IRMBR www.irmbrjournal.com March 2014
International Review of Management and Business Research Vol. 3 Issue.1

Affection of Managing General Budget by Choosing tax types on Third World Countries Economic Equilibrium

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Abstract

This study concentrates depending on tax in third world countries to finance general budget. There are negative reactions than first world countries as result to loss self-sufficient. Wrong using of tax types leads to loss government support because company loss profit and assets value also citizen may transfer from middle income level to limit income level. Length of bad case will reduce local currency price. Wrong using of tax types direct economic supply and demand against equilibrium. Searcher recommended applying tax up to real needs beside find other ways to get returns as sharing with companies because sharing will show government real affect of factors on economic sectors. Sharing up to reach self-sufficient strategy is away to collect government, companies and citizens to work as group.

Key Words: *Self-sufficient, Tax, income statement, government and economic.*

Introduction

Third world countries are the countries which not reach self-sufficient. It cannot cover all its needs locally. Some of these countries face surplus as Arab Gulf countries because of export oil but it need suitable way to use surplus or it will face inflation but other countries face deficit as result to cover citizen needs by import. It needs government solution.

Tax is part of companies and citizen wealth. It must be given to government by law to build general budget return. Government use tax to avoid managing direct investment. It prefers to increase competition between companies or it thinks managing investment is better than its managing as result to private company's experiences or it avoids risk or it thinks tax is enough than get part of investment profit.

Problem

There is problem between leaders to find suitable way to manage general budget by tax as result to negative affection and positive affection to every type beside its numbers and it's developing. The questions are:
1-How can government balance depression in deficit case with inflation case by tax as result to direct investment unsuccessful in countries which not lead self-sufficient?
2- What are the suitable tax types?
3- What tax types negative affection and positive affection?
4- What are the limits to choose tax types?

Importance

This study shows details of general budget tax types, selling asset types and sharing type's affections to help building and control general budget by suitable limits up to environment changes. It studies affections of tax types, Lifecycle stages and wrong affection of managing. It helps to understand responsibility of government, citizens and private companies. It helps to find ways of tools flexibility to get the suitable decision in suitable time because of the given tables. This study shows relation between tax types and local currency rate pricing. It helps to find rules to using tax up to reaction study.

Objectives

To find suitable tables as model can help leaders when they build general budget and controlling in suitable time. The aims are as follow:
1- To find tax types
2- To find tool negative affection and positive affection.
3- To find model can help leaders to build and control general budget up to sharing responsibility with companies and citizens.

Previous Studies

Some economic solutions related to develop tools as (Pedro and Erwan, 2010) show that financial development causes economic development by promoting investment and making allocation of resources more efficient. (Will and Amana, 2011) concentrate on general budget management affected by strategy and structural changing in the public sector and time of needs in long term, short term and medium term. Therefore it is leading to suggest a dynamic dialectic of control framework. (David and George, 2011) concentrate on international attention asks for Public- Private Partnerships as away to develop country and transfer industry. (Ahmed, 2003) shows case which government had decided to courage local investing by local financing. Its policy was to give three years free of tax. After it had increased local investment size it faced problem of citizen needs. In spite of increasing investment size local economic still cover needs by import. Policy changed to courage international company's investment. And increase tax on sales as way to get return and let citizen not companies to bay increasing of tax. As result to this policy deficit increased more and citizen of middle income level decreased.

Tax Types

There are many economic tools and many financial tools. It is important to choose the suitable tool in the suitable time up to country environment. The next figure shows these tools.

Figure no (1): General Budget economic tools and financial tools possibility in third countries

Tools

1- Economic tools to get return up to the country monetary policy and financial policy:
1.1 Tax
1.2 Reduce local currency value
1.3 Increase government assets from privet ownership or public owner ship
1.4 Loan up to interest
1.5 Aids from other countries
1.6 Zakat in Islamic countries

2-Transfer risk by Corporate with profit companies as Insurance companies or nonprofit companies as charity associations

3- Financial tools to get return:
2.1 Sharing
2.2 Selling
2.3 Producing product
2.4 leasing

Developing tax types show managing up to terms types, contracts types, balance between tool negative affection and positive affection, environment types, flexibility types, manager experiences and Strategy.
Tax types are different from country to other. It is different in amount and numbers. Tax affect on income statement as next table:

Table no (1): Affect of tax types on income statement food Industry Company

income statement	Case 1: **no tax** on income statement	Case 2: Custom Tax on income statement it increases buying foreign products as 10% increase of sales cost	Case 3: Sales Tax which increases **buying products as 10% increase of product price on customer as** Also it affected on its sales cost	Case 4: income Tax which decrease **Net profit after tax if it has been distributed to sharers**	Case 5: Tax on transfer land ownership which **Increase cost of owning land as fixed assets in balance sheet And increase of sales cost on companies which sell lands**	Case 6: Tax on transfer car ownership which **Increase cost of owning cars as fixed assets in balance sheet And increase of sales cost on companies which sell cars**	Case 7: tax on tax as **add other 10% of real tax**	Case 8: **tax 10% on operation profit not on profit before tax**	Case 9: Other obligate buying which reduce Profit and savings by followings: 1- increase tax by law within the year 2- Add new type of tax by law within the year 3- Cancel government grants 4- Courage other competition companies by reduce there tax
Sales	100000	100000	100000	100000	100000	100000	100000	100000	
Returns and Discount	Zero	Zero	Zero	Zero	Zero	Zero	Zero	Zero	
Net Sales	100000	100000	100000	100000	100000	100000	100000	100000	
Sales Cost	(50000)	**(55000)**	**(55000)**	(50000)	(50000)	(50000)	(50000)	(50000)	
Gross Cost	50000	45000	45000	50000	50000	50000	50000	50000	
Operation Cost	(10000)	(10000)	(10000)	(10000)	(10000)	(10000)	(10000)	(10000)	
Operation Profit	40000	35000	35000	40000	40000	40000	40000	40000	
Interest	(10000)	(10000)	(10000)	(10000)	(10000)	(10000)	(10000)	(10000)	
Profit before Tax	30000	25000	25000	30000	30000	30000	30000	30000	
Tax 10% of profit before tax	(3000)	(2500)	(2500)	(3000)	(3000)	(3000)	**(3000 +300)**	**(4000)** Tax 10% of operation profit	
Profit after tax	27000	**22500**	**22500**	27000	27000	27000	**26700**	**26000**	

This table shows some tax as Custom tax, Sales tax, tax on transfer land ownership and tax on transfer car ownership which appears in balance sheet within owning assets. It increase cost of own assets which lead to increasing sales cost but tax on profit after interest and tax on operation profit are appear in income statement by reduce net profit while income tax is not appear as result to apply on distributed return.

Tax complexity comes as result to many factors affect on tax amount and changes of these factors. Changes come as result to the following:
1- Adjusted of tax within the year after it had been applied as result to changes of financial policy aims. Ex: increase tax to build risk reserves.
2- Adjusted of tax within the year after it had been applied as result to changes of monetary policy aims. Ex: increase tax to facing inflation after depression
3- Ways of calculate tax related to changing factors as sales amount and type of products or income situation or ownership size or international relationship as customs.
4- Relation between tax return and other returns of government general budget it must cover all expenses.

5- Relationship between tax types ex: increasing company sales tax and income tax may transfer capital to other country and loss investment or suitable product to cover needs in suitable cost.
6- General budget supported ways by Aids, Charity and Zakat.

Tax as any tool has lifecycle and reaction as show in next table:

Table no (2): Tax lifecycle and reaction

Tax Lifecycle stages	Reactions of wrong using tax
1 Improve tax conditions	Government loss company and citizen support as result to loss savings and reduce investment profit or it may lead to loss safety. Loss comes as result to company loss ability of competition because of tax besides increasing cost after year of establishing. Loss increase when assets loss value in case of change using or it is sold as agriculture machines which not suitable to use in other sector. Citizen loss savings and profit of sharing in investment which lead middle income level to limit income level. Governments will loss future return from tax and increase deficit which reduce currency rate price in some countries because of international pressure.
2 Develop Tax by merge tax types	
3 Develop Tax by added new type	
4 Develop other way to support this tool as added Zaqat	
5 Cancel Tax as government sharing in companies	

Tax and Local Currency Rate Pricing

Solutions of problem may be many but there is best solution which must be chosen. Tax is away to face inflation which reduces currency value in case there is no enough investment as in third world country. (Nicolas and Serene, 2011) gives idea about bad affection of inflation rate on money as means of payment and as a store of value on other hand facing inflation can be done by saving. It is important to keep saving finance in country rather than migrating possible because of international economic (Thomas, 2011).

Local currency rate pricing is different from country to other. It may be fixed to USA dollar as in Jordan or flexibility up to economic growth which increase its value as in Turkish currency or up to commercial agreement as European currency. This mean there is different of currency value evaluation up to pricing policy. Tax can affect on local currency price negatively by immigrate capital of investment to other countries. Fair tax can finance government expenses to reduce companies cost which bring capital of investment and affect on local currency price positively.
Some countries depend on its currency fixed value as link local currency price with USA dollar pricing. Practically, it is affected by USA monetary policy because dollar becomes leader. Cancel linking has two sides. If country economic in growth local currency will be in good situation but if country economic is in depression with frequently general budget deficits local currency will be in bad case as result to weakness of export returns.
Tax on sales may reduce local currency value. This case come as result to apply fixed tax or increasing tax on product which covers emergency needs and citizens cannot live without it. They always buy these products as rice, water, oil and electrical services. Affect negatively on local currency value will be happen if increasing emergency product price is permanently. This way help center bank policy to reduce local currency value in indirect way to reduce its deficits by reduce cost of worker producing to courage companies producing which cover needs. Monopolization of emergency needs products by multinational companies or first world countries can control local currency of third world countries as result to control length of increasing product pricing. This case is limit on countries which not reach self-sufficient or get in war.

There is problem of dealing with surplus case as result of government management weakness which may lead to inflation which reduces currency value. It prefers to make investment to get return but need companies' experiences. Years ago government investment with some companies means to give power to these companies against competition of other companies. Now, many economist courage government investments with companies as result to reduce globalization negative affection by multinational companies' monopolization. Some product as rice is emergency item for every citizen. Rice monopolization mean to be bought even there is increasing of price.

Negative Affect of Private Companies' Financial Engineering against Tax

It is important to find tax types and study its affection on citizens' savings and investment beside companies and government general budget. Tax is way to direct companies and citizen to do up the government aims as reduce import by increase import tax. Collecting tax is related to expenses up to companies and citizen needs. These needs cannot be covered by company or citizen alone because of cost and need huge capital or as result to ownership type ex: streets in the country for transport must be apple to use without monopolization there for government responsible on its maintenance as way to protect public ownership and private ownership.

Tax buying is decreasing companies' profit and citizens' savings which may be faced negatively by legally or illegally ways. See next table.

Table no (3): illegally way face tax within 4 years to transfer capital to other country

Year	Operation profit	Interest 10% on all liabilities	Profit before tax	Tax 10% of Profit before tax	Profit after tax	Liabilities real value in market	Assets real value in market
2011	100000	10000	90000	9000	81000	100000	200000
2012	100000	15000	85000	8500	76500	150000	200000
2013	100000	22000	78000	7800	70200	220000	250000
2014	100000	25000	75000	7500	67500	250000	260000

In this case financial manager does not increase sales and finances assets by loan. Comparing to equity size in 2011 was 100000 but in 2014 it is 10000. This can be calculated up to the rule:
Assets = Liabilities + Equities.
This case mean government policy to increase investment by apply easy credited condition or reduce interest by monetary policy is bad idea as result to this company financing. This policy is not work to gather with government financial policy as result to reduce tax also company did not reduce unemployment because there is no increasing of sales which shows increasing of producing. Decreasing capital within four years helps manager to transfer capital to other country.
To make this case worse, financial manager use liquidation of assets. He can sell assets to get cash and make buying of these assets by credit from the buyer after give him part of profit. He can sell bonds for long term with good return but after bond time come to buy it may be in clear with small asset value.

Companies may use law gaps to face policies. Some managers prefer to transfer capital to other countries then they clear the company as result to increasing credits and taxes. Miss disclosure may come as result to the way of calculating as increasing asset. Ex: stores value will be showed in balance sheet by cost value rather than its price in market. This way will give creditors less than credit amount because managers transfer the loan amount to finance other new company. Managers can use the different between real amount of credit and the company assets to make new company. This case just needs to use new name for the company.

Some solutions concentrate on economic law of equilibrium but there must be directing of investment and financing tools perfectly to reach self-sufficient up to different needs and protect savings. Products lifecycle management is affected by changing in products value up to supply and demand. It is adjusted automatically. This will adjust Equity and Liability (Tariqullah, 1999)

Tax Types Models

There is relationship between choosing tax type and companies' returns or citizen social situation. See next table.

Table no (4): Tax affection on general budget, income statement, balance sheet and citizens' type

Tax Types	**Affection on general budget expenses**	**Affection on general budget return**	**Affection on assets value and profit of local drilling companies to produce raw materials for economic sectors**	**Affection on assets value and profit of local producing goods and services companies**	**Affection on economic sectors integration**	**Affection on citizens (Single or married) savings and investment**
1.1Customs Tax	It may increase current expense if the country loose international relationship and its supported by aids	Increase Current Returns up to balancing conditions	Local company producing will get good sales but import face Increasing of product raw materials Price also any stored of these product will get profit because of increasing value stores of these material	increase cost of producing its industry products by foreign companies but it increase local companies sales	It directs local companies to produce raw materials locally or it will increase cost on other related economic sectors which use its industry product.	Reduce customer savings or direct them to buy products which not obligate this tax as buy alternative with out this tax locally or from other international resource which do not buy tax
1.2 Sales Tax	It may increase current expense if customers refuse \buying product and company immigrate capital and experiences		Cost is fixed but Increase material price on customers	increase cost of producing its industry products because it is buy raw materials in high price	It will increase cost on other related economic sectors which use its industry product.	Reduce customer savings or buy products which not obligate this tax
1.3 Tax on operation profit	It may increase current expense if customers refuse \buying product and company immigrate capital and experiences		Increasing cost more than Tax on profit after buying interest of loan which increase product price therefore it reduce sales as result to increase cost or company reduce price to loss profit	Increasing cost than Tax on profit after buying interest of loan which increase product price beside increasing cost of raw material	It will increase cost on other related economic sectors which use its industry product.	Reduce customer savings or buy products which not obligate this tax
1.4 Tax on profit after buying interest of loan	It may increase current expense if customers refuse \buying product and company immigrate capital and experiences		Increasing cost less than Tax on operation profit which increase product price or company reduce price to loss profit	increase cost of producing its industry products because it is buy raw materials in high price	It will increase cost on other related economic sectors which use its industry product.	Reduce customer savings or buy products which not obligate this tax

1.5 Income Tax	It may increase current expense if it lead to immigrate capital and experiences		Reduce sharers savings or not distribute net profit after tax	Reduce sharers savings or not distribute net profit after tax	Reduce sharers savings or not distribute net profit after tax	Reduce customer savings or buy products which not obligate this tax
1.6 Changing land ownership tax	It may increase current expense if it leads to depression problem in building sectors to cover citizen and company needs also it may increase cost of court as result to use proxy with unlimited authority by selling which face law that no selling is accepted until buy tax		Increase of cost land and building owner cost	Increase of cost land and building owner cost	Increase of cost land and building owner cost	Reduce customer savings or use other contract as lease or lease and sales or to buy proxy fees with unlimited authority contract if law accepted to avoid tax
1.7 Changing car ownership tax	It may increase current expense if it leads to keep old cars in spite of environment pollution and accident		Increase cost of transport	Increase cost of transport	Increase cost of transport	Reduce customer savings or use other contract as lease or lease and sales or to buy proxy fees with unlimited authority contract if law accepted to avoid tax
1.8 Added other tax on the usual tax	It may increase current expense if customers refuse \buying product and company immigrate capital and experiences		Reduce net profit	Increase buying raw material and Reduce company net profit	Try to avoid this tax by avoid dealing with industry products or it face Reducing of company net profit	Reduce customer savings or buy products which not obligate this tax
1.9 Obligate car insurance	Reduce expenses on accident by transfer risk to insurance companies	Increase from insurance co. tax	Increase cost	Increase cost	Increase cost	Reduce customer savings
1.9 obligate social insurance	Reduce social expenses by transfer risk to social insurance	_	Increase employees cost by transfer employees social risk because company buy part of insurance fees			Keep customer savings for long term in obligatory way

Conclusion

Tax is government major tool to finance general budget returns in some third world countries. It has negative reactions than first world countries as result to loss self-sufficient. Wrong using of tax types lead to loss government support as result to company loss profit and assets value also citizen may transfer from middle income level to limit income level. Length of bad case will reduce local currency price. Wrong using of tax types direct economic supply and demand against equilibrium.

Recommendation

Government must use tax in conditions as up to real needs beside find other ways to get returns as sharing with companies because sharing will show government real affect of factors on economic sectors. Sharing up to reach self-sufficient strategy is away to collect government, companies and citizens to work as group. Sharing need ability of using land, labor and human resource perfectly. Country can start from schools and university courses and training to build local experiences. It can get in integration with other countries in case integration leads to reduce costs and expenses.

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