



The Role of the Collection of Taxes in Achieving Revenue Targets Assigned to The Directorate General Taxes of Mali

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Abstract

This study examines the relationship between the collection of taxes and revenues generated by financial services, case of the Directorate General of Taxes. Under the Finance law, a revenue target is assigned to each financial service. Our work will focus on the Directorate General of Taxes. Revenues generated by Directorate General of Taxes equal around 40 percent of the Malian Treasury resources. To do this analysis we drafted the situation of macroeconomic indicators of Mali in 2012. Economic growth has drastically fall from 5.3% in 2011, it was -1.2% (negative rate) for the year 2012; the increase in inflation from 3.5% in 2011 to 5% for the year 2012. Military and security crisis has led us to take the year 2012 as a reference. Indeed, I collected and analyzed accounting data on revenues realized by the Directorate General of Taxes. To do an economic model to estimate, the model is based on the work of [1]. After the modeling and estimation we can say that there is a positive correlation between the collection of taxes and revenues generated by financial services, case of Directorate General of Taxes. The estimate of revenue growth model of general direction of the taxes of MALI shows that it is influenced by changes in the collection of taxes ($\alpha = + 0.119$). This significant and positive relationship shows that the two clusters are moving in the same direction.

Keywords: finance laws; assigned revenue targets; tax collection and tax; Directorate General of Taxation.

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1. Introduction

Finance laws determine, for a year, the nature, amount and allocation of resources and charges of the state, as fiscal and financial balance. They reflect an economic equilibrium set, as well as the objectives and results of the programs they determine [2].

This shows that the Finance Law is more than a set of accounts. It is a double dimension: political and economic. On the political front, the Finance Law determines the revenue and expenditure which means that parliament authorizes, but doing it defines an economic balance that is part of the economic policy [3].

1.1 Objectives of Study

The main objectives of this study are as follows:

- 1) to show the preponderant role of tax collection in achieving revenue targets assigned to different directions;
- 2) to focus on the consequences of the security crisis in Mali on the macro-economic indicators;
- 3) to implement a good VAT administration through improved research methods.

2. Research methodology

Research is based on data provided by the Accounts Section Management of Central Accounting Agency of the Treasury, service responsible for the centralization of all revenue to directions. We used the statistic Hausmann; we retain the random effect model which the estimate is

$$TY_t = 97,71 + 0,119TEX_t + 0,012SAVY_t + 0,030 TM2_t + 0,492 DN_t$$

(-21,34) (11,772) (0,997) (2,337) (21,576)

$R^2 = 0,72$ and $DW = 2,009$.

Much of the content of the budget law is mandatory, the rest is optional.

Mandatory content:

It contains various provisions which are:

- Provisions relating to resources and expenditure of the State;
- Arrangements for organizing information and control of parliament for the management of public finances;
- Provisions imposed on public officials of financial responsibilities;
- The provisions creating or transforming jobs [4].

Optional content:

The provisions relating to the plate at the rate and terms of collection of taxes of any kind that may be contained in ordinary laws.

Finally, all other provisions may be included in the Finance Act.

There are 3 types of finance laws:

1. The Finance Law of the Year

The year Finance Act provides for and authorizes the year for each calendar year, all revenues and expenditures of the State. This definition includes the two traditional functions of the state budget: forecasting and authorization.

2. The supplementary budgets

The forecast budget like any forecast can be modified due to the occurrence of unexpected events. Only supplementary budgets may, during the year, amend the provisions of the Finance Act of the year.

3. Regulations Laws

They are defined from two goals: First, the income recognition is done through the establishment of << income statement of the year. >>

The second purpose of this law lies in the approval of the differences between results and forecasts that result in the transfer of authorization << result of the year in permanent account overdrafts Treasury >>

General direction of taxes is a service of the Ministry of Finance created by Act No. 84-25 AN-RM of 21/07/1984, its mission is to [5]

- Present tax legislation relating to taxes, duties and to ensure its implementation;
- Liquidate, controlling and collecting taxes and duties levied in favor of the State;
- Present legislation relating to land, Crown and cadastral regulations.

Revenues from directorate general of taxes consist mainly of tax revenues include both: direct taxes, indirect taxes, the registration fees and stamps.

The main taxes recovered on the Directorate General of Taxes are: the corporate income tax, the tax on industrial and commercial profits, the tax on the value added tax, tax on insurance contracts, registration fees and stamp tax, tax income securities

Directorate General Taxes of Mali have achieved in 2010 revenues of approximately 740 million U.S. dollars for a target of 734 million U.S. dollars, which had been assigned by the government of Mali,

After the outstanding performance of 854 million U.S. dollars made by the Directorate General of Taxes under the Finance Law of 2011, Directorate General of Taxes is assigned in 2012 to the achievement of 990 million U.S. dollars of tax revenue [6].

Given the economic and military crisis it would take a miracle for the realization of this revenue target allocated for the year 2012.

2.1 Situation of Macro economic indicator of Mali in 2012

It is therefore not surprising that economic growth has drastically fall from 5.3% in 2011, it was -1.2% (negative rate) for the year 2012

Another unflattering indicator, the increase in inflation from 3.5% in 2011 to 5% for the year 2012. Fortunately the government is trying to have solutions to this crisis: the government has established a fiscal framework over 3 years, from 2013 to 2015, following this strategy, which depends largely on external financing, the government hopes to realize a growth of 7% for the year 2013; 5.7% for the year 2014; 5.3% for the year 2015. optimistic or unrealistic goals, only time will confirm [7].

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2.2 Statistical analysis of Recoveries Taxes Made by the Directorate General of Taxes

The Trend shows that the larger the revenue months are June and December. We can divide our histogram into 4 main periods, the corresponding periods in a calendar year cycle.

- Analysis shows that during the first quarter (JAN ; FEBR ; March) , revenues are very low , this weakness is due to the non- distribution of warnings to citizens. c usually is during this period that counts as distribution and warnings.
- The 2nd quarter (May and June) revenue increase because beyond liquidation warnings , people begin to pay their tax .
- 3rd quarter (August, September) is the rainy period , period of welding that is to say of difficulties for citizens because agricultural work began with land clearing and the purchase of pesticides.

- 4th quarter shows the recovery with the sale of crops, crops are sold , people are richer and naturally fulfill their tax .

Table1: Recoveries Taxes made by the Directorate General of Taxes

MONTHS	REVENUE COLLECTED
JANUARY	1 000
FEBRUARY	760
MARCH	870
APRIL	7 000
MAY	51 000
JUNE	65 000
JULY	50 000
AUGUST	35 000
SEPTEMBER	30 000
OCTOBER	45 000
NOVEMBER	51 000
DECEMBER	76 000

Amount in US Dollars, 2012 year, source: Section Compte de Gestion ACCT

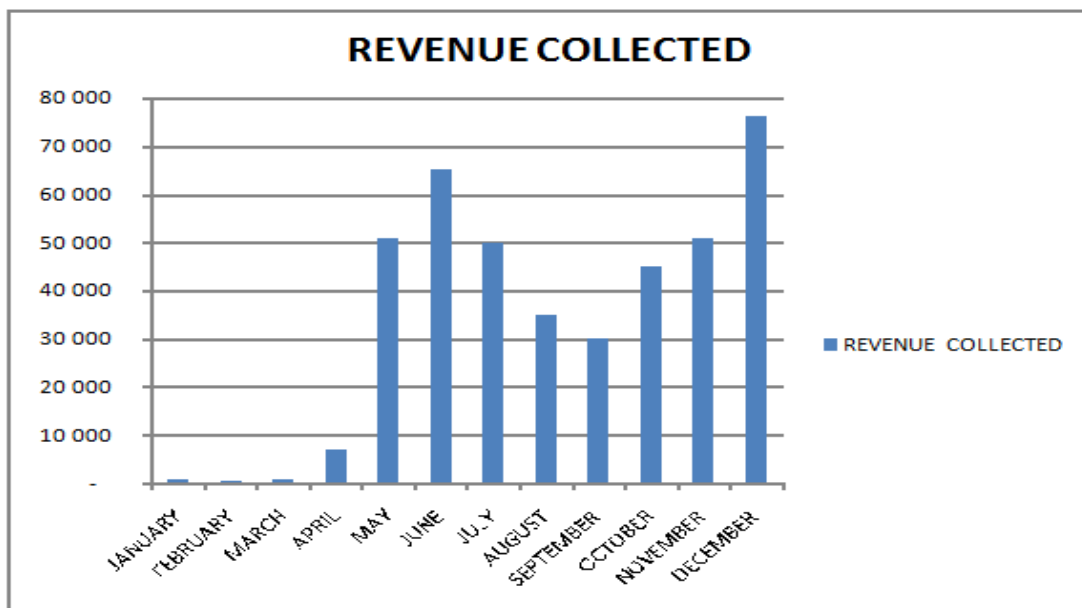


Figure 1: Amount in US Dollars, 2012 year, source: Section Compte de Gestion ACCT.

2.3 Estimated econometric model

The model to be estimated based on the work of [1].

Test equation is given by the linear form:

$$TY_t = \beta_0 + \alpha_1 TEX_t + \alpha_2 TM2_t + \alpha_3 DN_t + \alpha_4 SAVY_t + \theta$$

With $\alpha = (1, \dots, 4)$, parameters to be estimated, Growth rate of revenue realized by the Directorate General of Taxes (TY), Taxes recovery rate (TEX), Premium on budgetary revenues (TM2), Share allocated on total revenues (DN), and Revenue transfer slips (SAVY). These variables are used mostly in the form of rate, the linearization of the model is not necessary.

3. Results and Main Findings

3.1 Results of estimating and his interpretation

We will initially estimate the model and a second step for interpreting the results

3.2 Choice of regression

we retain the econometrics of panel data due to several advantages in the analysis of determinants, Finally, for choose between the panel model with fixed effects or random effects, we use Statistics Haussmann, it allows us to retain the random effects model which the estimation is as follows :

For all revenue realized by the Directorate General of Taxes, the result to retain is as follow:

$$TY_t = 97.71 + 0.119TEX_t + 0.012SAVY_t + 0.030 TM2_t + 0.492 DN_t$$

(-21.34) (11.772) (0.997) (2.337) (21.576)

$R^2 = 0.72$ and $DW = 2.009$.

Only one variable is not significant different to zero (0), it is taxes recovery rate ,the linear correlation coefficient (R^2) is important and DW is acceptable. This model can be interpreted.

3.3 Interpreting the results

After the modeling and estimation we can say that there is a positive correlation between the collection of taxes and revenues generated by financial services, case of Directorate General of Taxes.

The estimate of revenue growth model of directorate general taxes of MALI shows that it is influenced by changes in the collection of taxes ($\alpha = + 0.119$). This significant and positive relationship shows that the two clusters are moving in the same direction.

Thus it confirms that all revenues from the directorate general of taxes in the long term depend in volatility and low amounts collected by the tax authorities. It also shows that with the current revenue structure of the directorate general of taxes, it would be impossible to achieve the fiscal targets fixed by the Government of Republic of MALI[8] .

4. Conclusion and Recommendations

After the modeling and estimation we can say that there is a positive correlation between the collection of taxes and revenues generated by financial services, case of Directorate General Taxation.

The estimate of revenue growth model of general direction of the taxes of MALI shows that it is influenced by changes in the collection of taxes ($\alpha = + 0.119$). This significant and positive relationship shows that the two clusters are moving in the same direction.

Thus it confirms that all revenues from the general direction of the taxes in the long term depend in volatility and low amounts collected by the tax authorities. It also shows that with the current revenue structure of the general direction of the taxes, it would be impossible to achieve the fiscal targets fixed by the Government of Republic of Mali.

To achieve the revenue assigned the Tax Office must make a great effort in the collection of taxes ,implement a proper administration of VAT, including the improvement of research methods and cross, the creation of mixed brigades between financial services; the quest for efficiency through local communication; also to explain and educate our economic and administrative partners to the real issues of the Tax; to offer the best quality of service to users; assess the potential of different localities ;support and effective support of the Ministry of Economy and Finance; financial and educational support of partners; our dynamic internal organization initiated the precepts of planning; and the Result Based Management ;PAMORI (program for the improvement and modernization of the taxes services).

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