using some direct and indirect restrictions to limit the increase in the borrowing rate in the financing structure of unwanted economic activities.
B. Providing some cash and credit facilities and benefits to finance available investment opportunities in desirable economic activities.
C. Not allowing the full deduction of interest on loans from the tax base for unwanted economic activities, except within the limits of a certain percentage of loans / capital.

Second: The basic features of the optimal policy for tax incentives related to exports and imports

In light of the objective and limitations of the proposed framework, and depending on the analysis of the economic effects of customs taxes, the researcher can determine the optimal features of the tax policy associated with each of the exports.

A- The basic features of the optimal policy for export-related incentives

The optimal policy for incentives related to exports should have a number of basic features that are derived from studying some experiences of developing countries and from studying the economic effects of customs taxes. The following is a review of the most important of these features:

1. Achieving an optimal tax policy linked to the export tax and allowing for the encouragement of private investments in the direction of desired economic activities, necessitates the necessity of reducing tax rates to zero (and even granting subsidies in some cases) on exported national products in which the percentage of national contribution exceeds a certain limit. Provided that this is accompanied by the necessity of imposing tax or increasing its rate on some exported products of raw materials and intermediate products that are used as production inputs in some national industries that are alternative to imports or export industries.
2. In order to achieve more effectiveness in the optimal tax policy, the tax rate on exports of these products must be linked to the ability of the national industry to expand and absorb local production from it. If the national industries are unable to absorb local production, the tax rate must be reduced to allow the export of part of those products abroad and maintains the country's balance of foreign currencies and at the same time works to provide part of the production to meet the needs of local industries at appropriate prices, which creates an incentive for the emergence of new investment

opportunities in the field of production of industries related to these products.

3. The optimal tax policy related to exports should include discriminatory tax rates, allowing for an increase in tax rates on some exported products in order to achieve some economic goals such as correcting the behavior of some investors and achieving some economic savings. etc. Among the cases in which the tax on exported products becomes economically justified when the tax is imposed with the aim of encouraging horizontal integration in certain industries in which the production units are characterized by small size and benefiting from the advantages and economies of scale, the tax may be imposed when exports are less than a certain quantity or size. or when it is exported at an initial stage of production, provided that it is exempted from it after reaching a certain volume of production or a certain production stage.
4. Achieving more efficiency may necessitate granting some tax incentives to producers of some (finished and semi-finished) commodities that face intense competition in global markets.

These incentives are as follows

- Granting some export aids representing a certain percentage of the value of exports.
- Full exemption from sales tax on exported products.
- Reliance on accelerated depreciation as a tax incentive in the export industries becomes one of the necessary and inevitable matters due to the consequence of its use in increasing the incentive to pursue modern technological developments in order to achieve tax savings and increase the ability of national industries to compete in foreign markets.
- Full tax exemption for all production requirements used in export activity, from all different types of taxes (customs taxes / sales taxes... etc.).

B- The basic features of the optimal policy for incentives related to imports

The basic features of the optimal policy for incentives associated with import taxes, in line with the objective of the proposed framework, can be identified in the following features:

(1) The use of discriminatory rates within the scope of the tax on imports is considered one of the necessary conditions for using that tax as a tool of economic guidance in line with the objective of the proposed framework. The product on which the tax is imposed, and whether it is a final product or a production requirement.

Accordingly, the following cases can be distinguished

A- If the country’s imports are luxury final products, then imposing the tax and increasing its rate must be the rule and exemption is the exception. Rather, those imports must be treated with a relatively harsh tax treatment, as this treatment can result in the following positive results:

- The decline in the value of imports in foreign currency, and then the improvement of the balance of payments. Providing part of the foreign currency that can be used to finance economic development programmes.
- Creating a strong incentive for private investment to expand existing production capacities and build new capacities to produce alternatives to imports locally. This is desirable for traditional luxuries, such as washing machines and refrigerators. etc.

In the scope of luxury products, the researchers suggest that a distinction be made in the tax treatment between traditional luxury products and recreational luxury products. With regard to traditional luxury products, the tax rate on imported ones must be linked to the effective protection rate, allowing the establishment of emerging national industries that are in line with the principle of comparative advantage and are able to compete in the long term.

As for luxury recreational products, the researcher suggests increasing the tax rate on these products, which reduces the importer to the lowest possible extent and helps to save part of the amounts spent on them to finance the needs of economic development. Whereas, the increase in the tax rate on these products will cause a significant increase in their prices in the internal markets, which represents a strong temptation for national and foreign private investment to expand the size of existing production capacities and create new investment opportunities, and a strong incentive to increase the rate of flow of economic resources towards their production at the expense of some basic products,

The researchers believe that imposing the tax or increasing its rate on these products will be accompanied by the existence of some direct and indirect restrictions on the local production of them. In light of the continuity of protection at high rates, at the expense of the lack of production and investments directed to other basic industries, which were in a relatively better position before the existence of this protection.

B- If the imported products are necessary or semi-necessary final products, imposing the tax or increasing its rate should take place within the framework of the policy of protecting emerging industries.

C- If the imported products are primary or intermediate products that are used as production inputs in national industries, tax exemption should be the rule, while tax imposition is the exception. Determining customs tax exemption for these products is considered an economically desirable matter, as It achieves many positive effects, especially when imported products are used in the production of export commodities or substitute commodities for imports that face intense competition in the internal markets. It is also justified economically to reduce the tax or exemption from it when alternative local products are not available in the quantity and quality required for the needs of local industries. These products are used as production inputs in national industries that represent a real burden on economic resources and create new, unwanted consumption patterns.

(2) When determining the optimal policy for incentives related to imported commodities, customs taxes on imports should be seen as a means to achieve certain economic and social goals and not an end in itself. Latent comparative advantages that allow increasing the ability of national industries to compete in the internal and external markets.

(5) Impact on Balance of Payments

In order to identify the impact of the policy of tax incentives granted to attract and provide foreign and local capital to a

country, on the balance of payments of this country, data must be available on the role of investment projects and transfers of community members on the entry and exit of foreign exchange to and from the national economy.
The main factors for evaluating the effects of tax incentives on the balance of payments are as follows:

a) The effect on exports and imports.
b) The effect on external borrowing.
c) The impact on the volume of remittances of community members.

A) The effect on exports and imports
With regard to exports and imports, which are the basic elements that make up the trade balance in the country, which ultimately determines the degree and importance of the imbalance in the balance of payments, it is noted that the determining factors for measuring the impact of tax incentives from this angle can be limited to. (Guy Fefferman, 1992, pp. 46-47) [9].

1. The quantity of exports resulting from investment projects established under tax incentives, and their development.
2. The quantity of imports of capital goods needed for these projects, and the production requirements imported from abroad, and their development.
3. The volume of monetary savings resulting from producing commodities locally through investment projects, rather than importing them from abroad, i.e. production instead of import.

It is noted that the previous factors affect both sides of the balance of payments. An increase in exports results in an increase in the inflow of foreign currencies from abroad, and thus an increase in the resources side of the balance of payments, while imports of capital goods and production requirements imported from abroad are reflected in the other side of the balance of payments. Its intensity decreases as a result of the third factor, which is related to the savings resulting from not importing goods and products that investment projects produce locally instead of importing them, and therefore there is an abundance of payments and transfers that were allocated for the import of these goods.
Tax incentives from this angle can have an influential role by linking them to export and import operations. In the field of export, investment projects that export their products abroad can be granted a tax exemption for the income achieved for a number of years, or a reduction in the tax rate they are subject to. As for the field of import Investment projects that produce products that include imported and local ingredients can be granted discriminatory tax rates whenever the percentage of the local component is higher than the imported one. The tax rate subject to it decreases whenever the percentage of the local component in its products increases, and such policies for tax incentives will have an impact on the balance of payments, and it is considered the best policy for tax incentives from this angle that entails increasing the volume of exports and limiting imports from abroad.

B) The impact on external borrowing
As for external borrowing, the countries that give their economic systems tax incentives are known at the international level as tax havens country (it is a paradise for the investor because of tax exemption), and they are countries to which capital moves in order to benefit from the tax benefits granted by their economic systems (2), it follows from this that these countries do not resort to external borrowing to finance their investment projects, and therefore the volume of external borrowing will decrease and be replaced by foreign capital that has moved to these countries to invest internally. The uses of the balance of payments, the existence of which entails an increase in the deficit or a decrease in the external surplus, will decrease and the deficit (or surplus) of the balance of payments will necessarily decrease.

C) Impact on the volume of remittances of community members
Granting tax incentives on investments within the country will push members of the community working abroad to transfer their savings to this country to invest in it, and it will push individuals working within the community to keep their savings in order to invest them inside the community and not export them abroad, meaning that tax incentives will lead to an increase in the volume of remittances to the inside, and a decrease in The volume of transfers abroad, and this, of course, will affect the balance of payments on both sides, in a way that achieves the balance of this balance or increases its surplus or decreases the deficit.
The researchers conclude that tax incentives have an impact on the balance of payments represented in their impact on exports, imports, external borrowing and transfers, and this effect is reflected on both sides of the balance, and the best tax incentive policy from this angle is those that lead to a decrease in the balance of payments deficit or an increase in its surplus if it achieves Excess or balance compared to other incentive policies.
It is clear from the previous presentation that the positive effect resulting from the application of the tax incentives policy is not a single effect, but rather the result of multiple and overlapping effects, some of which may result from each other or affect each other, but the researcher believes that the outcome of these effects is concentrated mainly in the amount achieved by the established investment projects. In light of the policy of tax incentives, in terms of an increase in the national product, or in other words, the added value achieved by these projects. As the rise in the national product is an increase in the national income, and it is a product of capitalist formations that contributed to achieving this rise, and it is an indicator of the impact on the balance of payments by allocating part of this output for export and thus increasing exports or achieving this output for self-sufficiency in commodities. It used to be imported and thus the volume of imports decreased. In addition to the above, the size and quality of this increase in the national product is an indication of the technological progress achieved by the society. For these reasons, the increase in the national product as a result of the formation of investment projects under the policy of tax incentives becomes the main positive effect of this. stimuli.

Conclusions and Recommendations
Conclusions

1. The effects of tax incentives on capital accumulation, so tax incentives are considered a means to motivate

investors to invest their money in the areas and activities required by economic development plans, and this results in capital formations within those areas and activities, and this leads to an increase in the volume of capital accumulation within society, whose impact is reflected on national wealth.

2. The effects of tax incentives on the national product, the researcher explained that the tax incentive policies result in the formation of investment projects whose production leads to an increase in the national product, and may affect the national product indirectly, as the establishment of these projects may result in an increase in the volume of production of sectors The production of which is input to these projects, and is linked to the effects of tax incentives on the national product, the impact on the technological level. Tax incentives may have an effective and influential role in this field if these incentives are granted to projects that achieve technological progress.
3. Tax incentives have an effect on the balance of payments represented in their impact on exports, imports, external borrowing and transfers, and this effect is reflected on both sides of the balance, which may lead to a decrease in the balance of payments deficit or an increase in a surplus if it achieves a surplus or balance.

Recommendations

Through the study conducted by the researchers on the policies of tax incentives and their effects on the national economy, the researchers recommend the following:

1. The need for the state to continue to guarantee private projects against non-commercial risks, in particular the risks of nationalization, confiscation and guarding in a clear and specific manner.
2. The need to achieve consistency and integration between the tools, methods and objectives of the various economic policies, in order to allow the creation of an appropriate framework for the effective contribution of private investments in the economic and social development plans of the state.
3. The need to link tax incentive policies to economic plans and not to rigid and fixed laws, as tax incentives must be granted to projects required by economic plans.
4. The need for the tax legislator to study the impact of the various forms of tax incentives on attracting investments and directing them to the destination that achieves the interests of the state in order to choose the most appropriate one.

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