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The Perception of Kuwait's Residents Regarding the Introduction of Tax Systems and Reducing the Current Subsidies

Abstract

Purpose: The oil price decline has left Kuwait in a vulnerable financial situation. Should the Kuwaiti government ultimately consider taxes when diversifying revenue sources? This research assesses the perceptions of Kuwait's residents regarding several tax options, as well as the factors that affect these perceptions.
Study design/methodology/approach: The study relies on primary empirical data to allow conducting regression modeling as the instrument for the data analysis. The analysis helps to identify the tax options that are mostly accepted by the residents of Kuwait. It also helps to understand whether or not Kuwait's residents prefer the option of having taxes in order to diversify the national budget, or whether they prefer the option of reducing the subsidies that they are currently getting from the Kuwaiti government to help reduce expenditures in the national budget, which could contribute to resolving the deficit issue.
Sample and data: The research relies on primary empirical data gathered through an online survey questionnaire: 4,181 individuals began the survey, and 3,370 respondents finished it (a completion rate of 80.6%).
Results: Kuwait's residents prefer the option of reducing the subsidies that they currently receive to that of structuring a tax system. If the government is going to structure a tax system, Kuwait's residents prefer corporate taxes if small businesses are excluded from the tax base. A significant majority (79.54%) of the participants believe that this would be a good option for the government to increase its revenue. If the government does not pursue the option of corporate taxation, excluding small businesses, residents also favor property and sales taxes, provided that they exclude foodstuff. These represent the top three favorable options for Kuwait's residents.
Originality/value: The findings could help initiate a new body of literature regarding Kuwaiti taxation and allow for comparisons with other GCC countries. The results could also be valuable to the Kuwaiti government to make sure that the public is on the side of the government and, therefore, preserve social harmony at this new phase of attempting to diversify the Kuwaiti economy.
Research limitations /implications: The sample of the study is not 100% random

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because not all individuals in Kuwait have the exact same probability to be part of the study. The percentage of Kuwaiti citizens in the sample is dominant (around 97%), which is not representative of the entire population of Kuwait. Another limitation is the fact that the data was collected after Kuwait joined the GCC tax treaty, which could have affected the responses of respondents.

Keywords: Budget diversification, Kuwait, GCC Tax, Dependence on Natural Resources, Natural Resource Curse, Public Policy.

JEL classification: H200, H610

Introduction

Governmental budgeting scholars have emphasized the importance of ensuring that governments generate sufficient revenue to cover expenditures (Lee *et al.*, 2014). Because of its vast oil resources, Kuwait is an extremely wealthy state (Herb, 2005), but the country probably needs to restructure its budget and fiscal system. The official budgets that the Kuwaiti Ministry of Finance publishes annually indicate that the country has enjoyed high governmental surpluses for many years, even during the peak of the 2008 economic crisis, and such conditions have made it easy for the Kuwaiti government to create a welfare state for its small population (slightly above four million). However, Kuwait began to run annual deficits within its national budget since the fiscal year 2013-2014. The ongoing deficits pushed Kuwait to consider new ways to help improve the situation of the Kuwaiti budget. This paper tries to answer the research question of whether or not Kuwait's residents prefer the option of having taxes in order to help diversify the national budget, or whether they prefer the option of reducing the subsidies that they are currently getting from the Kuwaiti government to help reduce expenditures in the national budget, which could contribute to resolving the deficit issue.

Ever since the sharp decline in oil prices around 2014, many of the oil-dependent countries and Gulf Cooperation Council (GCC) countries began to suffer because it affected their budgets considerably. The decrease in the oil barrel price pushed the GCC countries to establish a tax treaty, the Value Added Tax and Excise Tax treaty (Scalia, 2017), in order to help them structure similar tax systems to avoid problems in their tax systems, like migration, cross-borders, and avoidance issues. However, not all GCC countries have yet officially implemented the tax treaty tax. Saudi Arabia, Bahrain, and the United Arab Emirates officially structured their tax systems, which currently serve as new streams of revenue to help their national budgets. Kuwait officially joined the tax treaty but has not yet

implemented it. All of that is part of the application of Kuwait Vision 2035, where one of the main pillars of the vision is to have a more diversified economy in the country (Hvidt, 2019). The fluctuations in the oil prices within the past years have pushed Kuwait and most GCC countries to create new visions in order to steer them towards sustainable economies and systems. Kuwait already has a tax structure focusing on taxing companies in Kuwait, as well as foreign companies that operate in Kuwait. However, the current tax system is generating a negligible revenue, as Table 1 shows.

Relying on one major source of income for the entire country is not a fiscally healthy option (Carroll, 2009), and initiating a tax system could be one avenue by which to begin to resolve this issue. Tax systems could increase governmental accountability, because people are more interested in knowing where their own money is being spent than knowing where the oil revenue is spent (McGuirk, 2013). This could push the Kuwaiti government to increase transparency, which could subsequently lead to better administration and practices. However, designing a tax system is not an easy job, as it requires addressing several issues. Denison and Facer (2005) indicate that the main tax principles that a tax system must address are revenue adequacy, equity, economic neutrality, ease of administration, and accountability/transparency. The other avenue available to Kuwait in order to rectify its budgetary problem is to reduce current subsidies. Other avenues also might be available that require some creativity but structuring a tax system and reducing subsidies seem to be the most obvious options for the Kuwaiti government to pursue.

The main motivation for conducting this study is to help find an option that would allow the Kuwaiti government to have a healthier economy without facing severe opposition from residents. Kuwait is not a fully democratic country (Alnajjar, 2000), so it is not unusual to see instances in which the government makes decisions without assessing public perceptions.

The natural resource curse literature reflects several lessons that indicate the importance of taking real action in order to improve Kuwait's economy. The natural resource curse reflects the fact that a high dependence on natural resources could lead to negative effects on economic growth (Sachs and Warner, 2001), the levels of democracy (Ross, 2001), and increased levels of corruption (Van Der Pleog, 2011). The natural resource curse literature provides additional motivation for the Kuwaiti government to act in order to reduce its dependence on oil to mitigate the effects of the natural resource curse.

The findings of the study show that Kuwait's residents prefer to lose the current governmental subsidies when compared to the option of being taxed. The results also show that if Kuwait is going to structure a tax system, residents would prefer corporate taxes with small business exemptions to all other tax options. The second-best tax option for Kuwait's residents is a property tax, followed by a sales tax, excluding foodstuff. Keeping in mind that sales taxes are very similar to VAT, VAT would be preferable to Kuwait's residents if the government exempts some of the major food items that residents rely on in Kuwait. The results of the study are significant and could help the Kuwaiti government from a policy perspective, given that they are about to implement the GCC tax treaty. They are also essential regarding whether the Kuwaiti government should consider additional taxes in the future. Further, the findings can contribute to initiating a new body of literature on taxation in Kuwait and the GCC region, as tax scholars around the world are observing the situation and trying to assess the new GCC experience with regards to taxation.

The Context of the Study: The State of Kuwait

Kuwait is a constitutional monarchy located in the Middle East and bordered by Saudi Arabia, Iraq, and the Arabian Gulf. More than half of the Kuwaiti population is composed of foreigners (Herb, 2009). Kuwait is heavily dependent on oil (as Table 1 shows). Figure 1 makes it clear that Kuwait witnessed significant deficits when oil prices decreased around 2014. Kuwait's oil revenues account for approximately 90% of revenue in the national budget, indicating that the country relies primarily on a single source of income. Baldwin-Edwards (2011) shows that more than 80% of the Kuwaiti labor force is employed in the public sector, which is one of the reasons why "salaries" are one of the most significant categories of expenditures in the Kuwaiti budget. Further, the government is excessively generous with the population. For example, it offers free university education, free healthcare services, marriage gifts, interest-free loans, random governmental gifts (cash), subsidies for staple foods (e.g., rice, bread, and milk), and utilities (Herb, 2014). Kuwait also has cheaper fuel prices than most countries and enjoys high wages in both the public and private sectors (Herb, 2014). This level of generosity is currently depleting the country's revenue. It was easier for the government to offer all these benefits when it maintained high surpluses, but everything has changed now that the price for a barrel of oil has decreased so significantly.

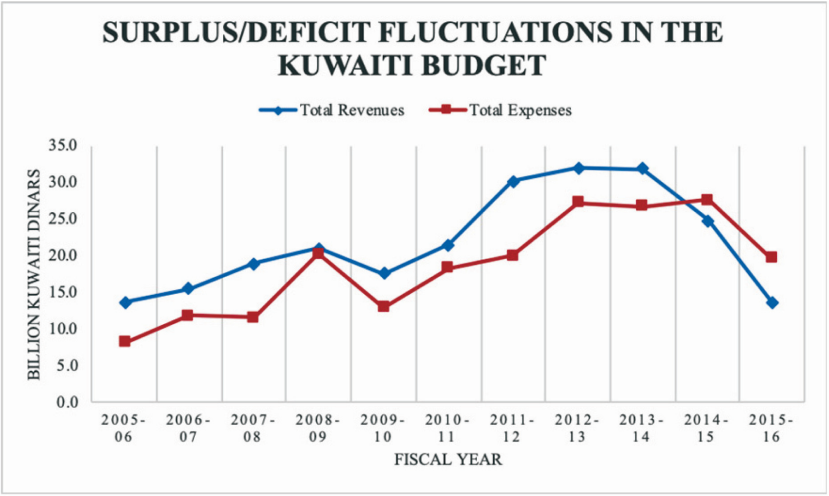

Figure 1. Kuwait's Surplus/Deficit Between Fiscal Year 2005-06 and Fiscal Year 2015-16
Source: All data are from the official budgets of the Kuwaiti Ministry of Finance.

Table 1
Kuwait's Revenue in Fiscal Year 2015-16

Category	Revenues in USD	Percentage of Total Revenues
Oil	$39,607,379,937.47	88.57%
Income Tax	$465,251,344.54	1.04%
Property Tax	$52,057,640.33	0.12%
Fees on Corporations	$33,074,553.50	0.07%
Customs and Duty Fees	$1,043,595,515.43	2.33%
Revenue from Services	$2,490,230,238.73	5.57%
Miscellaneous Fees	$1,021,694,374.16	2.28%
Capital Revenue	$5,914,015.48	0.01
Total Revenue	$44,719,197,619.63	100%

Source: All data come from the official budget of fiscal year 2015-2016 (from the Kuwaiti Ministry of Finance).

The data from both Figure 1 and Table 1 help in motivating this research project, and they indicate the importance of the Kuwaiti government taking action by considering additional streams of revenues, which could help diversify the national budget. Taxes are the main sources of revenue for many governments

around the world (Gordon and Li, 2009), yet almost no one in Kuwait pays taxes in the current tax structure.

Literature Review

This study has solicited the perceptions of Kuwait's residents about some taxation options and the option of reducing the current subsidies offered. Kuwait already has some taxes as sources of revenue (e.g., taxes on some companies and corporations), but these taxes affect only a negligible percentage of Kuwait's residents. Most Kuwait's residents do not pay taxes. This has been in line with most countries in the Gulf Cooperation Council (GCC) that are heavily dependent on natural resources. Almutairi (2014) presents a history for taxation among GCC countries. However, the recent pressure due to the fluctuations and the decline in oil prices has pushed some GCC countries to impose new taxes (e.g., the Value Added Tax) in order to depend less on oil revenue.

The bright side of imposing taxes within GCC members is that it would help diversify their economies and sources of revenue, which will help them to reduce the effects of the natural resource curse. There is a broad stream of articles showing evidence that dependence on natural resources could lower levels of economic growth (Asif *et al.*, 2020; Fosu and Gafa, 2019; Badeeb *et al.*, 2017; Atkinson and Hamilton, 2003; Sachs and Warner, 2001). Another stream of papers reflects that dependence on natural resources leads to lower levels of democracy and institutions (Adams *et al.*, 2019; Dunn, 2017; Jensen and Wantchekon, 2004; Ross, 2001). Other reflect additional adverse effects from natural resource dependence such as higher inequality, more corruption, and more deindustrialization (Van der Ploeg, 2011). Even though there are many papers that argue against the natural resource curse (Haber and Menaldo, 2011; Herb, 2005), there is a general consensus that dependence on natural resources is associated with several bad consequences for both the country and the economy (Van der Ploeg, 2011).

At the same time, designing a new tax system is not a simple task. Almutairi (2014) reflects upon how the low taxes in GCC countries currently serve as a competitive advantage, which highlights the importance of maintaining that competitive advantage when imposing new taxes within the region. Along the same lines, Zafarullah (2018) notes some of the accounting issues that face businesses in the early stages of the VAT within the United Arab Emirates (UAE). Temimi, *et al.* (2016) also show that taxes have significant effects on corporate capital within the GCC region, and the results hold even when they examine

countries outside the GCC (Malaysia and Thailand). There are not many studies that address taxation within the GCC region, but most of them have highlighted the importance of designing the tax system properly. The GCC tax literature also reflects a positive experience in the administration of the excise tax system in Saudi Arabia. Based on the perceptions of different stakeholders, Alsukait, *et al.* (2020) show that the administration of Saudi excise tax system is not difficult.

The tax literature (tax evasion and avoidance literature) reflects the fact that people are always trying to find ways to make sure that they pay lower taxes (Burman and Slemrod, 2020; Slemrod and Bakija, 2017). Slemrod (2007:25) states that "no government can announce a tax system and then rely on taxpayers' sense of duty to remit what is owed." This certainly does not mean that all people will evade or avoid taxes. However, the amount of compliance could decrease if people start getting the feeling that they are being taken advantage of by others (Ostrom, 1998).

There are many stories in the existing literature and in history in general that could show the magnitude of how people always prefer to pay less in taxes, or to not pay taxes at all. For example, many Romans in the third century used to hide their valuable belongings, such as gold and jewelry, in order to evade what was known at that time as a luxury tax (Burman and Slemrod, 2020). Further, homeowners in eighteenth-century England used to brick up their fireplaces to make sure that they did not produce signals that they were home, thus avoiding tax collectors (Slemrod, 2007).

One of the fundamental models in the tax evasion literature, the Allingham-Sandmo model of tax evasion, is one of the earliest and perhaps best-known models with which to assess tax compliance (Slemrod and Yitzhaki, 2002). The model tries to answer the following question: do higher taxes generate less or more compliance? The model expects people to engage in tax evasion if the expected utility of cheating-considering all other variables-exceeds the expected utility of being honest. The model's main variables that affect the final decision are the probability of getting detected, the penalty rate, the tax rate, and the degree of risk aversion (Andreoni *et al.*, 1998).

The main takeaway from the model could be that most people would evade taxes if they believed that they could get away with it. The degree of noncompliance with self-employment income is around 57% (Burman and Slemrod, 2020). However, noncompliance is only 1% for wages and salaries. Salaries and wages are subject to tax withholding and information reporting, which leads to this huge difference in the tax gap, as they provide fewer opportunities for taxpayers to evade

taxes. This could support the statement that people will evade taxes if they feel they can do so undetected.

This also relates to Hardin's (2009) tragedy of the commons. Hardin claims that people will behave in ways that maximize their self-interests, contrary to the best interests of the whole group, by depleting a common source. Trying to solve the problem morally will not actually solve it, because it will only appeal to moral people. A problem can only be solved by agreed-upon pressures (e.g., laws and regulations). However, his argument could be an extreme one. Ostrom (1998) concludes that people are not as helpless as other authors assume. She argues that ethics, norms, trust, reciprocity, and rules all together affect the way an individual reacts to something. However, she also confirms the fact that cooperation could decrease over time if people feel that others are taking advantage of them.

Hypotheses Development

All of these arguments from the existing literature help to reinforce the premise of the claim that it would be very difficult for an individual (a resident of Kuwait) who has lived his/her entire life without having to pay any tax to accept the idea of taxation, thus the presumption that they will prefer the option of reducing current subsidies instead of supporting taxation. While it can be said that subsidies are negative taxes, such an understanding is common only among those who study taxation and public finance, topics that are not well-known in Kuwait.

Hypothesis 1 (H1): *Residents in Kuwait prefer the option of reducing the current subsidies that the government offers to the option of creating a tax system.*

The paper also has different models to help assess the factors that affect support of the two options: reducing subsidies and structuring a new tax system. Hence, the research has also tested several minor hypotheses. First, residents with higher social capital are expected to be more willing to help the government. The concept of social capital stems from the seminal book entitled *Making Democracy Work* (Putnam *et al.*, 1994), where the authors reflect upon how the roles of trust, cooperation, and investment in social activities help to achieve better results for the community. They also tie social capital to civic engagement in public affairs and public issues.

Putnam, *et al.* (1994) assess the importance of social capital by focusing on Italy in particular, and how some regions in the north have a higher-quality government compared with other regions in the south of the country. The key difference is that people in the north have much higher social capital, which the authors have measured

by looking at voter turnout, density of associational life, and newspaper readership. What the authors have found is that people in the northern regions that have higher rates of social capital also have higher rates of trust in one another, expect others to act fairly, follow the rules, and are more engaged in community activities. Coffé and Geys (2005) offer another paper that confirms the effects of social capital based on a sample of Flemish municipalities, finding that municipalities that have higher rates of social capital also have better governmental performance.

There are several ways to control for social capital. For instance, Coffé and Geys (2005) use measures like Putnam *et al.* (1994), but they add the factor of crime rate per capita. The hypothesis is that residents who are more socially active would be more likely to want to help the government. Thus, they are expected to be more willing to support one or both options.

Hypothesis 2 (H2): *Residents with higher social capital are more willing to help the government by supporting one (or both) of the two options: the option of structuring a tax system, and the option of accepting that the government reduces the amount of subsidies to residents.*

Another hypothesis is that residents are expected to be more willing to help the government when they have greater trust in the government. The assumption is that residents who trust the government would be more willing to help, because the government itself would be the body that would manage the tax system or use the additional money resulting from the reduced subsidies. Feldman and Slemrod (2009) help to build the basis for this argument. They find that tax decisions and compliance with the tax system are significantly influenced by perceptions toward the government. For instance, they indicate that many individuals in the United States who decided not to pay taxes during the Vietnam War were those who opposed the decision to fight in Vietnam. The main point that they make in their work is that people are expected to have higher compliance rates if they have greater trust in the government. Witte and Woodbury (1985) offer another paper that provides evidence that the perceptions of the population towards the government do matter when it comes to tax decisions. These foundations put forward the argument that respondents to the survey are expected to be more willing to help the government when they have greater trust in it.

Hypothesis 3 (H3): *Residents are more willing to help the government when they have greater trust in it.*

Another theory is based on the literature's findings that higher education levels could translate into better attitudes towards taxes (Rodriguez-Justicia and Theilen

2018, María-Dolores, *et al.* 2010). Thus, residents are expected to be more supportive of the two options (reducing subsidies and/or creating a tax system) when they have higher levels of education. The expectation is that residents with more education are more knowledgeable about the adverse consequences that the country will face if it does not correct the financial situation.

Hypothesis 4 (H4): *Residents with higher levels of education are more supportive of one (or both) of the two options (reducing subsidies and/or creating a new tax system).*

Methods

Sample and Data

This paper is based on an online survey posted on Twitter; thus, the study's sample is not 100% random. However, there are no special characteristics used to select the study's population, as it is open to all residents who live in Kuwait. Further, the survey includes no questions that would allow the researcher to identify any of the respondents. The survey is posted in Arabic, which means that the respondents of the survey are those who can read and write Arabic. The goal is to recruit a sample that ranges in age from 18-65, including college students, employees, and retirees. The study does not exclude any specific group from completing the survey. Ultimately, 4,181 individuals have received the survey and 3,370 respondents have completed it (a completion rate of 80.6%). Hence, the study is based on the 3,370 responses received. This research relies on primary empirical data gathered through the survey questionnaire. Many of the questions in the survey are based on a 5-point Likert-scale, where a higher number refers to a higher level within the variable. For instance, a "5" in the education variable indicates a higher level of education than a "3".

The first part of the survey requests demographic information that is later used to develop control variables for the analysis. The second part of the survey helps to develop additional control variables by asking whether the respondents follow political and economic news, and about their use of the media in general. The third section assesses the participants' knowledge of the Kuwait government's financial position. The fourth part of the survey poses two main questions used to construct the two main dependent variables for the study. The first is related to developing a tax system and the second to reducing subsidies. The final part of the survey discusses several types of tax options that Kuwait may consider, which can help to

assess what types of taxes that the residents of Kuwait prefer. There are several questions about the various types of taxes (i.e., income, sales, corporate, and property taxes).

Characteristics of the sample

Table 2
General Demographics Based on the Likert-Scale Questions.

Variable						**Total**
Monthly Salary	**749 KWD and below**	**750 - 1,000 KWD**	**1,001-1,499 KWD**	**1,500-2,000 KWD**	**2001 KWD and above**	
Percentage of sample	13%	18%	23%	18%	28%	100%
Age	20 and below	21 - 29	30 - 39	40 - 49	50 and above	
Percentage of sample	4%	24%	21%	21%	30%	100%
Trust in Government	Strongly Distrust	Distrust	Neutral	Trust	Strongly Trust	
Percentage of sample	23%	26%	21%	20%	10%	100%

The number of respondents who have completed the survey is 3,370. However, some respondents have ignored some of the questions, which explains the different sample sizes in the models below. The study sample is nearly equal with respect to gender, as 48.04% of the population is female and 51.96% male. Kuwaiti citizens comprise 96.96% of the study's sample, which non-Kuwaiti citizens account for only 3.04%. The majority of the sample are educated: 29.98% have a graduate degree or higher (including professional degrees), 21.06% have bachelor's degrees, 21.24% have a two-year diploma, 23.88% have high school degrees, and 3.04% have less than a high school degree. With respect to the age distribution, 29.98% are 50 years old or above, 21.06% are 40-49 years, 21.24% are 30-39 years, 23.88% are 21-29 years, and 3.82% are 20 years old or below.

The survey allows for the collection of data about the participants' interests in political and economic news. As anticipated, the majority of the Kuwaiti population follow the news through social media (i.e., Twitter, Facebook, and WhatsApp); 61.30% rely on social media as the main source of news, 15.48% on newspapers, 12.16% on television, 1.31% on radio, and 9.76% on other sources. The high reliance on social media in Kuwait in terms of news consumption is the main motivation for choosing an online survey.

A plurality (48.61%) of the sample either agree or strongly agree that they follow political news; 17.77% either disagree or strongly disagree that they follow political news; and 33.62% indicate they are neutral. On the other hand, 38.08% of the sample either agree or strongly agree that they follow economic news, 36.36% indicate that either they disagree or strongly disagree that they follow economic news, while 33.62% indicate they are neutral.

Statistical Methodology

Relying on regression modeling is deemed the preferred instrument for the data analysis. The first regression model assesses the variables that affect Kuwait residents' perceptions of the option of reducing the current subsidies as the dependent variable (reducesubs). The control variables are: gender (femaledum); Kuwaiti nationality dummy (kwtdum); age (age); highest level of education (edu); monthly salary (monthlysal); degree of following political news (followpoli); degree of followed economic news (followecon); degree of religiosity (religious); a dummy regarding the respondent's voting in the last Kuwaiti parliamentary election in 2013 (votedum); degree of satisfaction with the performance of the Kuwaiti parliament (satisfiedwithpardum); level of knowledge regarding oil and Kuwaiti budgets (oilknowledge); degree of believing that low oil prices will have adverse consequences on Kuwaiti economy (lowpricesbadecon); and degree of trusting Kuwaiti government (trust).

The model also includes several dummy variables that control for the district in which respondents live, the status or sector in which respondents are currently employed, marital status, and respondents' main source of news.

The regression equation for the first model was:

Model 1: Residents' perceptions of the idea of reducing the subsidies to reduce the Kuwaiti government's expenses $= a_1 + \beta_1$ (femaledum) $+ \beta_2$ (age) $+ \beta_3$ (edu) $+ \beta_4$ (monthlysal) $+ \beta_5$ (followpoli) $+ \beta_6$ (followecon) $+ \beta_7$ (votedum) $+ \beta_8$ (satisfiedwithpardum) $+ \beta_9$ (oilknowledge) $+ \beta_{10}$ (lowpricesbadecon) $+ \beta_{11}$ (trust) $+ \beta_{12}$ (hawally) $+ \beta_{13}$ (farwa) $+ \beta_{14}$ (ahmad) $+ \beta_{15}$ (jahra) $+ \beta_{16}$ (mubarak) $+ \beta_{17}$ (public) $+ \beta_{18}$ (private) $+ \beta_{19}$ (self) $+ \beta_{20}$ (single) $+ \beta_{21}$ (married) $+ \beta_{22}$ (widow) $+ \varepsilon$

The second model is similar but has changed the dependent variable to the perceptions of Kuwait's residents on the idea of structuring a new tax system to increase Kuwait's revenue.

Model 2: Residents' perceptions of the idea of structuring a tax system to increase Kuwait's revenue = $\alpha_1 + \beta_1$ (femaledum) + β_2 (age) + β_3 (edu) + β_4 (monthlysal) + β_5 (followpoli) + β_6 (followecon) + β_7 (votedum) + β_8 (satisfiedwithpardum) + β_9 (oilknowledge) + β_{10} (lowpricesbadecon) + β_{11} (trust) + β_{12} (hawally) + β_{13} (farwa) + β_{14} (ahmad) + β_{15} (jahra) + β_{16} (mubarak) + β_{17} (public) + β_{18} (private) + β_{19} (self) + β_{20} (single) + β_{21} (married) + β_{22} (widow) + ε

These two models help to assess the factors that affect residents' perceptions of the two options. The next part helps to offer a general comparison of which type(s) of taxes that residents find more acceptable. The comparison sums up the percentages of residents who have chosen either *agree* or *strongly agree* and compare them with the percentages of people who have chosen *disagree* or *disagree strongly* with respect to the types of taxes. The part also includes six different models that have used the same set of control variables and have changed only the dependent variable. The six models' regression equations are:

Model 3: Residents' perceptions of income taxes = $\alpha_1 + \beta_1$ (femaledum) + β_2 (age) + β_3 (edu) + β_4 (monthlysal) + β_5 (followpoli) + β_6 (followecon) + β_7 (votedum) + β_8 (satisfiedwithpardum) + β_9 (oilknowledge) + β_{10} (lowpricesbadecon) + β_{11} (trust) + β_{12} (hawally) + β_{13} (farwa) + β_{14} (ahmad) + β_{15} (jahra) + β_{16} (mubarak) + β_{17} (public) + β_{18} (private) + β_{19} (self) + β_{20} (single) + β_{21} (married) + β_{22} (widow) + ε

Model 4: Residents' perceptions of corporate taxes on all companies = $\alpha_1 + \beta_1$ (femaledum) + β_2 (age) + β_3 (edu) + β_4 (monthlysal) + β_5 (followpoli) + β_6 (followecon) + β_7 (votedum) + β_8 (satisfiedwithpardum) + β_9 (oilknowledge) + β_{10} (lowpricesbadecon) + β_{11} (trust) + β_{12} (hawally) + β_{13} (farwa) + β_{14} (ahmad) + β_{15} (jahra) + β_{16} (mubarak) + β_{17} (public) + β_{18} (private) + β_{19} (self) + β_{20} (single) + β_{21} (married) + β_{22} (widow) + ε

Model 5: Residents' perceptions of corporate taxes, excluding small companies = α_1 β_1 (femaledum) + β_2 (age) + β_3 (edu) + β_4 (monthlysal) + β_5 (followpoli) + β_6 (followecon) + β_7 (votedum) + β_8 (satisfiedwithpardum) + β_9 (oilknowledge) + β_{10} (lowpricesbadecon) + β_{11} (trust) + β_{12} (hawally) + β_{13} (farwa) + β_{14} (ahmad) + β_{15} (jahra) + β_{16} (mubarak) + β_{17} (public) + β_{18} (private) + β_{19} (self) + β_{20} (single) + β_{21} (married) + β_{22} (widow) + ε

Model 6: Residents' perceptions of property taxes = $\alpha_1 + \beta_1$ (femaledum) + β_2 (age) + β_3 (edu) + β_4 (monthlysal) + β_5 (followpoli) + β_6 (followecon) + β_7

(votedum) + β_8 (satisfiedwithpardum) + β_9 (oilknowledge) + β_{10} (lowprices-badecon) + β_{11} (trust) + β_{12} (hawally) + β_{13} (farwa) + β_{14} (ahmad) + β_{15} (jahra) + β_{16} (mubarak) + β_{17} (public) + β_{18} (private) + β_{19} (self) + β_{20} (single) + β_{21} (married) + β_{22} (widow) + ε

Model 7: Residents' perceptions of sales taxes = α_1 + β_1 (femaledum) + β_2 (age) + β_3 (edu) + β_4 (monthlysal) + β_5 (followpoli) + β_6 (followecon) + β_7 (votedum) + β_8 (satisfiedwithpardum) + β_9 (oilknowledge) + β_{10} (lowprices-badecon) + β_{11} (trust) + β_{12} (hawally) + β_{13} (farwa) + β_{14} (ahmad) + β_{15} (jahra) + β_{16} (mubarak) + β_{17} (public) + β_{18} (private) + β_{19} (self) + β_{20} (single) + β_{21} (married) + β_{22} (widow) + ε

Model 8: Residents' perceptions of sales tax excluding food purchased = α_1 + β_1 (femaledum) + β_2 (age) + β_3 (edu) + β_4 (monthlysal) + β_5 (followpoli) + β_6 (followecon) + β_7 (votedum) + β_8 (satisfiedwithpardum) + β_9 (oilknowledge) + β_{10} (lowpricesbadecon) + β_{11} (trust) + β_{12} (hawally) + β_{13} (farwa) + β_{14} (ahmad) + β_{15} (jahra) + β_{16} (mubarak) + β_{17} (public) + β_{18} (private) + β_{19} (self) + β_{20} (single) + β_{21} (married) + β_{22} (widow) + ε

Results

Although additional variables have been included in the model, not all of them appear in the tables below, due to a lack of statistically significant effects.

Table 3
The Coefficients of Models 1, 2, 3, and 4

Model Number	Reducing Subsidies	Introduce Taxes	Income Taxes	Corp. Taxes on All
Female	-0.009	-0.12*	-0.207**	-0.252**
Age	0.013	0.028	0.146**	0.082**
Education	0.042	0.058*	0.005	-0.016
Monthly Salary	0.035	0.056**	-0.132**	0.009
Follow Political News	-0.038	0.038	0.098**	0.010
Follow Econ News	0.054*	0.068**	-0.011	0.043
Voted in last Election	0.089*	0.058	0.056	0.037
Satisfaction with Parliament	0.466**	0.366**	0.181*	0.134
Oil Knowledge	0.005	0.035**	0.037*	-0.011
Degree to which they believe that low oil prices will lead to weak economy	0.198**	0.189**	0.104**	0.065**

Cont/ Table 3
The Coefficients of Models 1, 2, 3, and 4

Model Number	Reducing Subsidies	Introduce Taxes	Income Taxes	Corp. Taxes on All
Trust Government	0.192**	0.093**	0-.002	0.009
Farwaniya District	-0.162*	-0.199**	-0.129	0.095
Ahmadi District	-0.073	-0.359**	-0.208*	0.151
Jahra District	-0.153	-0.289**	-0.049	-0.03
Work in Public Sector	-0.159**	-0.059	-0.138*	0.162**
Work in Private Sector	-0.146	0.094	-0.022	0.004
Self Employed	0.019	0.159	-0.044	-0.226
Single	-0.115	0.333*	0.252*	-0.096
Widow	0.162	0.329*	0.051	-0.098
R^2	0.12	0.11	0.05	0.04
N	3,170	3,170	3,151	3,143

* $p < 0.05$, ** $p < 0.01$.

The paper focuses first on models 1 and 2 (columns 2 and 3 in Table 3). These two models include the same explanatory variables but offer different dependent variables. The first model (column 2 in Table 3) uses residents' perceptions of reducing subsidies. The model reflects several statistically significant associations. There is a positive relationship between residents following economic news and accepting the idea of reducing subsidies. This may be because residents who follow economic news have a greater knowledge of economics and understand the potential negative effects on the economy if they do not contribute. Another positive association exists between voting in the last parliamentary election and favoring reducing the subsidies. This could relate to Putnam's (1994) ideas about social capital. Putnam suggests that people with higher social capital are always more willing to contribute to and support the government than those with lower social capital. Satisfaction with parliamentary performance also positively correlates with the dependent variable in model 1. The coefficient is large (˜0.466) because the scale is a Likert scale that ranges from 1 to 5.

There is also a positive association between trust in government and the idea of reducing subsidies. It is reasonable to expect people to be willing to pay or give up some of their benefits when they have greater trust in parliament and government. Another significant relationship exists between the dependent variable and the

degree to which respondents believe that low oil prices will lead to adverse economic consequences. This finding is not surprising, given the fact that such residents understand that low oil prices will have adverse effects and are, therefore, more willing to sacrifice some of their benefits in order to help improve the economy. Location is another factor that has some effect on the dependent variable. There is a statistically significant negative association between residents who live in Al-Farwaneyyah district and those who favor the idea of reductions in subsidies. Residents working in the public sector are also statistically significantly opposed to accepting reductions in subsidies. This finding could be associated with the fact that many of the least motivated people in Kuwait prefer to work in the public sector, given the job security in the public sector, which makes it less challenging (Baldwin-Edwards, 2011). This contrasts with the literature on Public Servant's Motivation (PSM), in which several empirical papers have shown that those who work in the public sector are more motivated than those who work in the private sector (Parola, *et al.* 2019, Crewson 1997, Perry 1996). However, the situation in Kuwait is much different, largely because they hire an excessive number of employees in the public sector, which means that several employees are extra workers who have no major responsibilities. The model has an R^2 of 0.12, so the model explains just over 12% of the variability in the dependent variable.

Model 2 employs a different dependent variable because it can reflect the association between the independent variables and perceptions about instituting a tax system in order to increase Kuwait's revenue. As column 3 in Table 3 shows, there is a statistically significant negative association between the dependent variable and being female. Having more education and a higher monthly salary are both positively associated with residents' perceptions of the idea of forming a tax system. There is also a positive relationship between residents who follow economic news and those who accept the idea of having a tax system. Further, residents who have greater trust in and satisfaction with the government and parliament are more likely to accept the idea of instituting a tax system.

Another significant relationship exists between the degree to which the respondents believe that low oil prices will lead to adverse economic consequences and the dependent variable of model 2. Individuals with more knowledge about oil and about Kuwait's financial position (Oil Knowledge Variable) are more likely to accept the idea of implementing a tax system. A statistically significant negative correlation exists between residents in Al-Jahra, Al-Farwaneyyah, and Al-Ahmadi, with the idea of structuring a new tax system. Being single or widowed are both positively associated with the dependent variable, relative to divorcees. The model has an R^2 of 0.11, so it explains only approximately 11% of the variation.

The analyses of models 1 and 2 have allowed for the assessment of support for the study's hypotheses. Hypothesis 4 indicates that *residents with higher levels of education are more likely to support one (or both) of the two options (reducing subsidies or creating a tax system)*. Table 3 indicates that education is significnatly associated only with support of the option to have a tax system. Thus, the evidence only supports hypothesis 2 partly. Hypothesis 2 indicates that *residents with higher social capital are more supportive of helping the government by supporting one (or both) of the two options*. These findings support only the option of reducing the subsidies. Thus, H2 is accepted partly. Hypothesis 3 indicates that *residents are more willing to help the government when they have greater trust in it*. The findings demonstrate robust support for hypothesis 3, as Table 3 reflects.

Before proceeding with models 3 through 8, this section assesses H1 (the main hypothesis) by adding the percentages of residents who have answered questions 18 and 19 in the survey with "agree" or "strongly agree." Questions 18 and 19 each examines the perceptions towards one of the two options (structuring a tax system and reducing the current subsidies) through the 5 points Likert-scale. Question 20 assesses H1, viz. "Assuming that the Kuwaiti government persists in pursuing one of the following options to overcome the current financial situation, which option would you prefer?" The tabulations of questions 18 and 19 show that 16.95% of individuals who have taken the survey believe that reducing subsidies is a good way for the government to reduce its expenditures. The percentage of residents who believe that forming a tax system is a good way to increase government revenues is 19.96%. One would think that these percentages indicate that residents might prefer the tax system option. However, this question has asked only about the options to increase revenue through taxes and to reduce expenditures through fewer subsidies. It has not asked which option they prefer. Question 20 has checked their preference. Table 4 below shows individuals' preferences regarding government options.

Table 4
The Sample's Preference Regarding Some Options that the Government Might Undertake.

	Prefer Reducing Subsidies	Prefer Structuring a Tax System	Prefer Both
Percentage of Individuals who prefer the option	52.85%	33.92%	13.22%

These percentages indicate that Kuwait's residents prefer the option of reducing subsidies to that of having a tax system. The difference between the

two percentages is approximately 20%, which is a significant difference. Further, 13.22% have indicate that they prefer both options together. Thus, the evidence supports H1: *Residents in Kuwait prefer the option of reducing the current subsidies that the government offers to the option of creating a tax system.*

The Different Tax Options:

This section focuses on the different tax options that the Kuwaiti government could undertake. The first part discusses the perceptions of residents living in Kuwait regarding the different tax options, and the second part reflect upon the different variables that could affect perceptions towards each tax option.

Table 5
The Sample's Preferences for Some of the Tax Options.

Tax Type	Sales Tax	Corporate Tax on all companies	Income Tax	Sales Tax, excluding foodstuff	Property Tax	Corporate Tax excluding small businesses
Percentage	21.08%	29.69%	38.23%	44.54%	52.34%	79.54%

Table 5 above illustrates which tax options residents prefer the most. It also shows the percentages of residents who have answered the questions that assess each of the options with "agree" or "strongly agree." It appears that Kuwait's residents strongly prefer the option of corporate taxation (79.54%) if small businesses are exempt from those taxes. This is understandable because, to many people, exempting small business would make the tax more progressive and less regressive, which would in turn make sure that no additional hurdles would be imposed on new entrepreneurs. The second option that residents prefer (52.34%) is that of the property tax. The assumption here is that Kuwait's residents may believe that a property tax would affect the wealthy to a greater degree. However, in many cases, property taxes are considered to be regressive taxes (Burman and Slemrod, 2020). The third option that Kuwait's residents support (44.54%) is that of a sales tax if it excludes foodstuff.

Models 3 through 8 focus on the variables that affect residents' perceptions regarding the various types of taxes that could be part of the financial position in Kuwait. Model 3's (column 4 in Table 3) dependent variable addresses perceptions regarding income taxes. There is a statistically significant negative correlation between the dependent variable and being female in this model. Age is positively associated with the model's dependent variable, as well. Further, residents with higher incomes significantly oppose the idea of having an income tax. This is

reasonable, because individuals with higher incomes know that they would have to pay higher taxes than those with lower incomes in a typically progressive tax system. There is a positive correlation between following political news and preferring an income tax in Kuwait. Oil knowledge and satisfaction with Kuwait's parliament also positively correlate with support for the income tax option. Another significant relationship exists between the dependent variable and the degree to which the respondents believe that the low oil prices will lead to adverse economic consequences. Living in Al-Ahmadi district and working in the public sector both negatively correlate with the perceptions towards income taxes. The model has an R^2 of 0.05, so it reflects only approximately 5% of the variability.

Model 4's (column 4 in Table 3) dependent variable reflects residents' perceptions about applying corporate taxes to all companies (including small businesses), which assesses what variables might affect the perceptions towards corporate taxes. Again, females are generally opposed to this option, and age positively correlates with the model's dependent variable. The degree to which respondents believed that low oil prices would lead to adverse economic consequences positively correlates with perceptions towards corporate taxes on all corporations. The variable of working in the public sector positively correlates with the dependent variable of the model, as well. The model has an R^2 of 0.04, and thus accounts for only approximately 4% of the variation.

Table 6
The Coefficients of Models 5, 6, 7, and 8.

Model Number	Corp. Taxes excluding Small Companies	Property Taxes	Sales Taxes	Sales Taxes excluding Food
Female	-0.197**	-0.355**	-0.351**	-0.347**
Age	0.029	0.157**	0.044	0.118**
Education	0.011	0.011	0.086**	0.026
Monthly Salary	0.015	0.009	0.051*	-0.002
Follow Political News	0.116**	0.074**	-0.043	-0.035
Follow Econ News	-0.035	0.037	0.082**	0.038
Voted in last Election	0.107**	-0.067	0.026	0.059
Satisfaction with Parliament	-0.059	-0.033	0.215*	0.128
Oil Knowledge	0.052**	0.030*	-0.016	-0.011

Cont/ Table 6
The Coefficients of Models 5, 6, 7, and 8.

Model Number	Corp. Taxes excluding Small Companies	Property Taxes	Sales Taxes	Sales Taxes excluding Food
Degree to which they believe that low oil prices will lead to weak economy	0.029	0.054**	0.140**	0.131**
Trust Government	-0.071**	-0.042*	0.049**	0.045*
Jahra District	0.051	-0.132	-0.08	-0.361**
Work in Public Sector	-0.024	0.063	-0.18**	-0.132
Work in Private Sector	-0.242**	0.003	-0.104	-0.113
Self-Employed	-0.335**	-0.249	-0.046	-0.155
Single	0.100	-0.166	0.214*	0.172
Married	0.123	0.050	0.224**	0.239*
R^2	0.06	0.09	0.07	0.05
N	3,150	3,140	3,142	3,135

* $p < 0.05$, ** $p < 0.01$.

Model 5's (column 2 in table 6) dependent variable assesses perceptions about the option of corporate taxation if small businesses are excluded. Females again show a statistically significant negative correlation with the model's dependent variable. Another significant positive correlation exists between the dependent variable and those who follow political news. The variable of residents who have voted in the last election positively correlates with the dependent variable. Higher oil knowledge also positively correlates with perceptions towards corporate taxes if small companies are excluded. The variable of residents with greater trust in the government negatively correlates with the dependent variable. For unknown reasons, working in the private sector and being self-employed both negatively correlate with the model's dependent variable to a statistically significant degree. The model has an R^2 of 0.06, so the model reflects only approximately 6% of the total variation.

Model 6's (column 3 in table 6) dependent variable evaluates perceptions about the option of property taxation. There is a statistically significant negative correlation between the model's dependent variable and being female, while age has a positive correlation with the property tax option. Following political news also positively correlates with the property tax option. Both oil knowledge and the

variable assessing whether respondents believe that Kuwait would face negative consequences because of the decline in oil prices positively correlates with the model's dependent variable. Conversely, greater trust in the government negatively correlates with the model's dependent variable. The model has an R^2 of 0.09.

Model 7's (column 4 in table 6) dependent variable addresses residents' perceptions towards the option of sales taxes. Females are opposed to sales taxes, while education positively correlates with the sales taxes option. Residents with higher salaries favor the option, as do those who follow economic news. The variables of trust in the government and satisfaction with parliament both positively correlate with the option of sales taxation. Another positive statistically significant relationship exists between the dependent variable of model 7 and the degree to which the respondents believe that low oil prices would lead to a weak economy. Single and married individuals are more likely to support sales taxes than divorced individuals, and public sector workers are opposed to the sales taxes option. The model has an R^2 of 0.07.

Model 8's (column 5 in Table 6) dependent variable measures perceptions about the option of sales taxes if food purchases are excluded. Females are opposed to the option, while age positively correlates with support of the option. Another statistically significant positive correlation exists between the dependent variable and the degree to which the respondents believe that the low oil prices would lead to adverse economic consequences. Trust in the government positively correlates with the sales taxes option if food purchases are excluded. Residents living in the Al-Jahra District oppose sales taxes, while married individuals are more likely than divorced individuals to favor sales taxes if foodstuff is excluded. The model has an R^2 of only 0.05, thus explaining only approximately 5% of the variability.

Conclusion

The study identifies the perceptions of Kuwait's residents regarding some options that the government might consider in order to overcome the economic crisis it is currently facing because of the decline in oil prices. Kuwait's residents prefer the option of reducing the subsidies that they currently receive to that of structuring a tax system. If the government is going to structure a tax system, Kuwait's residents prefer corporate taxes if small businesses are excluded from the tax base. A significant majority (79.54%) of the participants believe that this would be a good option for the government to increase its revenue. If the government

does not pursue the option of corporate taxation, excluding small businesses, residents also favor property and sales taxes, if the latter excludes food purchases. These represent the top three favorable options for Kuwait's residents.

One of the findings shows that residents who have greater trust in the government and who are more satisfied with parliament are more likely to support most of the government's options. This puts more pressure on the Kuwaiti government to take real action in fighting corruption and to begin implementing Kuwait's vision for 2030, so that more people would trust the government. Residents who believe that low oil prices will have adverse consequences on the Kuwaiti economy are more likely to accept most of the options that the government might consider. This is important because the government might be able to gain more support for any of these options if it can heighten residents' awareness of the severe consequences that the country might face if it simply does nothing at all. Venezuela is a very good example of how an oil-rich country can easily end up with severe adverse economic consequences if the government does not manage the economy and the financial situation wisely by taking real action.

Females in Kuwait seem to disagree with most of the options that would affect their personal income or consumption. This is an indicator that it is difficult for women to sacrifice part of their income in order to improve the financial situation in Kuwait. However, the reasons that females oppose all the options are still unclear. Older residents are more likely to accept most of the options that the country might consider. This could be related to their overall knowledge or maturity, which makes them more willing to help the government than their younger counterparts.

Respondents who reside in Al-Jahra, Al-Ahmadi, or Al-Farwaneyyah show greater opposition to the government, which could result in opposition to any option that the government might consider. It is not 100% clear why living in those three governorates is associated with more opposition to the government. However, it could be related to the fact that these governorates are farther away (mostly Al-Jahra and Al-Ahmadi) than the others from the Kuwaiti capital, and some studies show that living around downtowns and big cities (e.g., the capital city) is associated with more amenities that could improve quality of life and satisfaction rates (Zheng, 2014; Albouy *et al.*, 2013) and services. This could be a good opportunity for future research projects to seek an understanding of the differences among the six Kuwaiti governorates when it comes to believing in and trusting the Kuwaiti government.

At the same time, the study has several limitations that the reader should keep in mind. The sampling strategy is based on an online survey posted on social media. This could have led to a biased sample, given that not all individuals within Kuwait use social media, nor do they read and write Arabic. Thus, the sample of the study is not 100% random, because not all individuals in Kuwait have the same probability to be part of the study. The demographics of the study confirm that there are some biases in the sample, as well. The percentage of Kuwaiti citizens in the sample is dominant (around 97%), which is not representative of the entire population of Kuwait, where non-Kuwaitis represent a large part of Kuwait's population. This means that the findings of the study are mostly based on information received from Kuwaiti citizens, because only a small fraction of the respondents were non-Kuwaitis. Another limitation is the fact that the data is collected after Kuwait has joined the GCC tax treaty, which could have affected the responses of the respondents.

If this paper could have one main message, it would be vital to make sure that the public is on the side of the government and preserve social harmony at this new phase of attempting to diversify the Kuwaiti economy. The results could assist in achieving that because they reflect the perceptions of Kuwait's residents regarding some of the major options that the government might consider. Thus, the government could reduce the opposition that it might face regarding any decision that it is planning to make by examining the correlations that this study has indicated. The findings of the study could also help to initiate a new body of literature on taxation in Kuwait and allow for comparisons with other GCC countries.

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الملخص

توجهات الشعب الكويتي نحو بعض الخيارات المالية وتحديداً إنشاء نظام ضريبي في الكويت أو تقليل الدعومات المالية الحالية

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هدف الدراسة: الانخفاض والتذبذب لأسعار النفط وضعا الكويت بموقف مالي حرج. الضرائب هي أحد أكثر مصادر الدخل المنتشرة بين دول العال+م؛ مما يجعلها خياراً واقعياً لتنويع مصادر الدخل. هذه الدراسة تقيم مدى تقبل سكان الكويت لبعض الضرائب التي من الممكن أن تفرضها الدولة.

تصميم / منهجية / طريقة الدراسة: الدراسة مبنية على استبانة أسهمت في جمع بيانات أولية مكنتنا من إجراء العمليات الإحصائية الاستدلالية. تعكس الدراسة أكثر الخيارات الضريبية تقبلاً بالنسبة لسكان دولة الكويت. وتعكس أيضاً إذا كان سكان دولة الكويت يفضلون خيار إنشاء نظام ضريبي (أكبر من الحالي) للمساهمة في تنويع مصادر الدخل للدولة، أو خيار تقليل الدعومات الحالية للمساهمة في تخفيض مصروفات الدولة وعجز الميزانية العامة.

عينة و بيانات الدراسة: الدراسة مبنية على 3,370 مشاركاً ومشاركة في الاستبانة من سكان الكويت 4,181 شخصاً شارك في الاستبانة، و3,370 شخصاً منهم أنهى الاستبانة (نسبة إنهاء الاستبانة 80.6%).

نتائج الدراسة: أغلبية المشاركين في الدراسة يفضلون تقليل أو إيقاف الدعوم المتوافرة حالياً من الحكومة الكويتية على خيار إنشاء نظام ضريبي أكبر من الحالي. وإذا كانت الحكومة مصرّة على الضرائب، فأكثر ضريبة يفضلها المشاركون هي ضريبة الشركات بشرط إعفاء الشركات الصغيرة. ثاني أفضل خيار هو ضريبة الممتلكات، تليها ضريبة المبيعات بشرط إعفاء الأطعمة.

أصالة الدراسة: الدراسة من الممكن أن تسهم في بداية أدب بحثي جديد مرتبط بالضريبة في دولة الكويت؛ مما قد يسهم أيضاً في المقارنات مع دول الخليج العربية الأخرى، ومن الممكن لنتائج الدراسة أن تكون قيّمة للمساهمة في تقليل الصدام مع الحكومة في المرحلة الإصلاحية الجديدة المقبلة عليها دولة الكويت لتعديل أوضاع الميزانية العامة للدولة وتنويع مصادر الدخل.

حدود و تطبيقات الدراسة: من نقاط ضعف الدراسة أن عينة الدراسة ليست عينة عشوائية 100%، وإحدى السلبيات الأخرى أن الدراسة تمت بعد انضمام الكويت للاتفاقية الضريبية الخليجية؛ مما قد يكون قد أثّر على آراء المشاركين في الدراسة.

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