

Paving the way for real reforms

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The budget law, more commonly known as the budget, has a twofold function of determining and authorizing the revenues and the annual public expenditures, but it is also supposed to ensure the establishment of a productive economic vision and an effective tax policy that consist of a set of measures in order to influence the economic and social conditions of the country.

It is this role that gives it a political legitimacy because the budget does not only respond to a financial logic that seeks to cover expenses or to fill gaps and reduce deficits, as is the case with the draft 2019 budget under study, but also to a political logic, to the extent that tax represents the contribution of the citizen to the financing of public expenditures of general interest, and where the representatives of the executive and legislative are called to assume their responsibility in this regard.

Based on the foregoing and in the light of the provisions set out in the latest version of 2019 budget provisions adopted by the Cabinet, the Lebanese Association for Taxpayers' Rights (ALDIC) can only regret the lack of ambition, vision and determination of the public authorities to put forward real reform policies - and not an optical illusion that no longer deceives anyone - whose main objective would be the respect of the taxpayer by taking into account its apprehensions and needs on the one hand, and better governance of public finances by necessarily passing through the rationalization of public expenditures on the other hand.

Therefore, ALDIC invites decision-makers and representatives to the organization of national economic and fiscal foundations to which representatives of political parties, trade unions of civil society, professional organizations of the economic and social councils, together with various private and public institutions, chambers of commerce, international institutions, universities and experts would be invited to consult them and to collect their contributions and suggestions. These foundations marked by a global vision will have as a major objective the redefinition of our main economic vectors on a consensual basis and will aim to make our tax system fairer and more efficient. They will define the principles that must respond to our major current and future concerns and align with the new global economic model.

The principles that should guide the reflections and the work would be equity, development, stability, efficiency, simplicity, transparency, solidarity, employment and competitiveness.

They should constitute a moment of reflection, listening, exchanges and debates with the ultimate objective of implementing and proposing, through a scientific committee, a framework law whose practical application will be done progressively in the medium term by means of special adapted laws.

Given that the structures of our economy have not changed sufficiently, that corruption remains endemic, that inequalities have worsened and that our growth is uneven and never leads to a sustainable development, ALDIC proposes as starting points, for the establishment of a modern system and an efficient tax policy, a number of guiding principles.

The first principle focuses on broadening the tax base through an efficient struggle against fraud, tax evasion and smuggling. This can only be achieved through the intelligent and gradual orientation of the informal sector toward the formal sector by providing concomitantly to those in a precarious situation, a clear and simplified legal device as well as the necessary social coverage.

It would be necessary in the same way to distinguish between those who are fleeing taxes and must be duly controlled and sanctioned, and those who make real losses and suffer in order to survive in a competitive market with unequal weapons. To this end, it would be necessary to make sure that the administration is no longer judge and party at the same time, that is to say to elaborate the texts, to apply them and to control its execution as is currently the case.

The struggle against fraud and tax evasion also involves necessarily two other important measures.

First of all, tax harmonization could be done through the application of the general income tax with a reduced tax burden and a fair progressivity, as well as a regrouping of disparate texts in a General Tax Code. Afterward, the aforementioned harmonization needs an implementation of algorithms and remote linking of computer groupings of taxpayers' accounting data, by means of computer interface links and thus, in order to highlight the flaws and to pursue the recalcitrant.

It would also be appropriate to extend the scope of value added tax to all the economic activities, to reorganize its ceilings and rates and to guarantee its neutrality and equity, particularly at the level of products of first necessity.

Finally, an assessment of all existing obsolete tax exemptions and incentives should be made, ensuring that the impact of any incentive decision on the considered sector as well as other sectors is assessed. Indeed, using the tax instrument as a lever for interventionist purposes may be useful for guiding the economy and for developing it, as well as for ensuring a certain equity through the redistribution of wealth - provided, however, that this use can be also counterproductive both at the institutional and organizational level and at the sectorial level and could lead in this regard to results contrary to those expected.

For example, many economic agents have converted in recent decades into real estate, to take refuge in more profitable projects, creating an unproductive rent situation. Moreover, these incentives often contribute to creating bids in exemptions that eventually neutralize themselves.

In conclusion, it must be pointed out that any judgment on an incentive policy is based on the effectiveness of the adopted provisions, which is to say largely on the degree of achievement of the stated objectives. The way to prevent it and to succeed is based on the research of a preliminary impact study and a statistical system with reliable thematic data. In addition, there are sufficiently precise studies of taxpayers' reactions that must be done.

These data should be the necessary preliminary step for all analyses and reflections with an econometric model in order to measure the impact of the change of each factor on income, inflation, consumption or tax revenues. It is a fundamental tool for preparing the decision. The project is huge but stimulating, and ALDIC considers deservedly that the time is no longer to postpone, but to take action.

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