Assessing the Long-Term Drivers of Tax Revenue in the UAE: Economic Growth, Wages, and Social Spending: An ARDL Analysis

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Abstract

This paper analyzes the long-term determinants of tax revenue in the UAE for the period 2012-2024. Using secondary techniques and advanced econometric modeling based on ARDL approach, with predictive modeling to assess the long run effects of economic growth, compensation of government employees, goods and services procurement, and social benefits on sustainable tax revenue strategies in UAE. Results found and elaborated reveal a highly statistically significant positive relationship between economic growth and tax revenue, therefore, importance in broadening the tax base. High public sector wages are found to impose a negative impact on tax revenue, thus imposing that overcompensation crowds out productive fiscals. Social welfare shows a meaningful and important positive effect, showing targeted welfare programs that enhance consumption and, in turn, enhance tax collection. Procurement spending contributes positively though statistically weak, suggesting the need for more efficient resource allocation. The study provides recommendations for achieving a balanced budget, improving efficiency in public spending, and supporting economic diversification in sectors that are in line with the UAE's vision for future fiscal revenue sustainability.

Keywords

UAE Tax Revenue, Fiscal Policy, ARDL Model, Government Spending, Employee Compensation, Social Benefits, Public Procurement.