

REPUBLIC OF AZERBAIJAN

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ABSTRACT

of the dissertation for the degree of Doctor of Philosophy

DIRECTIONS FOR IMPROVING TAX CONTROL

Speciality: 5301.01 - Internal fiscal policy and public finance

Field of science: 53 – Economic sciences

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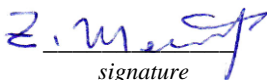


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GENERAL WORK CHARACTERISTICS

The relevance and level of development of the topic: The Republic of Azerbaijan's modern tax system, which was established by national leader Heydar Aliyev, is now one of the primary sources of the country's financial resources. Taxes are a key instrument of state economic policy, as they contribute to the state budget's financial resources, as well as the control and management of the country's economy. The majority of state budget income comes from tax collections, which provide the economic foundation for the state's normal operation. The reliable collection of taxes is one of the most important prerequisites for the stabilization of any state's financial system.

Tax collection, which is the primary source of revenue for the state budget, is heavily reliant on taxpayer discipline and compliance with the law's requirements. It does not appear reasonable that taxpayers will comply with their tax obligations in full and on time if there is no tax control or if it is inefficient. Tax control ensures the timely reception of required revenues in the state budget on the one hand, and controls the discipline of taxpayers on the other.

Tax control is based on existing tax legislation, reflecting the complex and intentional operations of the state's competent agencies, and focuses on the gathering and analysis of data on taxpayers' compliance with their tax duties. The primary goal of this control is to discover and prevent tax law infractions, resulting in an equal and fair tax environment for all business organizations.

Changes in economic situations necessitate tax control that is tailored to the current situation, and it should be continually enhanced. One of the major goals of the Tax Code revisions enacted by Law of the Republic of Azerbaijan "On Amendments to the Tax Code of the Republic of Azerbaijan" dated November 30, 2018 is to eliminate tax evasion and the "shadow economy," as well as to increase tax compliance. One of the main goals in the ongoing additions and adjustments is to move in this direction.

Based on these duties, we may conclude that one of the most important jobs ahead is to strengthen tax control, restructure it to meet

contemporary needs, and raise its efficiency. In light of the foregoing, it is reasonable to conclude that the dissertation is focused on a topic that is current in nature.

The scientific works of Azerbaijani scholars including A. F. Musayev, A.A. Alakbarov, Y.A. Kalbiyev, F.F. Mustafayev, M.M. Sadiqov, R.B. Maharramov, Z.H. Rzayev, T.A. Pasha, M. Kh. Hasanli and others have been dedicated to studying the problems of the establishment of modern tax control systems as well as their practical application.

The works of the western scholars including A. Smith, R.F. Meyer, R.G. Brown and others as well as the works of Russian economic scholars including Viktorova H.Q., Gracheva E.Y., Donich S.R., Ermakova E.A., Porollo E.V., Malis N.I., Knyazeva V.G., Qorskiy I.V. and others have been used for the research.

The scientific approaches of the US and many Western scientists, as well as scientists from Russia, a number of CIS countries, and other neighbouring countries, have been widely employed. The necessity for theoretical and practical research into the solutions to difficulties resulting from the country's tax system reforms is increasing. All of this reflected the importance of the dissertation topic, both scientifically and practically, and made it necessary to research the issue in accordance with the new standards.

Object and subject of the dissertation: The subject is the set of organizational and economic relations between tax authorities and taxpayers in the process of tax control, and the *object* of the research is the system of tax control used in Azerbaijan in the context of economic and organizational-managerial relations between the subjects of the taxation process.

Goals and objectives of the research: The goal of this study is to explore theoretical and methodological elements of improving the effectiveness of the tax control system in modern Azerbaijan, as well as to identify opportunities for improvement.

The following objectives have been identified and implemented in order to achieve this goal:

- Investigate the theoretical foundations of the establishment of a tax control system;

- Define the functional substance of tax control in modern times, as well as its place and role in the economic regulation mechanism of the state;
- Study the role of tax control in the state’s financial system;
- Research the establishment and evolution of Azerbaijan’s legal framework for tax control;
- Study the organizational and legal structures of tax administration in developed foreign countries;
- Analyze the existing condition of tax enforcement in the area of taxpayer registration;
- Determine tax control issues in the context of in-house tax audits;
- Identify current tax control concerns in the areas of operational tax control and mobile tax inspections;
- Find out ways to improve tax control efficiency in terms of state registration of business legal entities and taxpayer registration;
- Search ways to improve the organization’s efficiency and conduct tax audits;
- Investigate potential avenues for increasing tax control.

Research methods: The research is based on theoretical and practical scientific works by national and international scientists devoted to the study of tax control issues, presidential decrees and orders on tax control, legislative acts of the National Assembly, regulations, instructions, and other normative acts of the State Tax Service. During the research process, the author used conceptual talks, reports, and speeches by nationwide leader Heydar Aliyev. Facts, numbers, and materials illustrating the Republic of Azerbaijan’s tax realities have been also widely used.

In the research procedure, observation, economic-statistical, comparative analysis, structural-analysis, and logical generalization methodologies and instruments have been used.

The main provisions submitted for defence

- The role of taxation in the state's financial system
- Formation and evaluation of Azerbaijan’s legal framework for tax control

- Assessment of tax control efficacy on operational tax control, in-house and mobile tax inspections
- Directions for enhancing the organization’s efficiency and the conduct of tax audits
- Improving tax control procedures in corporate organizations’ operations

Scientific novelty of research work:

-Theoretical and methodological foundations for strengthening tax control have been studied from a variety of perspectives, including the state’s financial system, legal regulation, and organizational and legal forms of tax control in other nations;

- Tax control’s substance, location, and role have been explored, taking into account the employment of tax mechanisms in the public administration system;

- A comprehensive examination of the current condition of tax control in Azerbaijan is provided. As a result, the current condition of tax control in the area of taxpayer registration, as well as current issues of in-house, mobile, and operational tax control, have been thoroughly investigated;

- Trends in the employment of tax control instruments have been detected, including their impact on the fulfilment of tax responsibilities;

- The directions for strengthening tax control and increasing its efficiency have been considered on all dimensions;

-The directions for improving tax control efficiency and resolving current issues in the fields of state registration of business legal entities and taxpayer registration are outlined;

- Perspective directions for strengthening tax control in corporate entities have been identified based on an international experience.

Theoretical and practical significance of the dissertation:

The findings of the study can be useful in teaching special courses in economics. At the same time, it provides a foundation for future, more in-depth scientific investigation. It can be utilized by tax officials in the production of teaching aids and instructions in the appropriate teaching process. The results of the dissertation can be used to educate related subjects, research unique themes, and execute tax reforms.

Approbation and application of the findings: The research's findings were presented and approved in scientific conferences and seminars held at numerous universities and research institutes of the republic, including the Azerbaijan State University of Economics.

The work's content has been reflected in theses and articles published in both domestic and international scientific journals.

21 scientific articles and theses on the research topic were published in our country and abroad in the volume of 10.5.

The name of the organization where the dissertation work has been carried out: Azerbaijan State Economic University.

The volume of the dissertation, as well as the volume of the dissertation's structural units separately, denoted by characters: Introduction (8922 characters), three chapters (Chapter I - 86131 characters, Chapter II - 78610 characters, Chapter III - 58751 characters), ten paragraphs, conclusions (18431 characters) and list of 132 references. The dissertation consists of 47 figures and 4 tables and consists of 155 pages (250934 characters).

CONTENT OF THE DISSERTATION WORK

Introduction

Chapter I: Theoretical and methodological foundations of a sound tax control

- 1.1. Theoretical foundations for the establishment of a tax control system
- 1.2. The role of taxation in the state's financial system
- 1.3. Formation and evolution of Azerbaijan's legal framework for tax control
- 1.4. Tax control in developed foreign countries: organizational and legal forms

Chapter II: Analysis and assessment of the current state of tax control in Azerbaijan

- 2.1. The present situation of tax enforcement in the field of taxpayer registration

- 2.2. Tax control in the area of internal tax audits
- 2.3. Evaluation of tax control performance in terms of operational tax control and mobile tax inspections

Chapter III: Directions for enhancing tax control and efficiency

- 3.1. Improving tax control effectiveness in the areas of state registration of commercial legal entities and taxpayer registration
- 3.2. Proposals for improving the structure and performance of tax audits
- 3.3. Improving tax control systems in business entities' operations

The results

List of used literature

MAIN PROVISIONS PROVIDED FOR DEFENSE

1. The role of taxation in the state's financial system

The taxation system is an important aspect of the economy since it represents the state's social, economic, and political objectives. The tax system's conceptual models differ based on the state's economic policies. There was a traditional view of the role of taxes in the economy for a long time. The state defined taxation as the regular deduction of a smaller or bigger portion of the income of independent economic units, and it proposed four taxation principles: Payment regularity (equality), certainty, convenience, and low cost. However, when any of this was in excess, producers in the deficit sectors of the economy were self-regulating. Taxes were exclusively used as a means of funding the state budget. The debate centred on whether taxes should be collected (equally and progressively) or abolished based on the idea of fiscal demand.

The tax system is the foundation of the budget and financial system. It is vital to consider the basic principles of taxation in order to study the essence of tax payments in depth. A. Smith expresses the quality of the tax system in terms of four essential classical concepts from an economic standpoint:

- Citizens are required to contribute to the payment of government expenses. Following or disobeying this guideline results in equal or unequal taxation;

- Each citizen's tax obligation must be clearly established. Both the taxpayer and the individual citizen should be aware of the amount, schedule, and procedure for paying taxes;

- The tax should be levied at a time and in a manner that is convenient for the payer;

- Taxes should be set in such a way that they are deducted from the total revenue of the state treasury.

The concepts proposed by Adam Smith have since been developed to meet the needs of modern times. The following are the details:

- The tax rate should be set in accordance with the taxpayer's capabilities, considering her/his income. This principle is frequently disregarded, and many countries calculate taxes on a pro rata basis;
- It should be made a priority to guarantee that income taxation is a one-time event. Multiple taxes on income and capital should be avoided;
- Taxes are required to be paid. The tax system should be set up so that the taxpayer is confident in his or her obligation to pay it;
- For the tax collection organization, the system and technique for collecting taxes should be straightforward, clear, and convenient;
- The tax system should be adaptable and responsive to changing economic conditions;
- The tax system should ensure that the created GDP is distributed evenly and that it is an effective tool for the government's economic policies.

The intrinsic substance of taxes, as well as their socioeconomic aspect, is represented through their functions. Taxes serve four primary purposes:

- Public expenditure financing (fiscal function);
- Reducing and weakening inequality between different social groups by changing the ratio of incomes to maintain social balance (social function);
- State regulation of the economy (regulatory function).
- Control function.

The experience of Azerbaijan's economic reforms illustrates that

taxes should serve both budgetary and regulatory purposes. As the government's ability to engage directly in the economy declines as a market economy develops, taxes become an increasingly significant instrument for economic management.

These are the characteristics that distinguish modern tax systems:

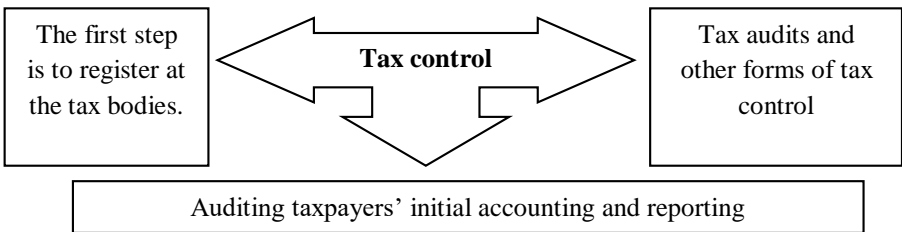
- ◆ The state is looking for measures to generate tax income in order to balance the budget;
- ◆ Taxation is based on the values of fairness, equity, and efficiency.

Tax systems are the most significant aspect of market relations, and their performance determines the success of economic reforms. There are currently three types of taxation in use around the world:

- Progressive (progressive);
- Regressive (non-progressive);
- Proportional (non-progressive); (mixed).

Because tax payments at various levels of the budget system have been and continue to be the main source of revenue for the budget, we consider tax control as a critical link in the mechanism of public financial control. The quality of tax control determines the flexibility of tax policy.

Tax control, it should be emphasized, is a complicated system for determining the parameters of taxpayers' activities (Figure 1).



Picture 1:

Two types of tax audits have been used in the Republic of Azerbaijan: in-house and mobile; their characteristics are listed in Table 1.

Table 1: Comparative characteristics of mobile and in-house tax inspections

	Comparison criteria	Mobile tax inspections	In-house tax inspections
1.	Subject of research	Tax authorities at all levels	Territorial tax authorities
2.	Object of research	Financial-economic activity during the audited period	Financial and economic activities during the reporting period
3.	Subject of research	Taxes and levies audited	Filing a tax return
4.	The basis for conducting	Decision of the head of the tax authority	Tax Code of the Republic of Azerbaijan, job descriptions of tax inspectors
5.	Periodicity	Elective if possible	Regularly, at times specified by tax legislation
6.	Time of performance	Not more than two calendar months	Three months from the date of submission of the tax return
7.	Extension of the inspection period	Normally - up to four months, in special cases - up to six months	Not possible
8.	Place of inspection	In the territory of the taxpayer or at the location of the tax office	Where the tax authority is located
9.	Re-inspection	In exceptional cases	Not carried out
10.	Categories of audited taxpayers	Legal entities and individual entrepreneurs	All taxpayers
11.	Possibility of temporal suspension	Available	Non-available

Source: The table has been developed by the author

2. Formation and evolution of legal regulation of tax control in Azerbaijan

Since the efficient policy has been adopted by the nationwide Heydar Aliyev in this area, the measures required implemented continuously, the country managed to build a modern state tax policy. The Ministry of Taxes (now the State Tax Service) was founded as the central

executive body to ensure the timely collection of taxes and other revenues to the state budget and to offer a state control system in this field, based on his important recommendations. In order to develop a flexible, efficient, and effective structure based on the nationwide leader's recommendations, the world's best practices have been researched, various management models have been studied, and a structure of specialized tax authority processes has been constructed.

One of the key responsibilities of state tax agencies is to detect tax evasion. In this context, the tax authorities are continually devising serious and targeted preventative measures. One of the main issues in the legal regulation of tax control is the establishment of an effective control system. As a result, the formulation and growth of legal regulation of tax control is one of the topics that the State Tax Service pays special attention to.

Control, as it is well known, is a unique method of ensuring the rule of law. Tax control is a centralized system for ensuring the accuracy of accounting for taxable items and taxpayers, as well as legal compliance. The State Tax Service and the State Customs Committee are in charge of tax enforcement in Azerbaijan. The types of tax control are established by the source and duration of the tax control.

The Tax Code lays forth the genesis and evolution of Azerbaijan's legal framework for tax collection. The main document of tax legislation is this code, which contains all aspects and features of tax legislation, is scientifically substantiated, and meets international standards.

The Tax, Administrative Offenses, and Criminal Codes determine the liability of taxpayers, agents, and their representatives, as well as individuals working for the tax authority, for violating the provisions of tax legislation, as stated in the Tax Code.

In order to improve the quality and efficiency of tax inspections and remove unjustified examinations, the "Application of standards for mobile tax inspections" elaborated in 2000 have approved by the degree of the Ministry of Taxes. These rules were updated in 2001 after the Tax Code went into effect, and their requirements were aligned with the Code's provisions.

It should be mentioned that while determining mobile tax inspections in the past, the notion of periodicity was favoured. The implementation of such controls in risky taxpayers with violations of the

law has been created by the law as a result of recent reforms.

The number of mobile tax inspections has been decreased significantly as a result of recent revisions. This is attributable to improvements in the quality and effectiveness of inspections, as well as a drop in the number of cases of tax evasion compared to previous times. For example, taxpayers will be subjected to mobile tax inspections no more than once a year, and they have to be notified by the tax authorities at least 15 days prior to the start of the inspections.

While reviewing the legal regulations, it is important to remember that taxpayers have the right to file complaints about tax authorities and their officials who are acting illegally. The number of taxpayers has increased dramatically over the last 5 years, surpassing one million, with the number of active taxpayers over 500,000. This is due to the creation of a favourable tax environment for taxpayers in the country, as well as actions made to defend their rights.

One of the most essential tasks in the current tax control system is to maintain an ideal balance between taxpayer rights and tax authority powers, which must be kept in mind at all times.

In this regards, the most important necessity of a contemporary tax administration system is to assure the followings in order to meet the difficulties of the day:

- Increase tax and levy collection to completely and on time fund all levels of government be budget expenses;
- Provide taxpayers with the most favourable conditions to carry out their responsibilities linked to the payment of taxes and fees;
- Create a free competitive environment that provides equal circumstances for businesses functioning on equal economic terms and adheres to the principle of justice;
- Reduction of government spending on tax control.

3. Assessment of tax control performance in the areas of operational tax control, in-house and mobile tax inspections

Significant steps have been recently done in Azerbaijan to establish an effective tax system, ensure a sound tax control, strengthen the legal framework, increase the professionalism of tax authorities, and create optimal tax conditions, environment, and culture.

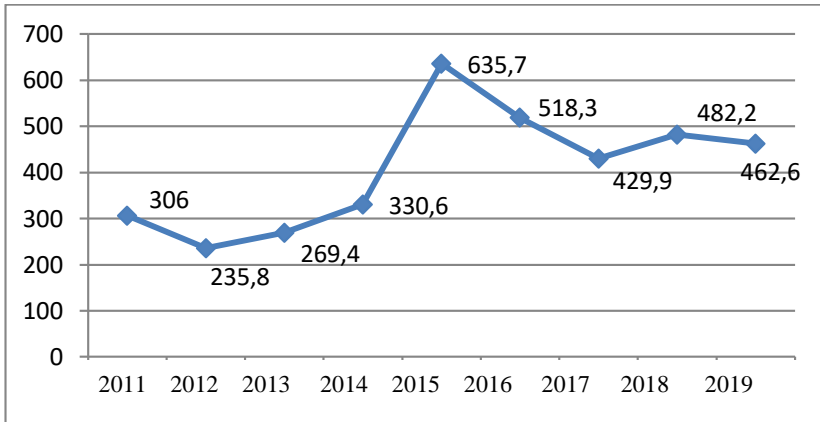
In the first days of the implementation of operational control measures, violations of the law were detected in most of the raided taxable objects, but recently such cases have almost been eliminated. Despite the fact that taxpayer education and awareness-raising initiatives have decreased the number of law infractions in taxable objects to a minimum level, the flaws have not been entirely eliminated due to the low penalty. As a result, work on guaranteeing the effectiveness of operational control measures must continue. Making the necessary revisions and additions to the relevant sections of the Tax Code is the most essential step in this approach. For example, by replacing fines for violations of monetary settlements with financial sanctions, it will be possible to enforce payment of this amount using all available tools in the Tax Code. In other words, failure to pay financial sanctions to the state budget on time may result in the auctioning of the debtor's property and the closure of the bank account based on the taxpayer list.

Without having to visit taxable enterprises, in-house tax inspections are conducted based on tax reports, documents about tax payments and computations, as well as a number of documentation on taxpayers supplied to the tax authority.

Typically, the objectives of in-house tax audits include:

- Ensuring that the taxpayer complies with the tax legislation's requirements;
- Detecting and eliminating illicit tax transactions;
- Obtaining full or partial payment of fines for tax violations;
- Raising the issue of tax and administrative liabilities of those who commit tax violations;
- Compiling data to support the selection of taxpayers for mobile tax inspection.

When we compare the additional tax amounts determined by in-house tax inspections in 2019 to 2015, it can be founded out that there was a drop of 173.1 million manats or 27.23 percent in 2019 (Figure 2).



**Figure 2: Additional tax amounts with in-house tax audits
(In million manats)**

Source: Materials of the State Tax Service: <http://www.taxes.gov.az>

One of the key responsibilities of tax authorities is to foresee and safeguard the rights and legitimate interests of every legal business and individual who pays taxes, as well as to keep correct records of tax payments. The tax authorities must conduct the following actions in order to correctly implement the above:

- The correct calculation of the profit obtained. In this regard, operational tax control, in-house and mobile tax inspections are used to investigate the accuracy of profit from sales (services and works) and the accurate reflection of expenses in compliance with the accepted legislation;

- The amount of taxable profit, as well as the substance of applied privileges and deductions from the net profit is examined;

- The extent of activities of firms (citizens) is investigated on the basis of the registration certificate; simultaneously, illegal (unregistered) activities are probed, and the legality of licences and contracts are determined.

According to a review of State Tax Service report data, the number of mobile tax inspections conducted in 2017 reduced by 3.1 times compared to 2010 and dropped from 18.1 thousand to 5.9 thousand.

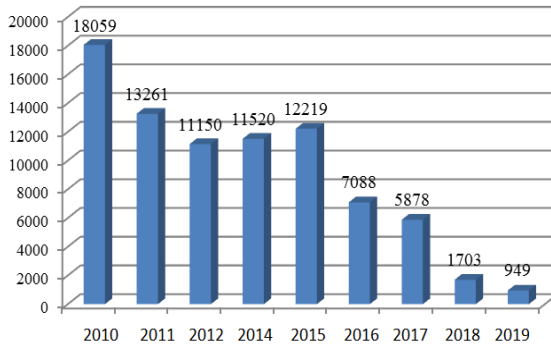


Figure 3. Number of mobile tax inspections conducted by the State Tax Service

Source: Materials of the State Tax Service: <http://www.taxes.gov.az>

Figure 3 shows that the number of mobile tax inspections has decreased dramatically in the last two years when compared to earlier years. As a result, in 2019, they carried out 919 inspections, which is 6.2 times less than in 2017.

4. Proposals for increasing the organization’s efficiency and the conduct of tax audits. The following variables (Figure 4) explain the necessity to maintain reforms in the country’s tax system and strengthen tax audits::

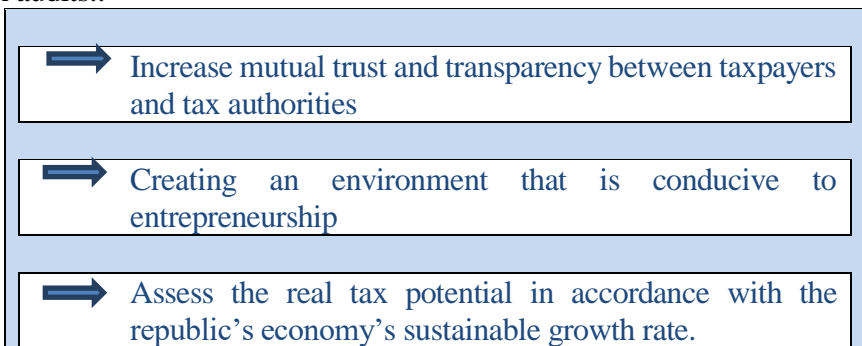


Figure 4: Reasons for pursuing a further reforms and strengthening tax audits

Recent tax reforms have lowered compliance dramatically, and taxpayer-tax official communication has been almost abolished (Table 2).

Table 2: Measures taken to reduce the compliance burden in Azerbaijan

Work done to reduce the burden of compliance in Azerbaijan
Establishment of computerized performance evaluation systems for employees
Establishment of call centers at the national level
Application of online declarations
The number of reporting forms has been reduced from 90 to 15 in recent years to increase efficiency and limit communication between taxpayers and tax inspectors.
Linking the tax database to other authorities such as the Treasury, Customs, commercial banks, and the Ministry of Internal Affairs.

The multilateral integration of the independent Republic of Azerbaijan with the rest of the world, as well as our country's transition to a market economy, have necessitated the use of international norms in economic management. This indicates that one of the most significant jobs ahead is to harmonize accounting with international standards, and therefore, it is now the time to understand the international accounting standards (financial reporting).

Currently, a lot of big projects are being implemented in our country by corporations from all over the world. One of the most important paths to economic development is attracting foreign investment to our country. The financial outcomes of our independence, as well as the harmonization of economic and accounting data with international standards, are critical from this perspective.

As a result, economic data is primarily based on accounting data. It

is critical that this data is presented in a way that overseas investors can understand. Financial results of local businesses should be compiled in a transparent and intelligent way not only for domestic investors, but also for foreign investors. This is attributable only to the accounting harmonization with international standards.

The following should be noted in order to achieve the strategic goal of enhancing tax control based on modern elements of the country's economy:

- Improve the selection mechanisms for tax evasion risk assessment and control;
- Improve internal control, operational tax control, and internal auditing through in-house and mobile tax inspections;
- Assess the tax potential, implement a system of forecasting models, and equip it with the necessary tools;
- Create a legislative document that encourages the expansion of public control over professions that are difficult for tax authorities to regulate (home repair workers, gardeners, nurses, housekeepers, and other similar professions), as well as other sectors to reduce tax evasion.

In order to achieve the strategic goal of coordinating tax control over e-commerce, it is intended to make the following proposals in conjunction with the increase of the use of Internet resources:

- Study foreign experience in the field of e-commerce tax control and implement tax control in this area;
- Evaluate the feasibility of conducting e-commerce tax control and develop control procedures.

5. Improving tax control systems in the operation of business entities

The presence of a favourable, sound and modern tax system in line with modern world standards, as well as the application of a tax control mechanism and fair taxation, is one of the most important aspects in assuring the comprehensive and diverse development of entrepreneurship. One of the key duties of tax control is to ensure the state's economic security.

The Tax Code, which is regularly amended, reflects measures to improve tax control in our country. This component is especially crucial now that the government has just declared that one of the top priorities in

the country's overall economic development is to create all necessary conditions for the long-term development of free enterprise. It also considers the fact that tax revenues make for the majority of the state budget's revenue, which is a source of funding for the implementation of large-scale, high-potential infrastructure projects throughout the economy, particularly in the non-oil sector. The proper and efficient administration of taxation is a critical problem.

As a result of more targeted and carefully planned activities, the proportion of taxpayers covered by inspections in the number of truly operating taxpayers has decreased drastically in the last four years, and the quality of scheduled inspections has significantly improved. It may be possible to attain this aim soon as a result of the long-term viability of complicated reforms enacted in recent years. Despite the fact that the tax authorities have made significant efforts to restructure their work and use approaches that have been proven in world practice to boost tax collection, tax evasion continues to remain as a problem. One of the most important issues from this perspective is the organization of tax control, which encompasses all elements of the taxable entity, as well as various types of taxes, and is capable of properly forming the tax base of economic entities and ensuring the timely transfer of the amount of tax calculated in the manner and amount established by law to the state budget, which can be managed and directed at all levels of the country, both macro and micro, in order to protect the state's fiscal interests.

The degree to which individuals, businesses, and organizations are willing to voluntarily and consciously comply with tax regulations and obligations is determined by how serious, efficient, effective, and influential their tax authorities are seen. The tax authorities must meet the following standards in order to do so:

- Must act in the best interests of society and any of its members, and collaborate with them;
- Ensure equality of all enterprises and citizens before the tax legislation;
- It should give taxpayers with the appropriate information, periodic guidance, and assistance in the implementation of their financial operations and tax planning, in addition to collecting taxes from them.

Within the recent revisions to the Tax Code and related legislation,

we believe it is prudent to provide a list of measures to strengthen tax audits of business organizations in the following areas (Table 3).

Table 3: Ways to improve tax audits of business entities

	Ways to improve tax audits of businesses
	Establish a method for reviewing complaints connected to inspections and, as a result, effectively managing issues.
	Use risk assessment ideas during inspections and give specific attention to enterprises that are projected to profit more as a result.
	Introduce online reporting to reduce communication between tax officials and business
	Simplify the process for complying with tax legislation and the tax system in a way that has been proven internationally.
	Inspection processes should be codified and harmonized, and unwarranted tax officer intrusion into corporate operations should be avoided.
	Introduce simplified accounting for individual entrepreneurs and SMEs
	Simplify and harmonize tax reporting and accounting procedures in accordance with worldwide best practices, and consolidate tax reporting.
	Tax audits should be clearly and comprehensively regulated, with audit scope limited to specific tax issues, tax officers' oversight reinforced, and penalties for breaches increased.

Results and recommendations

The following are the main conclusions of our research: In these areas, there are special issues and defects:

1. Despite the fact that the Republic of Azerbaijan has done a substantial amount of effort to tighten tax control and combat tax evasion, there are still issues in this area that must be addressed.

2. One of the results we reached was that Azerbaijan’s usage of fixed tax rates, fines, and sanctions has negative consequences. We suggest that the lack of tax rate differentiation based on activity type and regional characteristics has a negative impact on economic diversification and regional growth. At the same time, taxing e-

commerce at the same rate as traditional commerce is a significant impediment to the sector's development;

3. Tax evasion and the "shadow economy" are two of the most difficult issues to deal with. As a result of the research, it has been determined that Azerbaijan's "shadow economy" still exists on a wide scale, resulting in negative effects on tax revenues, the expansion of the tax base, fair commercial rivalry, and other similar areas.

4. 4. When the tax authorities categorised income by jobs that are relatively difficult to examine, it became clear that there are various problems in this field and large facts on tax evasion (housekeepers, gardeners, nurses, housekeepers, etc.). Public control measures, according to studies, can be more effective in certain areas than raising legal requirements;

5. One of the most significant outcomes is that ties between Azerbaijan's tax authority and business companies are more vertical than horizontal.

6. One of the most important conclusions we reached was that the legislation governing state-business tax relations is subject to frequent and severe changes. We believe that frequent amendments to the Tax Code undermine confidence in the country's business environment's stability and durability, while also making it harder for businesses to exercise clear and consistent tax control.

The following suggestions, in our opinion, should be considered in order to increase the effectiveness of tax control:

1. Significant work should be done to improve the conduct of mobile tax inspections, one of the most important forms of tax control, including studying foreign experience in this sector and evaluating the feasibility of implementing sophisticated procedures in the Republic of Azerbaijan. First of all, the Rules for Conducting Mobile Tax Inspections should be amended by the Board of the Ministry of Taxes (State Tax Service).

2. A variety of legal issues relating to the situations that lead to disagreements during mobile tax inspections, which in most cases result in litigation, must be clarified. The absence of a provision in the Tax Code addressing whether the additional audit period is included in the audit's duration causes reasonable taxpayer dissatisfaction due to the

audit's length. The Tax Code should be changed to reflect the issues created by these judgements;

3. According to Article 41 of the Tax Code, the inspection must be undertaken with the presence of observers. According to Article 47.2 of the same Code, at least two observers are invited, and according to Article 47.4 of the Code, the same person may not be invited by the tax authorities as an observer more than once during the tax year. These situations make it difficult to ensure that observers are present during mobile tax inspections, which has a negative influence on the inspection process. In this respect, it is proposed that the Tax Code be revised to permit the use of other technologies, such as video recording, in place of observers;

4. In addition to strengthening the accountability of control authorities and improving the many areas of tax control, including a multidisciplinary system, the country should develop a unifying concept of tax control. Most importantly, an ideal legislative framework governing the operations of tax officials must be established. There are numerous examples of this around the globe. For example, Kazakhstan's law on state audit and financial control establishes a system of budgetary control that includes fundamental principles of state audit, applied methodologies, external and internal control mechanisms, and so on. Issues are regulated, and specific regulations relating to the criteria of the control system are reflected;

5. Development and execution of a more comprehensive law governing the regulation of corporate obligations to the government in the form of taxes and other revenues. Along with tax calculation, ensuring the payment of assessed taxes to the state budget remains a major concern today. Adoption of such legislation could also aid in improving the debt-control system;

6. After the taxation of e-commerce in January 2017, there were serious problems in this area. Taxing e-commerce at the same rate as traditional commerce not only stifles growth, but it also encourages income concealment, leading to an increase in tax evasion. We suggest a differential tax rate in this sector to boost e-commerce. In our opinion, the following steps are required:

- Assess the possibility of conducting tax control on e-commerce

and establish control mechanisms;

- Research foreign experience in the field of e-commerce taxation and to apply taxation control in this area;

7. Identification of regional features in the country's socioeconomic development, as well as the implementation of appropriate tax incentives, penalties, and sanctions, as well as a tax system that takes these factors into account. We advocate providing tax incentives, sanctions, and punishments, as well as differential tax rates based on geographical characteristics, to encourage economic development, broaden the tax base, and increase tax revenues.

8. Finally, we believe that strong taxpayer criteria, as well as partner connections with those taxpayers and an environment of mutual trust, should be formed. The media should cover exemplary taxpayers who frequently break tax regulations, culminating in the establishment of a system of public criticism and control.

The following scientific publications have been issued based on the dissertation's primary scientific findings:

1. “Beynəlxalq biznes münasibətlərində vergi məsələləri”. AMEA Fəlsəfə Sosiologiya və Hüquq İnstitutu Sosial-siyasi problemlər Elmi-nəzəri jurnal №1 (21) Bakı 2009, “ADPU nəşriyyatı”, s. 285-294
2. “Azərbaycanda vergi yoxlamalarının təşkili məsələləri” // Azərbaycan Universitetinin İpək yolu jurnalı. Bakı: “Azərbaycan Universiteti” nəşriyyatı, 2013, №3.s.13-21.
3. “Operativ vergi nəzarəti və səyyar vergi yoxlamaları sahəsində mövcud vəziyyətin qiymətləndirilməsi”. AMEA İqtisadiyyat İnstitutu Elmi əsərlər №1, Bakı 2014, s. 258-262.
4. “Azərbaycanda vergi nəzarəti və mövcud problemlərin həlli aspektləri”. Azərbaycanın Vergi jurnalı №2 Bakı 2014, “BESTPACK” nəşriyyatı, s. 171-187
5. “Основные направления совершенствования налоговой системы в Азербайджанской Республике”. Инвестиции: практика та досвид” науково-практический журнал №10 Киев 2014, стр. 83-86
6. “Azərbaycanda vergi nəzarəti”. Geostrategiya jurnalı №4 (28) Bakı 2015, “Azərbaycan nəşriyyatı”, s. 68-75
7. “Vergi nəzarətinin təkmilləşdirilməsinin perspektiv istiqamətləri”. Azərbaycan Respublikası Kənd Təsərrüfatı Nazirliyi Aqrar Elm Mərkəzi Azərbaycan Elmi-Tədqiqat Kənd Təsərrüfatının İqtisadiyyatı və Təşkili İnstitutunun Elmi Əsərləri №2 Bakı 2015, “Şərq-Qərb nəşriyyatı”, s. 63-69
8. “Оценка эффективности деятельности налоговых органов в Азербайджанской Республике”. Журнал Вектор науки №2 (21) Тольятинского Государственного Университета Тольятти 2015, стр. 7-9
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10. “Kredit təşkilatlarında vergi menecmentinin effektivliyinin yüksəldilməsi məsələləri”. Azərbaycan Respublikası Təhsil Nazirliyi , Azərbaycan Texnologiya Universiteti “Urbanizasiyalı sənayeləşmə şəraitində mədəni irsin və biomüxtəlifliyin qorunması” (Beynəlxalq elmi-praktiki konfrans) II hissə. Gəncə 2017, s.114-115
11. “Maliyyə siyasətinin prioritet istiqamətləri” Ümümmilli lider Heydər Əliyevin anadan olmasının 94-cü il dönümünə həsr olunmuş “Təbiət və humanitar elm sahələrinin inkişafı problemləri” mövzusunda Respublika Elmi Konfransının Materialları 5-6 may 2017, Lənkəran 2017, s. 63-64
12. “Налоговая реформа как основа системной модернизации экономики Азербайджана”. Санкт-Петербургский Институт Экономики и Управления, «Современный менеджмент и экономика: проблемы и перспективы развития», 25-26 мая 2017 года Санкт-Петербург стр.19-22
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