The Impact of Tax Incentives and Tax Exemptions and Ways to Activate Them in Attracting Foreign Investment

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ABSTRACT

During the previous stages, the Iraqi economy witnessed a delay that affected all economic and production sectors, as well as many political problems and obstacles that led to limiting its activity and ability to work under the economic and political conditions, and during the subsequent periods. Represented by the twentieth century, the Iraqi economy began to improve significantly, as its importance increased in the issue of foreign investments, as it is considered one of the most effective and powerful sources for building relationships to advance the urban reality. And rebuilding what was destroyed by wars. This is evident through the activation of all productive, economic, tourism and agricultural sectors, considering foreign investment as one of the sources of external financing through the entry of foreign companies of various types and their funds. The equipment and human resources they possess are qualified to work and use modern management and work methods, in addition to training national cadres at the technical and administrative levels. The research was based on the hypothesis that tax exemptions and tax incentives play an important and effective role in attracting foreign investments. The researcher also relied on the inductive approach, which aims to collect data and interconnected relationships accurately in order to link them. For a group of public relations.

Keywords: *tax incentives; tax exemptions; foreign investment*

INTRODUCTION

The Iraqi Investment Law No. (13) of 2006 has the advantage of granting tax exemption and granting tax incentives to a legal person, whether natural or natural, and through what the state seeks to achieve its political, economic and social goals.

Tax exemptions receive very important attention in all tax systems, as this interest takes several forms or methods, as some see tax exemptions as having an important role in attracting foreign investment accompanied by a large influx of capital, as well as the accompanying access to modern technologies in the field of advanced industries. As well as skilled labor. Others believe that these tax exemptions cause a waste of tax resources that could have been used to strengthen the state's general budget.

Both trends have evidence to support their point of view. As for tax incentives, many experiences of developed countries have proven their success in attracting capital owners (foreign investors) through the tax incentive window in its various methods, and since Iraq is going through a new phase that it has not experienced previously. By dealing with foreign investment, the legislator must amend the foreign investment law so that it becomes appropriate in order to attract foreign investment. In order to catch up with globalization and solve economic problems, the most important of which is unemployment, the effectiveness of tax incentives must be carefully studied to demonstrate their ability to

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persuade the foreign investor. We can study it and compare it with the tax incentives of some Arab countries, such as Egypt, Jordan, and Lebanon, to find out what the Iraqi legislator overlooked regarding tax incentives.

In order to reach the goal and objectives of the research, which is to grant foreign investment all tax exemptions and tax incentives that are appropriate to the size of the investment.

RESEARCH PROBLEM

The problem of the research is evident in the lack of desire by the foreign investor to invest in areas where taxes have a negative impact on their investments or on their returns. This reason is due to the high rate of taxation and the lack of attractive exemptions that encourage them to invest in areas in which investment is intended. On the one hand, on the other hand, it is the instability of the security and political situation of the country, as well as the instability of the prevailing tax laws in terms of exemptions and incentives that are subject to constant change even though they are included in their own law.

RESEARCH IMPORTANCE

The research aims to study and analyze the impact resulting from tax exemptions, as well as the impact resulting from granting tax incentives to foreign investors, in order to encourage foreign investment and attract capital in order to direct it in serving the country's economic activities.

This results in enhancing the country's economic and financial development opportunities, by granting tax exemptions and providing tax incentives to investors. This is what Iraq witnessed in terms of economic openness to the world, through the activation of the Foreign Direct Investment Law and its tools.

RESEARCH AIMS

The research aims to find the answers that will be presented in this research and the extent of the impact of these answers on encouraging foreign investment in the country by granting it tax exemptions and tax incentives, as follows.

1- Are the currently imposed taxes and tax incentives commensurate with the current situation?

2- Will tax exemptions and tax incentives lead to increased investment in important sectors that have an impact on developing the country's economy?

3- Have the taxes currently imposed been used correctly for their intended purposes?

RESEARCH HYPOTHESIS

Is there a significant and effective role for tax exemptions and incentives in attracting foreign investment?

TEMPORAL AND SPATIAL FRAMEWORK

Timeframe (2010 to 2020)

Spatial framework: Iraq (General Authority for Taxes)

PREVIOUS STUDIES

First: Arab studies.

• Al-Rubaie's study (2004) entitled The impact of foreign investment on some economic sectors / College of Administration and Economics, University of Kufa / The study aims to analyze the impact of foreign investment on the domestic product and its impact on the trade sector. The most important conclusions of the study are that foreign direct investment helps stimulate and revitalize economic sectors and helps in Increasing national income. The most important recommendations of this thesis are for the government to develop programs and promotional policies to attract foreign direct investment through the use of global marketing networks and the use of foreign investment returns in important sectors in which it achieves greater development.

Second: Foreign studies

• A study (JINYANLI, 2007) entitled Development and tax policy case study of China. This study clarified the role of tax policies in economic development, by referring to the case of China, where tax incentives and their role in attracting foreign investment were specifically highlighted within the framework of The market economy and the extent of the impact of these incentives on bringing about economic and social development in China. This study also indicates the positive role of incentives in raising economic development. This was demonstrated by the presence of many foreign companies in the Chinese market, which helped in achieving economic development. The study also indicates that the success of Foreign investment in China was due to the success of China's tax incentive policies, the most important of which are transparency and simplicity of tax procedures, in addition to the efficiency of the tax administration in applying the legal procedures contained in the tax system.

THE FIRST TOPIC: THE CONCEPT OF DIRECT AND INDIRECT FOREIGN INVESTMENT AND THE COMMON LINK BETWEEN THEM

No concept has received as much discussion, disagreement, and effort as it has (foreign investment), despite its apparent verbal clarity and despite its spread as one of the prominent financial phenomena since decades past the last century. Until a few years ago, foreign investments were viewed with a lot of caution, apprehension, and hesitation as the window through which Foreign countries infiltrate through it to carry out their activities, policies, or influences that are of a non-national or anti-national nature. In some cases, this was the image of the past (Mustafa, 2002:17). However, recent decades have brought different visions and many ideas, as ideologies have changed and facts and theories have changed in various aspects of life, especially economic ones. At a time when During the years of the fifties, sixties, and seventies, foreign investments (Al-Kasan, 1984), were searching for appropriate fields in which to operate without receiving sufficient welcome from developing countries, and were even confronted with the opposite. These countries are now the ones searching for foreign investments, legislating laws for them, granting them facilities, and issuing Laws and legislation that help them, give them more temptations, and direct them to the fields that suit them within the country. Indeed, most developing countries are now competing to obtain and attract foreign investments.

In order to reach a clear determinant of foreign investment, it is necessary to take into account all the approaches to this determinant. Accordingly, we can define foreign investment: - by the transfer of capital from the country of origin to the countries (Al-Dardir, 181)**.**

The host takes the form of assets and assets, allowing the owner of capital to influence the decisions of the production and investment process.

There are many implications for this concept, including, in brief:

1. (Every use made abroad of financial resources owned by a country) (Al-Nawawi, 189).

2. The World Trade Organization (WTO) definition: Foreign investment occurs when an investor settled in one country (Home Country) owns assets or assets in another country (Host Country) with the intention of managing that asset.

3. Definition of the United Nations Conference on Trade and Development (UNCTAD): Investment includes long-term relationships and reflects the permanent interest and control of an entity residing in an economy other than that of the foreign direct investor or the project affiliated with the foreign investor.

What can be extracted from these three concepts of foreign investment are three basic elements that make up this concept: (Al-Shirazi, 156):

1. This investment must be outside the borders of the country of financial resources.

2. The investor’s intention to participate in the management of these resources.

3. The receiving country accepts these resources on the principle of participation or work and sharing the fruits of the investment process.

Second: Historical perspective and intellectual narratives:

The history of foreign direct investment actually dates back to countries (Hudson, 599) developing until the nineteenth century, where these investments were concentrated during the colonial periods in the sectors of minerals, agriculture, and public services. The beginning of the twentieth century witnessed the development of a large part of the infrastructure in various parts of the world through foreign direct investment, including electric power and telecommunications (but in reality it indicated Many studies have pointed to the history of the emergence of foreign investments with the founding of the East India Company, which was authorized to be held in London in 1600 AD, and it is a transnational company.

The term foreign direct investment appeared in the writings of Herbert Feis (1930 AD) for the first time, and the scientific term (FDI) is a summary of its common term in the English language (Direct Foreign Investment) and was used for the first time by (Arab Fisheries Company,1997: 177). Foreign direct investment has played an important and fundamental role in economic development. And the industrial development of various countries of the developed world now, such as the countries of Western Europe and the United States of America. By 1914 AD, the accumulated global balance of foreign direct investment was estimated at about 15 billion dollars. The United Kingdom at that time was the largest source of investment, followed by the United States of America and Germany, and America was the largest recipient of foreign direct investment. In 1928 AD, foreign direct investment amounted to about 66 billion dollars, and British companies were still the largest investors. More than half of those investments were directed to developing countries, especially in Latin America and Asia, especially in the agricultural, mining, and infrastructure sectors. In general, Britain controlled in the period before World War I about 42 % of total(Cairo University, 1999: 37).

Global macro of international finance. In the wake of World War II, the pattern of foreign direct investment changed, as the United States of America became the main source of such investments, and investment in manufacturing industries became the most common type of investment. Fear prevailed among developing countries, raising the potential negative effects of foreign direct investment, such as creating economic dependency and political interference. This would This is because these investments witnessed a noticeable decline in that era (Kharboush, & Reda, 1999: 188) In the seventies, foreign direct investment was affected by the improvement in the prices of primary commodities, especially oil and gas, as well as the budget surpluses of countries exporting those commodities, but it was not in the interest of foreign investment, as that money was recycled to countries. Developing countries in the form of loans provided by international banks, and developing countries became more dependent on those loans and less interested in direct foreign investment. This was helped by developing countries benefiting from the increase in primary commodity prices sufficiently to meet their investment needs from local savings without the need for direct foreign investment (Arab Fisheries Company,1997:178). This decline in the volume of foreign direct investment continued until the first half of the 1980s, as developing countries strove to restore economic stability following the decline in oil prices and other primary commodities, and thus they implemented a program aimed at reducing the restrictions imposed on foreign investment to restore economic stability, and thus the flow of international capital began. To developing countries, focusing on export-oriented industries due to lower operating costs (Salamah, 1998, 27) and increased market efficiency.

The decade of the nineties witnessed a significant and noticeable movement of production factors across the countries of the world, and the flow of foreign direct investment to developing countries continued with the increase in privatization programs, the adoption of policies to encourage investment, and the liberalization of foreign trade policies (Al-Salama, 1998: 174). As for Iraq, foreign investments were previously almost limited to the oil sector, in the era Production was in the hands of British foreign companies and the rest of the other companies were the privileged owners of oil production even after the end of the royal era. In 1950 AD, foreign companies were sought after the establishment of the Reconstruction Council in order to complete many projects in the fields of agriculture, irrigation, roads and bridges. As for the period that followed 1963 AD, There was a change in economic thought (Union of Arab Gulf Chambers, 1989: 25), which tended towards the central, totalitarian system and the so-called socialist approach, and this is what prompted it to take decisions that opposed foreign investment and thus control all of the state's economic facilities, such as nationalization and confiscation decisions. However, after 2003 AD and the transformation to a market economy occurred, it opened There is a wide scope for any investment that would serve the national economy, especially foreign direct investment, through the issuance of Foreign Investment Law No. (39) of 2003 AD and moving forward in regulating banking work and allowing foreign banks to open branches inside Iraq, as well as issuing Law No. (13) of 2006 AD to encourage Foreign investment(Al-Bustani, 1999: 17).

All of these steps and others were not sufficient to attract the expected investment. They indicate a quantitative decline in foreign direct investment in the years following 2003, despite the Iraqi economy's need for such investments as a solution to many of its problems. They also (Dajani, 1990: 77) indicate the lack of a climate conducive to investments, which is reflected in The current investment law lacks many incentives, the rampant bureaucracy and administrative corruption, and the presence of many legal and administrative intersections, which reflects negatively on the ability of the Iraqi economy to integrate into the global economy at a time when countries are competing to achieve this integration and benefit from it as much as possible (Dammam Chamber of Commerce, 1998:220).

Third: Types of foreign investment:

Foreign investment is divided into several types according to the criterion adopted for the division, and these types are in terms of the criterion of time, which is the division that concerns us in this study (Al-Anazi, 1998: 253):

1. Foreign direct investment (FDI): - This type is long-term in terms of duration of time, and therefore only companies and institutions with huge potential, such as transcontinental, multinational companies, may invest in it. This type of company does not invest except for its own benefit in the first place, and this is why it is controlled. In production and prices exclusively by it (Islamic Development Bank, 2002: 440).

2. Indirect foreign investment (IFI): This type of investment is carried out in public or private stocks and bonds to obtain profits through speculation in the market of its host country. It is a short-term investment and is usually carried out by financial institutions such as banks and investment funds such as insurance companies and retirement funds. And also from people. Also, the foreign direct investment that is the subject of the research is divided according to how it enters the local market into: -

A - New companies: A foreign company or institution invests in the local market by opening a branch or a group of branches as distribution centers for its products and services. In this type of company, the foreign company reserves the right to manage, operate, market, and all other activities within the scope of achieving its economic goals. One of the most important economic benefits to the local economy of this type of foreign investment is the growth of its assets, such as real estate, in addition to the increased demand for them from (Cairo Universit : 39) the foreign company, and one of the most important economic benefits to the foreign company in such investment is the growth of its material and intangible resources (Arab Investment Guarantee Corporation, 2000: 11).

B- Acquisition companies: A foreign company invests in the local market by purchasing a percentage of the shares of an existing local company sufficient to manage it and develop its future strategy. In this type of investment, the expected economic returns exceed the first type of foreign investment (new companies), in addition to increasing demand. On the principles of the local economy in this type of investment than the level of demand in the first type of investment. One of the most important economic returns for the foreign company in this type of investment is the growth of its material and intangible resources at a rate that exceeds the expected returns from the first type of investment, in addition to the fact that the foreign company maintains its resources. The local company to invest in achieving its future economic goals. This type of foreign direct investment is considered one of the options available to the local economy when it goes to invest in its facilities and services (Al-Harbi, 478).

C- Joint companies: A foreign company invests in the local market through the participation of an investor or group of investors in establishing a new company within the local economic system. Here, both the foreign and local investor share capital, assets, resources, tools, operation, and all other activities within the scope of achieving economic goals. For the company(Ezzat, 2002: 30).

The economic returns to the local economy from this type of company exceed the expected economic returns from the second type of foreign investment (acquisition companies). In general, the returns of each type of foreign direct investment to the local economic system vary in the short term and are similar in the long term

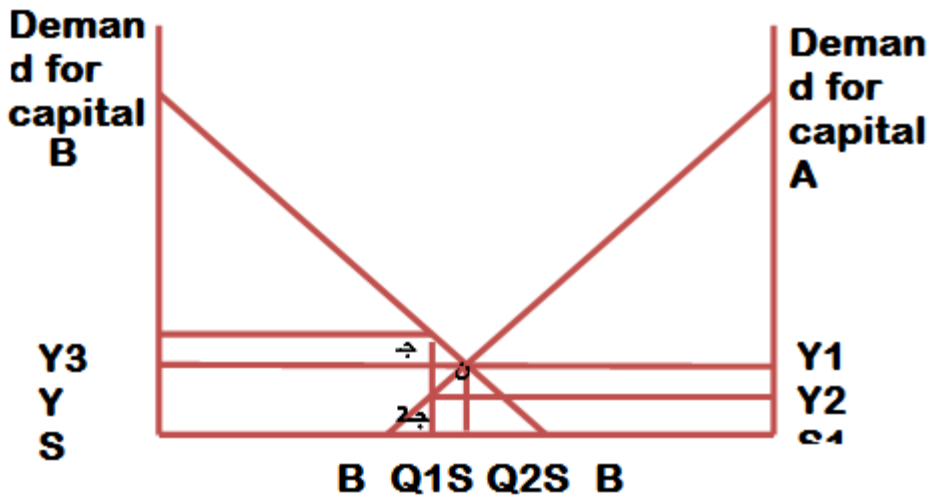
Fourth: Factors affecting foreign direct investment:

In order for the complete picture to become clear about the factors affecting FDI, the mechanism or manner by which capital is transferred from one country to another must be clarified, and as shown in Figure No 2 countries are their preferred choice for employing capital.

Money depends on the return on employed capital. The country with the greatest return is the one that will have capital for employment, as we notice the demand for capital in the country drawn from the left side, while the demand for capital in the country is drawn from the right side, and the total available supply of capital. In the two countries, it is shown along the horizontal axis from Then equilibrium occurs (n) and the return on capital is equal in the two countries (x1y1=xy), and capital of xy2 is employed in country (1) and capital of xy1 In the state, otherwise there will be an incentive for capital to move from low to high productivity use, and this is what happened at point (c), and then the

return on capital invested in the state will be greater than in the state, i.e. x1y2>xy, so there will be a transfer of capital to the state(Al-Salama, 1998: 179)

Figure (1) Capital market equilibrium: the case of two countries



There are many influential factors that work to direct investment towards the areas that place it in the crucible of the investment process. Accordingly, different classifications have been developed for the types of foreign direct investment based on the motives and incentives that lead to the investment. It has been possible to classify the types of foreign direct investment according to the following options (Ezzat, 2002 : 29):-

1. Searching for sources: This type of investment aims to exploit the comparative advantage of countries, especially those rich in raw materials such as oil, gas, and agricultural products, as well as benefiting from the low cost of labor or the presence of skilled and trained workers.

2. Market search: This type aims to meet consumer requirements in the markets of countries receiving investments (local and regional), especially those to which exports were made in previous periods.

3. Search for efficiency: This type of investment occurs between developed countries and integrated regional markets such as the European market

4. Searching for strategic assets. This type relates to companies undertaking acquisitions or partnerships to serve their strategic goals.

In general, there are three main factors that foreign companies, especially cross-border companies, rely on to differentiate between host countries for investment, which are: -

A- Policies of host countries:- As the legal and legislative environment of the countries that hope to attract Foreign investments in order to encourage them to come.

B- Economic characteristics of the host countries: - that is, the capabilities, material, human and natural resources and available opportunities (Saleh, 2000).

C- The prior measures that these countries have implemented to encourage and facilitate foreign direct investment, such as direct support, providing the necessary services, incentives, a low level of administrative corruption, the rest of the logistical support, the broad market, the modern banking system, safety and guarantee factors, etc. Of course, the determinants of foreign direct investment differ from one country to another depending on policies. The

capabilities and desire of these countries to open their markets for investment and the suitability of the economic structure for these investments (Al-Far, 103).

Fifth: Theoretical foundations:

The theoretical foundations of foreign investment are based on two contradictory opinions about the negatives and positives of this investment in developing countries, which are (Al-Bustani, 1999: 14): -

1. The first opinion: - There are benefits to foreign investments represented in the value added to the national income through what the company pays, and the relative distribution of what is achieved from the company's output is often as follows

• Salaries and wages of local workers 30%, salaries of foreign workers 15%, direct taxes 30%, profits after taxes 15%, and losses 10%

Therefore, there is a direct added value gained by the national income of the developing country, which is the proceeds of salaries, wages, and taxes. It is worth mentioning that the intensity of the use of local resources in the activity of the foreign company works to reduce imports of machinery and equipment, given that the proceeds of this are deducted from the income, as is known in the following equation: -

Y=C+I+X-M

Every decrease in imports (M) is offset by an increase in national income (Y).

The second opinion: - If all the outputs of the foreign investor's economic activity are not equivalent to the opportunity cost of local labor, then foreign investment does not become useful, and neither does the case for the local labor force, which is the basic key to revealing the truth about the effects of foreign investment on the economies of developing countries. The evidence is that the share of return Capital and profit are in fact separate parts of surplus value that go to non-productive entities, and therefore any share that foreign companies with invested capital obtain from the added value, regardless of its size, is merely a process of transferring the developing country's resources abroad, given that those resources enter the country. Developing, and in return is given a volume of local resources within the foreign investor's share in value added.

The third section: the applied aspect of the study

In order for us to be able to understand the content of our theoretical research, it was necessary to address the applied aspect, which is considered necessary as it contributes to identifying the field in which the research is conducted, and it is our first destination towards the ground of reality. From this standpoint, our analytical study in Iraq came for the period 2010-2022. Note that the results were analyzed based on the outputs of the Eviews program.

THE FIRST REQUIREMENT: DESCRIPTION AND FORMULATION OF THE STANDARD MODEL

First: Description of the standard model

The standard model is known as an economic model that symbolically shows the nature of the economic relations of the phenomenon studied in a manner that is closer to accuracy, using the factors that determine or influence the behavior of the phenomenon, partially or completely(Al-Saifu, 2006: 47).

Tax exemption and tax incentives are among the most important factors affecting the Iraqi economy and are considered one of the important topics, the analysis of which cannot be limited to the descriptive aspect only. Rather, its impact and the percentage of its contribution to the changes that occur in some indicators of the Iraqi economy, including (economic growth, Unemployment, investment during the study period (2022-2023), and this is done by using economic measurement, which is one of the distinctive quantitative methods in this field, as it is characterized by ease and high potential in determining the nature of the variables that are entered or excluded from the models, and it can be described These variables are as follows:

1- The basic variables are divided into two parts

A- Total tax exemptions (UnX1)

B-Total tax incentives (PbX2)

2- Dependent (dependent) variables (X3):

It is divided into two variables

A) Economic Growth (GN)

b) Domestic product (p)

3: Random variable administrative corruption and bribery (UtX4)

The random variable includes variables that are difficult to measure, such as customs, traditions, and the nature of behavior. It may include some real, financial, or monetary variables, as well as financial and international flows that could not be calculated. It is possible that sufficient data about them are not available and that they are difficult to measure quantitatively.

Second: Estimating the model parameters

After the model is formulated correctly, one of the necessary methods is used to find estimates of the model's parameters. This stage may require knowledge of different econometric methods, as we can find estimates of the parameters of the economic relationship in more than one of the econometric methods appropriate for the model, and this stage consists of The following steps(Ibrahim, 2002: 260): -

Data collection: There are many types of data that are collected about the variables contained in the model. The data may be either in the form of time series that give information about the numerical values of the variables from one period to another, or cross-sectional data that give information values about economic variables related to economic units. Different economic data at a specific point in time or continuous data expressing repeated surveys related to a single sample for different periods of time and other data. Sometimes, some of the variables that affect the dependent variable cannot be measured and are quantized by giving them numerical values that are usually zero or one and are known as imaginary variables. Or called deaf variables.

2) Choosing the appropriate measurement method: -

There are many standard methods that can be used to measure economic relations, the most important of which are:

A) Methods that deal with individual equations: which are applied to a single equation. These methods include:

1. Ordinary least squares method.

2. Two-stage least squares method.

3. The indirect least squares method, or what is known as the reduced form method.

4. Maximum likelihood method using specific data.

B) Methods that deal with simultaneous equations: They are applied to all equations of the model at the same time and then result in simultaneous estimates of all parameters of the model. The most important of these methods are: -

1. Three-stage least squares method.

2. Maximum possibility method using complete information.

Third: Evaluating parameter estimates

After arriving at the model estimates, the econometrician moves to the stage of evaluating the results obtained in order to show the extent of reliance on these results. For this purpose, several criteria are used, as follows:

1) Economic standards: These standards define the principles of economic theory with regard to the sign and magnitude of the parameters of economic relations. Through these standards, a comparison can be made between the signs and values of the parameters with the logic of economic theory, as well as indicating the type of relationship between the independent variables and the dependent variable, whether it is a direct or inverse relationship (Al-Adhari, 2010: 45) .

2) Statistical standards: These statistical theoretical standards are determined through several statistical tests, the aim of which is to evaluate the degree of reliance on estimating model parameters and the extent of the parameters' significance. The most important of these tests are

A) Test (t): Through this criterion, the extent of significance of the parameters that were estimated for the economic variables in the model is identified, and this test is based on two hypotheses: the null hypothesis (H0) and the alternative hypothesis (H1). In the case of the first, the universe (t). The calculated (t) is less than the tabular (t), this expresses the absence of a relationship between the independent variable and the dependent variable, and this means accepting the null hypothesis and rejecting the alternative hypothesis (rejecting the result). However, in the event that the calculated (t) is higher than the tabular (t), this means We accept the alternative hypothesis, meaning (accepting the result), and we reject the null hypothesis, that is, the significance of the relationship between the independent variable and the dependent variable (Obed, 2017: 88).

B) (F) test: This test shows the overall significance of the estimated model and also tests the significance of the coefficient of determination (R2). It has two values that are calculated from the results of estimating the model, and the second is a tabular one that depends on the number of variables and the degree of freedom, and the greater the calculated (F) value. From the tabular (F) value, this means more significance for the model and vice versa (Al-Adhari, 2010: 47)

Testing the coefficient of determination (R2): By testing the coefficient of determination (R2), the explanatory power of the independent variables is identified, and its value ranges between zero and one ($0 \leq R2 \leq 1$). The higher this indicates the power of the independent variables in influencing the dependent variable. And the opposite happens if its value decreases (Mahboob, 1982: 20) ().

3) Standard standards: These standards define econometric theory with the aim of identifying all the assumptions of the econometric method used whether they are satisfied or not in a particular case. These standards are also used as second-order tests, as the assumptions of the estimated regression model differ from one method to another, and thus there is As an economic criterion for each method, one of the most important standard problems is the problem of autocorrelation between the values of a random variable, and this is known as the assumption of random disturbances. The Durbin-Watson test ((D-W) is used to detect the problem of autocorrelation (Cotswens, 264)().

Fourth: Choosing the model and building the semantic relationship

Precisely, a set of functions for this standard model can be described according to the following formula:

$Y = B0 + B1X1 + B2X2 + B3X3 \ldots\ldots + BnXn + Ui$

(1) External investment (Y)

2) Economic growth function

G=F(TE)

G = b0 + b1te + ui

3) Tax incentive function

Un = F(TE)

Un = b0 + b1te + ui

4) Tax exemption function

Pb=F(TE)

Pb = b0 + b1te + ui

Since:-

Y: Foreign investment

TE: Tax incentives

G: represents economic growth

Un: represents the tax incentive

Pb: represents tax exemption.

Ui: random variable

The study population consists of local investors in companies and industrial factories spread throughout Iraq. The following table shows the sectors and the number of companies and investors in each sector.

Table No. (1): Sectors, number of companies and investors in each sector

Sectors	Number of companies within each sector	Number of investors
Electrical industries	203	232
Petrochemical and pharmaceutical industries	144	170
Oil industries	299	330
Engineering and electrical industries	197	220
Plastic industries	200	250
Paper industries	67	85
Mechanical and metallurgical industries	236	260
Building materials industry	56	80
Manufacture of wooden and metal furniture	83	73
total	1485	1700

When observing Table No. (1), we found that the majority of local investments are in the field of oil industries, where the number of investors reached 330, distributed among 299 companies. The reason for the large number of investments in the oil field is due to the presence of large oil wealth in Iraq, and this wealth requires large capitals for the purpose of exploiting this wealth. Wealth from local and foreign investors

-The most important results regarding the gross domestic product:

First: We include tables for you of all the resources resulting from foreign investments resulting from tax exemptions and incentives

Table (2) GDP growth at constant prices for the period 2010-2022

Years	GDP	Growth % Rate	Gross Fixed Capital	Growth % Rate	Rate Net Foreign Direct Investment	Growth % Rate
2010	69,000,000		6302338		1896000	
2011	103,500,000	41.72	7093286	12.55	347008.4	26.80-
2012	119,700,000	0.85	9369084	32.08	607355	90.14
2013	113,300,000	-15.17	6786675	27.56-	513362.6	13.03
2014	105,700,000	-10.88	2986715	55.99-	417313.4	15.03-
2015	125,100,000	36.31	6662667	123.08	533533.8	15.48
2016	135,700,000	8.10	4243161	36.31-	563246.1	8.71
2017	145,156,990	13.53	7216330	70.07	1406435-	27.85
2018	150,800,000	26.99	8927470	23.71	1297572-	5.57
2019	165,200,000	10.30	8565274	4.06-	2218009	349.70
2020	171,700,000	5.66	18102147	111.34	1882517	7.74
2021	180 ,800,000	4.76	16915296	6.56-	1463613	270.94
2022	190,800,000	24.78	12350383	26.99-	934711.2	15.13-

Table (2) shows the development of GDP at constant prices for the period 2010-2022

First: The gross domestic product increased from (29,585,788.6) million dinars in 2010 to (41,930,181.2) million dinars in 2011, with a growth rate of (41.72%). This increase is due to the increase in crude oil production due to the increase in prices and quantities exported after the lifting of sanctions on the Iraqi economy. In 2010, the gross domestic product recorded a decline to (35,874,926.73) million dinars at a rate of (15.17%). This can be justified due to the decline in the role and importance of other sectors of the national economy despite the rise in oil production. The gross domestic product rose in 2008 to (43,581,803.04) million dinars with a growth rate. It reached (36.31%) due to the unprecedented rise in crude oil prices, but it declined in 2009 to (40051180.23) million dinars at a rate of (968.10) due to the financial crisis that occurred during that period, the effects of which were reflected in the collapse of oil prices and output, and after the rise in crude oil prices witnessed... The gross domestic product improved significantly, as it rose in 2011 to (57,742,657.93) million dinars, at a rate of (9,626.99). Output continued to grow due to the improvement in crude oil prices, but it declined in 2015 to (4820636489) million dinars, an average of (924.78) after the collapse of oil prices and after the sensitivity of global oil prices. Output increased in the years 2017-2018-2019 (54,327,022.16), 60,195,522.59, 63,944,320.21). The compound growth rate for the time periods 2010-2014, 2010-2018, and 2010-2022 was (7.71%, 0.05%, and 4.64%), respectively. It is clear from the analysis above that the impact of crude oil output had the most prominent role in explaining the changes occurring in the gross domestic product during the aforementioned period.

Second: Total fixed capital formation. From the data in Table (2), it is clear that the total fixed capital formation increased from (6,302,338) million dinars in 2010 to (7,093,286) million dinars in 2011 at a growth rate of (12.55%), as agreement on the formation of Fixed capital during this period after the improvement in oil financial revenues. The positive impact of the increase in output was reflected in the total formation of fixed capital. However, it declined in 2014 to (6,786,675) million dinars at a rate of (27.56%), after the decline in crude oil output, which was reflected in

A decline in the revenues needed for the purpose of agreeing on gross fixed capital formation. The total fixed capital formation increased in 2008 to (6,662,667) million dinars at a growth rate of (123.08%). This is a clear reflection of the positive impact of the improvement in oil production and prices on the total fixed capital formation, but the reduction in 2016 to (4,243,161) million dinars at a rate (36.31%) After the decline in crude oil output, the total fixed capital formation increased in 2020 to (18,102,147) million dinars with a growth rate of (9111.34), after the improvement in crude oil output and its impact on the output, and after the collapse of oil prices in 2014, the total decreased Fixed capital formation reached (12,350,383) million dinars in 2015, declining at a rate of (92,699), while it increased in 2019 to (8,512,787) million dinars with a growth rate of (94.07) after the improvement in global oil prices. This replaced compound growth over time periods. 2010-2011 2012-2019 2010-2019 respectively. Through the above analysis, it is clear that gross fixed capital formation was almost the exact opposite of the changes occurring in the gross domestic product.

Third: Net foreign direct investment

From the data in Table (2), it is clear that net foreign direct investment decreased from (1,896,000) million dinars in 2003 to (343,331.3) million dinars in 2011 at a rate of (81.89%), due to the Third Gulf War and the decline in the security situation, the impact of which was reflected in Negatively on foreign direct investment. However, it rose in 2012 to (435,327.7) million dinars, with a growth rate of (26.80%), as a result of increased external flows. Net foreign direct investment declined in 2014 to (42,945) million dinars at a rate of (14.90%), and this means that the money going out exceeds the money coming in. However, it witnessed a noticeable increase in 2016, as it recorded (3,470,084) million dinars with a growth rate of (708.03%), meaning an increase in external flows. Net direct investment declined in 2016 to (513,362.6) million dinars, at a rate of (15.48%). While it witnessed an increase in 2018, as it recorded (533,533.8) million dinars with a growth rate of (27.85%), i.e. an increase in foreign flows. In 2020, net foreign direct investment recorded a negative number, as it reached 1,406,435) million dinars, i.e. a decline of (9,349.70). This means more money flowed out than in, and net direct investment continued at negative and positive rates until it reached (9,347,112) million dinars in 2019, as it declined from the previous year at a rate of (1,635.43). The compound growth rate for the time periods, 2010-2011, reached, 2019-2012, 2019-2010), (13.14%, 6.54% -4.08%) respectively. Chart (1) shows the temporal evolution of gross domestic product, gross fixed capital formation, and net foreign direct investment during the research period.

Fourth: The relative development of the variables of gross fixed capital formation and net foreign direct investment to output for the period 2010-2022.

Table (2) shows the ratio of gross fixed capital formation and net foreign direct investment to GDP. The total fixed capital formation to the output in 2010 recorded (21.30%), and this indicates a weak contribution of fixed capital formation. While the net foreign direct investment recorded (6.41%) of the output, and this is an indication of the weak contribution of foreign investments to the economy.

Evolution of Table (3): Ratios of gross fixed capital formation and net foreign direct investment to GDP for the period (2010-2022)

year	% Ratio of gross fixed capital formation to GDP	Ratio of net foreign direct investment to % GDP
2010	9.34	1.09
2011	15.29	1.39
2012	10.59	1.28
2013	15.87	0.92
2014	15.46	0.92
2015	13.45	0.88
2016	26.90	-2.09
2017	26.39	-2.02

2018	25.62	4.60
2019	21.81	3.96
2020	17.13	2.69
2021	13.59	2.40
2022	13.31	1.46

Source: The researcher's work based on the statistics of the Ministry of Planning for the period (2010-2022)

In 2010, the ratio of the contribution of gross capital formation to output declined to (16.92%), meaning a decline in the contribution of fixed capital formation to the economy. As for net foreign direct investment, it declined to (0.82%). The lowest contribution percentage of total fixed capital formation to output was recorded in 2007, when it reached (9.34%). While the highest contribution percentage was recorded in 2013, when it reached (%) 26.90). The highest contribution percentage of net foreign direct investment to output was recorded in 2003, when it reached (6.41%), while the lowest contribution percentage was in 2013, when it reached (-2.09%). The graph shows the relative development of each of the following: Gross fixed capital formation and net foreign direct investment to GDP during the research period. Chart (3) shows the relative development of both gross fixed capital formation and net foreign direct investment to GDP during the research period.

Table (4): Foreign direct investment flows to Iraq for the period: (2010-2022) (million dollars)

Year	**foreign investment inflows to Iraq 1**	**GDP 2**	**Investment growth rate 3**	**Percentage of net inflows from investment Direct foreign income to domestic product 2\1**
2010	1,396,200	69,000,000	0	0.020234783
2011	1,882,300	103,500,000	1.5	0.018186473
2012	3,400,400	119,700,000	1.156521739	0.028407686
2013	5,131,200	113,300,000	0.946532999	0.045288614
2014	4,781,800	105,700,000	0.932921447	0.045239357
2015	5,551,700	125,100,000	1.183538316	0.044378098
2016	6,781,400	135,700,000	1.084732214	0.049973471
2017	8,451,300	145,156,990	1.06969042	0.058221791
2018	9,289,400	150,800,000	1.038875221	0.061600796
2019	11,330,600	165,200,000	1.095490716	0.068587167
2020	14,234,450	171,700,000	1.039346247	0.082903029
2021	17,342,556	180 ,800,000	1.052999418	0.095921217
2022	22,122,440	190,800,000	1.055309735	0.115945702

Table: Prepared by the researcher based on data from the Central Bank of Iraq for the years (2010 - 2022).

We noted through Table No. (4) that the year 2022 is the highest year for foreign investment inflows to Iraq, amounting to (22,122,440) Iraqi dinars, and that the lowest year for foreign investment inflows to Iraq was the year 2010, which amounted to (1,396,200).

Table (5): Development of the numbers and rates of unemployment in Iraq for the period (2010-2022)

Years	Population (million 1(people	Number of workforce (million 2(people	1\2	Annual growth rate %of the labor force	Unemployment rate
2010	28,34	3,46	0.12208892	0	%16.6
2011	29,89	3,87	0.129474741	1.11849711	%16.7
2012	30,89	4,22	0.136613791	1.090439276	%15.8
2013	31,81	4,43	0.139264382	1.049763033	%17.9

2014	32,68	4,67	0.142900857	1.054176072	%18.5
2015	33,57	4,86	0.144772118	1.040685225	%14.7
2016	34,50	5,16	0.149565217	1.061728395	%13.8
2017	35,35	5,42	0.153323904	1.050387597	%13.2
2018	36,63	5,65	0.167855021	1.042435424	%12.6
2019	37,26	6,26	0.168008588	1.107964602	%12.4
2020	38,24	6,54	0.171025105	1.044728435	%11.8
2021	39,38	6,82	0.173184358	1.042813456	%11.4
2022	40,43	7,14	0.176601534	1.046920821	%10.7

We noted in Table No. (5) that the highest growth rate was in 2019, reaching (1.107964602), while the lowest unemployment rate was (10.7%) in 2022. The reason is due to the abundance of financial resources, which led to the movement of economic and development projects in the country.

Table (6): Percentage of economic sectors' contribution to the gross domestic product for the period 2010-2022

year	gross domestic product	Oil revenues	ratio of the oil sector to %Total	Percentage of non-oil economic %sectors to total
2010	69,000,000	66,300,000	0.96	0.04
2011	103,500,000	102,534,000	0,94	0.06
2012	119,700,000	117,400,000	0,87	0.13
2013	113,300,000	111,567,890	0.98	0.02
2014	105,700,000	97,423,000	0.92	0.02
2015	125,100,000	116,865,890	0.93	0.07
2016	135,700,000	127,343,678	0.93	0.07
2017	145,156,990	135,500,000	0.93	0.07
2018	150,800,000	140,467,090	0.93	0.07
2019	165,200,000	155,576,890	0.94	0.06
2020	171,700,000	160,409,876	0.93	0.07
2021	180 ,800,000	168,756,879	0.99	0.01
2022	190,800,000	178,867,000	0.93	0.07

Source: Prepared by the researcher based on data from the Iraqi Ministry of Planning, Department of Statistics

year	investment expenditures	Percentage	public expenditures	Contribution of investment expenditures to public expenditures
2010	15553341	6.66%	70134201	**22.2**
2011	17832113	7.64%	78757667	**22.6**
2012	29350952	12.57%	105139575	**27.9**
2013	40380750	17.30%	119127556	**33.9**
2014	35450453	15.18%	112192126	**31.6**
2015	18584676	7.96%	70417515	**26.4**
2016	18408200	7.88%	73571003	**25.0**
2017	16464489	7.05%	75490115	**21.8**
2018	13820333	5.92%	80873200	**17.1**
2019	24422590	10.46%	111723523	**21.9**
2020	3208905	1.37%	76082443	**4.2**
2021	17832113	7.64%	78757667	**22.6**

2022	29350952	12.57%	105139575	**27.9**

Table (7): Percentage of the contribution of investment expenditures to public expenditures in Iraq for the period 2010-2020

Investment expenditures: In the year 2020, it is 1.37%, and this percentage is the lowest percentage between the years 2010 - 2020, and it is the lowest percentage of the contribution of investment expenditures to public expenditures in Iraq for the period 2010 - 2020. However, in the year 2013, the percentage increased to 30.17%, and this percentage The highest percentage between the years 2010-2020, which is the highest percentage of contribution of investment expenditures to public expenditures in Iraq for the period 2010-2020.

SECTION FOUR: CONCLUSIONS AND RECOMMENDATIONS

A: Conclusions

1. Tax incentives occupy a significant role in relation to the rest of the factors affecting the growth of the private industrial sector in Iraq, as they are part of a whole, despite the fact that the Iraqi legislator was generous in granting incentives to encourage investment in this sector.

2. The private industrial sector is considered one of the important sectors that make up the national economy and a necessary foundation in the development of the rest of the sectors. It fills the country's need for many commodity items, a guaranteed field of investment, and a vital sector to absorb the workforce.

3. All countries, including Iraq, have an economic vision regarding granting incentives, exemptions, and facilities. They always compare the cost of these incentives and the benefits they gain as a result of granting them these privileges. Therefore, granting these incentives is not arbitrary, but rather a deliberate step towards building and encouraging an advanced industrial sector.

4. There are non-tax factors that affect the activity of the private industrial sector. Tax incentives are not the only factor for growth and development. Rather, there are other factors and incentives that are more important than tax incentives, such as political and economic stability, transparency of laws, abundance of a trained workforce, the market, and so on.

5. Law No. 13 of 2006, or what is known as the Iraqi Investment Law, is considered the cornerstone of everything related to the facilities provided to industrialists and businesses, but it neglected the oil sector and the banking and insurance sectors, which are among the basic sectors in the success and growth of the private industrial sector.

6. The Iraqi state is continuing its efforts to develop and modernize this sector with several legislations, programs and plans, but the reason for the delay lies in the fact that these legislations, programs and laws are in another place due to administrative obstacles, corruption, nepotism, bureaucracy and conflicts in the powers of the relevant authorities.

B: Recommendations

In order to enhance the positives that can be achieved as a result of providing tax incentives and in line with what is required to support and develop the private industrial sector in Iraq, I recommend the following:

1. Tax incentives, especially exemptions from them, must be studied before granting them. It is preferable to grant exemptions and other incentives according to the type of industry and economic activity to develop the sectors to be supported in line with the country's need in general.

2. As long as we seek to support the private industrial sector through tax, we must enter through aspects related to taxes, including: -

a. Simplifying the legal framework of the tax system in general.

B. Working to activate tax justice and make it include all industries in the private sector.

H. Improving tax administration by introducing many reforms to purify it of administrative and financial corruption by implementing the self-assessment system, which reduces the burdens on tax administration and encourages voluntary commitment by taxpayers.

D. The transparency of the existing tax system and the clarity and stability of tax rates and exemption rates, which reduces sudden changes in the tax system.

3. Paying attention to the rest of the non-tax factors affecting supporting and encouraging entry into private sector industries, considering that tax incentives are part of a general climate and their impact only appears in the method of economic, political and social reform in addition to other factors.

4. The exemptions and benefits granted to expansions in projects must be valid as long as there is an addition to fixed capital assets, which means linking incentives to the expansion and modernization processes of already existing projects, which leads to increasing production capacity and developing product specifications according to temporal change.

5. Design a more appropriate incentive system for industrialists in the private sector, especially with regard to establishing new projects, and apply this system effectively through accurate, objective analysis and evaluation and ensuring the credibility of the behavior of those who make the investment.

In order to enhance the positives that can be achieved as a result of providing tax incentives and in line with what is required to support and develop the private industrial sector in Iraq, I recommend the following:

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