

The impact of inflation on tax revenues resulting from the devaluation of the pound against the dollar

The official news and statements tell us that the tax revenue has increased by 42% last year, and since we are facing an official economy visible in front of the state and an informal economy that the state does not see, it follows that we say that this increase has come from the formal economy only, in other words that the tax increase has been borne by the financier and the regular taxpayer in paying the state's obligations, and therefore the informal economy is completely far from that increase, and we should not link that increase to changes which occurred in the exchange rates of foreign currencies in the parallel market, and the proof is the issuance of the decision of His Excellency the Minister of Finance in this regard to adopt currency differences at different rates according to the time periods and exchange rates during that period. If we analyze the tax proceeds into a direct and indirect tax, we will conclude that the rate of increase in indirect tax (value-added tax) far exceeds the rate of increase in income tax, and this confirms what some see that the tax increase was due to the rise in prices and inflation in the country and not as a result of the expansion of investments and current activities, some of which were closed and the activity of others contracted.

May Allah grant success.

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