

**THE MINISTRY OF EDUCATION OF THE REPUBLIC OF
AZERBAIJAN**

AZERBAIJAN STATE UNIVERSITY of ECONOMICS

INTERNATIONAL GRADUATE AND DOCTORATE CENTER

MASTER DISSERTATION

ON THE TOPIC

“The main direction of development of the audit system in Azerbaijan”

Mahmudov Kamal Mustafa

BAKU – 2019

AZERBAIJAN STATE UNIVERCITY of ECONOMICS
INTERNATIONAL GRADUATE AND DOCTORATE CENTER

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“The main direction of development of the audit system in Azerbaijan”

Code and name of Programme: : 060403 – “Finance”

Specialisation: “Financial Management”

Group: 650

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BAKU – 2019

Azərbaycanda audit sisteminin inkişafının əsas istiqamətləri

Xülasə

Mövzunun aktuallığı. Müasir dövrümüzdə maliyyə institutları və digər şirkətlərin maliyyə hesabatlarının düzgünlüyünü və onların apardıqları maliyyə və təsərrüfat əməliyyatlarının normativ aktlara uyğunluğunu yoxlamaq eyni zamanda maliyyə hesabatlarının üçüncü və bitərəf iştirakçı kimi təstiqləmək üçün audit xidmətlərindən istifadə olunur. Hər hansı audit rəyi olmadan elan edilən hər hansı maliyyə hesabatlarının müasir bazarda heç bir mahiyyət və etibarlılığı yoxdur. Eyni zamanda müasir audit proseslərinin inkişafı-İT audit və s daha da genişləndirilmiş və audit nəticələrinin keyfiyyətini artırmışdır. Lakin İT audit və s digər yeni proseslərin geniş yayılmasında bir sıra çatışmazlıqlar var. Bu çatışmazlıqları aradan qaldırmaq üçün əsas audit şirkətləri və dövlət strukturları bir sıra tədbirlər görürlər.

Tədqiqatın məqsəd və vəzifələri. Ölkəmizdə əsasən vergi auditində tətbiq edilən bilmiş audit prosedurlarının təşkili və o problemlərin aradan qaldırılması üçün təkliflərin verilməsi

İstifadə olunmuş tədqiqat metodları. Tədqiqatın aparılmasında ən əsas statistik metodologiyalardan və məşhur audit şirkətlərinin dərc etdiyi məqalələr və intervilardan istifadə edilmişdir.

Tədqiqatın informasiya bazası. Tədqiqat işində Azərbaycan Respublikası Statistika Komitəsinin, Azərbaycan Respublikası Mərkəzi Bankının, Maliyyə Nazirliyinin və digər rəsmi məlumatlarda qeyd olunan göstəricilər və yeniliklərlə bağlı xəbərlərdən, əlavə olaraq mövzudan bəhs edən yerli və xarici ədəbiyyatlardan, internet resurslarında daha əvvəl araşdırılmış məqalələrdən istifadə olunmuşdur.

Tədqiqatın məhdudiyyətləri. Dövlət strukturlarının audit nəticələrinin az-az ictimai şəkildə göstərilməsi, eyni zamanda yeni audit prosedurlarının milli standartlara uyğunlaşdırılmasında məlumatlı olan şəxslərin azlığı.

Tədqiqatın elmi-praktiki əhəmiyyəti. Ölkəmizdə yeni audit prosedurlarının çox az təşkil edilməsini nəzərə alsaq bu proseslər haqda məlumat almaq istəyən şəxslər üçün əhəmiyyətli mənbə rolu oynaya bilər.

Dissertasiya işinin strukturu və həcmi. Dissertasiya işi 4 hissədən ,xülasə,mənbə,giriş cədvəl və qrafiklərdən ibarətdir.

Açar sözlər: Audit, İT audit, vergi audit, gəlir

LIST OF ACRONYMS

AZPROMO	Azerbaijan export and investment promotion foundation
EU	European Union
GDP	Gross Domestic Product
NFES	National Fund for Entrepreneurship Support
OECD	The Organization for Economic Cooperation and Development
SME	Small and medium enterprises
UK	United Kingdom
USA	United States of America
VAT	Value add tax
SOFAZ	State oil fund of Azerbaijan
IRS	Internal Revenue Service

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INTRODUCTION

The actuality of the subject – In modern times, audit services are used to verify the accuracy of financial statements and financial statements of other entities and financial and economic transactions they conduct, as well as audit services to approve their financial statements as third and nonparticipating participants. Any of the financial statements published without any audit opinion there is no substance and awareness. At the same time, the development of modern auditing processes - IT audit has been further enhanced and improved the quality of audit findings. However, there are a number of shortcomings in widespread auditing and other new processes. To eliminate these shortcomings, key audit companies and government agencies take a number of measures.

Dissertation goals and objectives. -The aim of the text is to develop the theoretical and methodological framework for the implementation of tax policy based on different tax types at the present stage in Azerbaijan. To catch this aim, the belowing tasks were formulated: - theoretical interpretation of the content and tools of tax policy at the present stage of the economy's improvement of our national government; - effectiveness's assessment of the application of tax policy in Azerbaijan, Germany and the USA; - identification of directions and instruments for implementing tax policies that promote economic growth and entrepreneurial activity within three countries; - development of the concept of tax planning as an element of conjugation of macroeconomic tax regulation and tax rationalization at the micro level; - analyze tax regulation in Azerbaijan and the other two countries and study the current compared state of the tax system in the countries; - study the directions of improving tax regulation in Azerbaijan and analyze the impact of taxation on various sectors of the economy. In accordance with the tasks defined above, this study's theme is a set of theoretical, methodological and practical issues of tax policy. The object of research is the tools and mechanisms for improving

taxation in a modern economy. The theoretical bases of the are the scientific works of the classics of economic science, the scientific works of Azerbaijani and foreign economists tax system's government order, the government's rules and standards, Azerbaijan's presidential decrees and resolutions on the formation and state regulation of the tax system.

Methods of thesis-Theme's basis was the logical discussion of ideas and opinion method of cognition; systems approach; principles of formal logic; methods of economic analysis and synthesis. When writing a paper, general and special methods of scientific knowledge were applied.

Research information base- In this thesis I used different literature –local and foreign data bases so we use different statistical and theoretical information from different book and online sites.

Research Restrictions- Minority of public bodies to provide audited conclusions to less public, as well as to be aware of new auditing procedures in line with national standards.

The results of the research- Amid the essential scientific outcome that identify dissertation research's novelty are the these: - the tax system is explored as a holistic entity; - the approaches to the valuation of the impressiveness of the implementation of the tax policy at various levels are grounded; - it is shown that a decrease in the capacity of regions to conduct an independent tax policy does not contribute to the growth of their tax potential; - peculiarities of state regulation of tax policy are revealed sources of the tax as an object of regulation; - the mechanism of effective taxation in the economy of Azerbaijan was proposed; - a system of indicators was proposed to assess the effectiveness of the tax system's commitioning of Azerbaijan. Study's constructive urgency is that it contributes to the problem's study of implementing the state tax policy in relation to various socio-economic conditions of society. Study's constructive urgency is this the proposed

recommendations and proposals open up new opportunities for increasing the effectiveness of tax policy.

Practical importance of the conclusion- The materials of the work can be used for educational purposes, as well as for further research.

Structure and volume of dissertation work- The thesis include an introduction, three chapters, conclusions and a list of used literature.

Key words: Tax, taxation, audit, legislation, policy of the Azerbaijan

Chapter 1. THEORETICAL BASE OF THE TAX AUDIT SYSTEM OF AZERBAIJAN REPUBLIC

1.1 History of taxation system in Azerbaijan

The process of state regulation of the tax system of Azerbaijan should be closely related to the economic situation of enterprises that are in the real sector of the economy. The whole point is that the process of increasing the number of enterprises in the field of industry where the level of profitability is decreasing is accelerating to a certain extent, and the process of bankruptcy is accelerating, openly or secretly. In this process and situation, it is essential and necessary, main for businessmen and business people to create tax conditions that will not allow their capital to move into the shadow economy, since the process of legalizing such capital is extremely complicated. In spite of the indicator that in last years, the tax authorities have taken some tough measures, but they have not been able to solve all the problems of tax collection. Current days, our government needs much more simple to control, cheaper to use, contributing to growing more revenues for the local construction of businesses and businesses - the tax composition. I also wanted to emphasize that it would be very urgent to take into account some tax composition that generate situation for the growth or regeneration of some industries.

At present, the development of the regions of Azerbaijan causes some concern. Most of the republic's economic potential is concentrated in Baku and partly in its environs. From the point of view of the revival of the economy of regions and attraction of external investors, the tax composition is much more tactful. Since external investors, bussines persons invest in those place those are the most , lucrative, they need to generate such atmosphere that they invest his/her capital in the most remote, backward regions, particularly in the frontier regions, ensuring the their deposit's essential security. In my opinion, in order to shove foreign firms and enterprise's activity in the places, surrounding business people from our goverment, it is essential to generate enough,

favorable tax conditions (up to exemption from taxes), and at the same time to generate an atmosphere for the part taxes held in those areas, went to local budgets.³ The use of the tax system as a factor of Azerbaijan's economic development requires studying foreign experience. In this occasion, it should be stressed that, in general, in the second half of the twentieth century, researchers have identified two main stages of stimulating investment activity through the regulation of the tax system - these are the periods of the 50-70's and 80-90's. It was in the 1950s that leading countries began to shift from budgetary financing and subsidizing the processes of technical equipment of industries and individual enterprises to tax and credit methods that encourage private firms and corporations to independently implement these costs. The period of the 50s and 70s became a time of active use and increase of the volume of tax benefits and privileges. At the beginning of the 1980s, it became obvious that much more reasons this practice of taxation is no longer can be play the role of an effective regulator of investment policy. Implementation of their investment projects companies often began to connect not with the strategic tasks of expansion and modernization of production, but with the possibility of obtaining additional tax benefits. The taxation of companies stimulated their investments and the restructuring of the balance sheet not for economic but for tax reasons. All this had a negative impact on the quality of investment and the allocation of resources. For the reforms of the tax system in the 1980s, a whole series of privileges for industrial investment have been abolished. The investment tax credit was reduced and then canceled, tax discounts reduced and conditions allowing artificially inflating the amount of depreciation write-downs were limited. At the same time, Western economists paid considerable attention to the problem of tax incentives for companies' research activities, which affected not only the financial provision of R & D, but also the extreme points of the innovation process, fundamental research, and the direct introduction of innovations into production and distribution. Industrially developed countries began to use tax incentives to strengthen cooperation between companies and

universities. Significant impact on the mass appearance of small innovative companies has had a lower level of their income taxation. There was a whole system of benefits for taxing new specific areas of scientific and technical activities of corporations.⁴ It should be emphasized that when developing a policy on foreign investment, countries with economies in transition should also consider problems of tax jurisdiction and tax benefits. If a corporation makes investments abroad by creating or expanding a foreign subsidiary, there is a possibility of imposing tax jurisdictions of different countries. Therefore, Azerbaijan's agreements on avoidance of double taxation with 33 countries are important and agreements are being prepared with other countries. These agreements are of a combined nature - a resident source. Stimulation of investment activity by lowering tax rates is mostly of the form of a "tax holiday", meaning the release of capital investment from tax in the initial period. The tax base is calculated using the provisions on depreciation methods, provisions for transferring losses to other periods, handling capital gains, tax credits, methods for estimating inventories and incomes, as well as losses from changes in exchange rates. Many industrialized countries and many developing countries have used such measures as accelerated depreciation, full or partial exemption of capital gains and investment tax credits over the past twenty years, which makes one think about the neutrality of the tax system. Although some of these incentives are aimed at increasing investment, more often such investments do not lead to the desired economic growth. The principle for this is clear, has become the subject of close scrutiny in recent years: such incentives create differentiation in taxation, which leads to inefficient distribution of capital between different industries, assets, financing methods and forms of ownership.

A country that accepts foreign investment must determine which activities are subject to taxation (in other words, what should be the minimum amount of activity for an enterprise to become taxable, and it could be required

to pay taxes). Usually in such cases the criterion of "permanent establishment" is applied, but its definitions may vary. In terms of budget revenues, capital importing countries have a clear incentive to maximize taxation coverage of foreign investors. Here, however, the costs of valuing and collecting taxes from "smaller" activities that can be very significant are not taken into account. However, included the Azerbaijani economy's account the features, it is advisable to apply tax benefits, as well as preferential taxation of foreign investments for the near future. To achieve one of the main goals of the tax system of the transition period, that is, to stimulate national production, it should contribute to the formation of full-fledged market players, thereby creating a competitive environment, which to a large extent can ensure the participation of foreign investors in the national economy. According to foreign experience, one of the most important factors for attracting foreign capital is the existence of a favorable legal environment, a stable legislative framework that ensures the conditions for the most effective protection of the interests of investors. A very important component of the investment climate is the tax regime. To attract foreign investment, it is necessary to use various tax incentives. Types of tax incentives introduced by the countries - importers of capital can be divided into two principles. The first is incentives in the form of lowering tax rates or tax exemptions, or allowing deductions from the tax base. Secondly, the incentives for investing in the tax system can be general and apply to local and foreign investors, or be directed only at foreign investors. In general, to attract foreign investment in Azerbaijan, it is necessary to focus on two elements: simplicity of the tax system with minimal tax incentives for foreign investors and coordination of tax policy with other countries - importers of capital and countries - exporters of capital. The reasons for this orientation are as follows. First, a foreign investor is likely to be attracted by a stable macroeconomic situation, a transparent regulatory system and no restrictions on the repatriation of profits, rather than specific tax incentives. Secondly, the problems connected with the taxation of import-export of profits are rather

complicated. Thirdly, the total tax burden (as we know, economic growth is in inverse proportion to the tax burden) that lies with enterprises depends on the tax legislation of not only the host country, but also the country in which the head office of the firm is located. It is likely that without proper coordination of the tax policy, tax incentives will either lose their significance or the tax base in the country - importer of capital will decrease, or both will occur simultaneously. Solving the problem of taxation of the oil sector is also one of the most important tasks in the republic today. Despite the high tax burden of the oil sector, this industry is developing confidently, but, however, it caused an increase in the market price of petroleum products and has a decisive impact preventing the revival of not only retail sectors of the economy, the economy as a whole too. Therefore, given these arguments, it is necessary cut down the tax burden on the oil area. First of all, in this sector it is necessary to adjust excise taxes. Determining the level of the tax rate, you need to take the long-term average price for oil, taking into account the situation in the oil market, and limit the difference with the help of tax deferrals. If this is not done in time, there will be a problem of ensuring the development of such industries as machine-building, light, food and other spheres that use products of the fuel and energy sector and automatically transfer the tax burden to their products.⁶ An equally important problem is the problem of legalization of the shadow economy. Azerbaijan's gaining independence, its transition to a market economy, all this did not lead to the eradication of the shadow economy. It is necessary to give more serious attention to the legalization of the shadow economy. Here, first of all, you need to think over the legal mechanisms and procedures for paying taxes by the "business community" of the shadow economy. In any case, the "shadow investments" invested by our compatriots will be more profitable for the republic than the investments made by foreign countries under more stringent conditions. At the moment, the most acute problem in regulating the tax system is collecting taxes and hiding from paying taxes. Many specialists, scientists and even high-ranking officials are called the

main reason for this high level of tax rates. Of course, one can not deny the direct relationship between tax evasion and high tax rates.

However, it is also true that if there is a possibility of tax evasion, regardless of whether the tax burden is "heavy or easy", the taxpayer will take advantage of this opportunity. So as long as there are contradictions, ambiguities in the tax legislation, as well as mistakes in the organization of the work of tax authorities, an increase or decrease in the tax burden will not have serious significance for this issue. At the moment, Azerbaijan has adopted the tax practice of stimulating business activity, mainly from countries that mainly focus on imports. However, all the tax privileges envisaged for innovation are of an episodic nature, since they do not cover the entire cycle of the innovation process, and enterprises are, in principle, neutral to innovative behavior. It is necessary to revise the practice of taxation on investment because structural changes are happen in the economy . First of all, structural reorganization requires, in terms of view of the interests of the local economy, a closure of a number of unprofitable industries and the direct provision of equal benefits to them, along with all other enterprises, and this can further increase disproportions and deformations in the economy. Second, that is main to include account the real investment opportunities both from the budget and from the company's own resources. Since our economy has taken the path of a market economy, the decisive factor in regulating the tax system is the approach aimed at attracting foreign investment for the revival of the country's economy. During the period 2006-2014, 104.9 billion dollars was invested in the economy of Azerbaijan, taking into account all financial sources of which: 29.9 billion dollars. (28.5%) - foreign investments. In this period, about 1,174 enterprises with foreign investments operate in Azerbaijan and account for about 20% of all taxes. ⁷ Also, the experience of the countries with a transitional economy has shown that to stimulate the transitional economy of Azerbaijan, it is not enough to be content with certain moments that are taken by countries with developed

market economies in the field adjusting of and forming the tax regulations. Most important key elements of the mechanism for supporting and developing little and normal businesses is, as mentioned above, the tax system. The experience of governments with improved market economies testifies that a purposeful program of reforming the tax system is aimed at strengthening and supporting small and medium-sized enterprises. Taxes can be an element of the mechanism regulating demographic processes, youth policy, other social phenomena. With the help of taxes, it is also possible to regulate consumption. For example, such a tax as excise, along with securing the revenue side of the budget, and especially its high proportions, affects the demand and purchasing power of the population. Also, the experience of the countries with a transitional economy has shown that to stimulate the transitional economy of Azerbaijan, it is not enough to be content with certain moments that are taken by countries with developed market economies in the field of forming and regulating the tax system. One of the key elements of the mechanism for supporting and developing small and medium-sized businesses is, as mentioned above, the tax system. The experience of governments with developed market economies testifies that a purposeful program of reforming the tax system is aimed at strengthening and supporting small and medium-sized enterprises. Taxes can be an element of the mechanism regulating demographic processes, youth policy, other social phenomena. With the help of taxes, it is also possible to regulate consumption. For example, such a tax as excise, along with securing the revenue side of the budget, and especially its high proportions, affects the demand and purchasing power of the population. Without a doubt, the Tax Code is more connected with the budget process than with the overall economic growth of the country. Therefore, we need to seriously approach the problem of granting tax benefits to taxpayers, along with this - to the problem of forming the republic's budget.

1.2. The concept, principles of construction and the main functions of the tax audit system of Azerbaijan

The main tax rules and regulations, realized current days by nearly each and whole government universal, were generated back in 1776 by Adam Smith. And within this duration, there had been conversations as to either taxations are essential or not, how main these are and either it is worth paying them.

The history's improvement do this distinct that not whole peoples can safe their own security, makpayment for education and knowladge and medical issues, but the our countrie's terms extentaly belongs on all of its citizen's health, safety, further than on privare characters. Coarsely talking, taxation is what we pay to the goverment for protection of our contrary external enemies and terrosim, for contingent of access to healthcare, knowladge and education.

In spite, in a theory of classical market, the government could not intrude in the area where the marker occur, but after a type of 'law of the jungle' would have been in influence in the those and community, can not to earn and save enough salary, payment, money, would have coarsely died and suffer from diseases, hunger.

Tax national rules, terms, conditions and procedure and identify by the Tax Code. The steps and procedures are belong on define principles, reasons make terms, precisely in the Tax Code. In some books and thesis, Adam Smith talk about the the following four basic and main principles of taxation:

- Principle of capital and equality, which infer general impose and balanced, dispensation of tax between the peoples in proportion to their revenues;
- Principle of certainty infer that a person who is taxpayer should be sure of and know the amount of tax in advance and its time of payment;

- Principle of comfortableness included- that tax process must be levied at a time and in a order which is much more convenient for the worker to pay it;
- Principle of economy- that ensures for decrement of tax collection expenditures. And also it means that, expenditures for gathering of tax should not exceed certain, fixed rate of the revenue therefrom. According to some studies, some thesis 7 percentage rate is regarded or called as normal.

Taxation must include **five main functions of taxation**: regulating fiscal, controlling, and promoting, redistributory

Fiscal is the one of the main function of taxations. This is within fiscality, taxes perform, their part in the shaping of the government budget necessary for the implement of national holistic and national government programmes. Function of fiscal ensure for the achievement of taxation's main social goals — the formation of the government's financial resources essential for executing the part of the defense, environment security and social and s.

The **allocation** of taxation's function announce their gist as a particular concentrate instrument of distribution link and consists of the social revenue distribution between different people's groups: from rich to poor ones, that provides for the social stability's security of the population.

The taxation's regulatory function was started as soon as the government initiated to perform active share in the society's economic set-up. That function is goaled at achieving particular aim of the taxation's policy within the taxation's mechanism. These three sub-functions consider in taxation regulation:

- Sub-function- The stimulating- is take aimed at the improvement of particular social-economic processes, and is realized within a allowance's system, exemptions and preference order. The rules and standards in

strength make term the encouragement of the number of taxpayer ,participants categories and types like as the owners of capital and equity investors, small companies, enterprises, entites, the agricultural producers, manufactures, or charities

- Sub-function- the **destimulating** - prevent any social-economic processedures within the wise overstatement of the taxation burden's wise overstatement. As a standard, the influence of that sub-function is linked to the tax rate's introduction excessive. These are, for example, the protectionist values of the government, goaled at bearing national process within restricting import custom duties. That is necessary to save in mind, but, this tax links, as some other links, should regeneration uninterruptedly. Taxes must be gathered every time-today, tomorrow and always. That is why the used of the destimulating sub-function can not cause to the impairing of the taxation foundation, to pressing, or liquidation of the taxation resource. Like this overstatement can be result in a case place where there will be no revenue or processes to be taxed
- The regeneration- sub-function is expressed such as follows: by taxing the natural resources's regeneration, ways, mineral and primary resources, roads, the government utilizations these proceeds in order to replicate the operated sources.

4) The taxation's **controlling** function — within the taxation, the governments controls and leads the juridical and natural persons' financial-economic activity. That help to leading and controlling the resources of revenue, the directions of expenses too.

5) The taxation's **incentive** function- make terms especial taxation orders for a identified team of people, who are social achievers or participants in wars. Taxation's this function has a social facet.

Legal regulation of the tax system of Azerbaijan

The Constitution of Azerbaijan Republic, this Code, and those legal rules accepted in accordance there with, will get in the Azerbaijan's tax rules and legislation .

A lot of paper of law and rules accepted on the foundation of this Code whether for the aim of this fulfillment will not contrast by the this Code's provisions.

Can tax rules and legislation contrasts any rules or legislation in various areas, by the provision's exception make terms by of this Code's paper or thesis 2.7. the tax's provisions rules and legislation will apply.

Taxation and tax control outputs can not be get into the juridical movies, than tax rules and legislation, by the next exceptions:

- provisions about official crimes in link to tax output, make terms with the Azerbaijan's code for official crimes;
- provisions about tax offences get in the Azerbaijan's Offences Code;
- provisions about the tax obligation's priority get in the rules and legislation on insolvency and break-up;
- provisions on taxation included in budget rules and legislation;
- provisions manage government maintenance is distributing and warranty on taxes
 - provisions make terms by lows or agreements on production distribution, essential pipeline and other same agreements and rules;
- provisions make terms by the rules, standards, legislation on oil and gas operations of export track and especial economic field.

Could some international agreement to that the Republic of Azerbaijan is a side ensure for rules which vary from these included in this rule and legislative

movements created on taxes, the provisions of the international agreement will manage.

If an international agreement by the impulse of escape from double taxation to that Azerbaijan Republic is the side applied by all persons, who are not the residents of the state that entered into such an agreement for the aim of tax concessions, provisions of article 2.5. of this Code will not be applied for the aim of tax concessions to the resident of the government which is the side to such an agreement.

If a manufacturing or essential pipeline treaty confirmed by the rule and legislation previous to this Code is entered in force or after its enforcement, as well as other rules, laws and agreements of a similar nature, including the rule and legislation on gas and oil, include provisions that vary from those made by this Code and other standard legislative acts on taxes after provisions of similar covenants and agreements and rules will be applied.

In the event of demanded changes to Azerbaijan's tax Code in relationship with determination of tax legislation, policy, tax management and tax percentages within the next year government budget model, the models of these rules and laws to the appropriate power of executive power previous to May 1, and from the party of the appropriate power of executive power will be made to obey to the Milli Mejlis of the Azerbaijan Republic no longer than by May 15 of the recent year.

1.3. Legal regulation of the tax audit system of Azerbaijan

Tax audit is the particular and different direction in the audit system. “Tax audit” had been created freshly and this termin caused different discussion. Organize good and effective tax audit is important the modern era. Because now days tax of the west countries and development countries is changed and became so complex. This tendency belongs to all kind of the economy and specially big industry companies. This tendency and features of the economy demand, require the inspection of the accounting system and tax system it the companies. So tax audit is important for companies and keep its actuality now days.

After the opening of tax season only few weeks away, a lot of businessmen and business women will soon be focusing to his or her returns of tax. Once consider that inevitably creeps into a lot of taxpayer’s minds is the probability of being audited by the Internal revenue standart.

A tax audit is a legal or person’s tax return’s examination to check that financial dates and information are being reported, wrote correctly. While the opportunities of being singed out for closer secrutiny are statistically low, there is indicator that could rose your preference of receiving an audit warning . Luckily, there are indicators you can consider now to reduce future problems and challenges.

Object of the tax audit is accounting and tax report of the economic subject .So its main and necessary documentation is tax opinions,agreements,and other documents.

Thera are 3 main goal, aim of the tax audit:

- 1) To identify the accuracy of the calculation of the amount to be paid
- 2) To warn tax payers –legal and individuals about claim of the infraction of the tax and tax payments

3) Give good and essential information to the guides of the company about optimization and compliance of the tax system

Some main issues are solved when tax audit had realised .For example:

1) Audit of the tax liability which belongs to the legislation standards compliance of the calculated and payed tax .

2) Optimization of and planing of the taxation

3) Diagnosis of the taxation problems in the implementation of the financial and economic actions

4) Analysis of the use of the tax discount .In this analysis goverment must considers calculation of the tax payments and legal relation with mutual partner

5) To check the preperation of the decleare and verify the all all kinds of report of the client.

As you know result of the audit procedures is assuarance .And we can not proof objectivity of the audit without any documentation or signed papers. Thats why we need some evidence. But when we select or gathered evidence we can not choose any of document. So document must be reliable and must link the resoure of the this document. Other wise your evidence count useless for audit procedures.

So audit must get some evidence for issues which we discussed above. These evidences are:

1) Accuracy of the tax base, and also for abcence of the illegal exception.

2) Reflection of the current tax libabiliti's accounts and reports in front of the budget.

3) Reflection the accrued tax liabilities compliance to the current accounting principles.

4) Evaluate and classificate information in the financial reports.

5) Tax and other payments had been realized timely and fully by subject.

Using of the approved audit procedures and methods in the different areas support objectivity, accuracy of the tax audit .

During tax audit these items must evaluate:

- 1) Evaluate compliance of the documents which is used in preparation of the tax reports with the demands and required documents.
- 2) Evaluate compliance of the subject's tax accounting informations with the companies informations which is got by tax auditor.
- 3) The way of the solve problems which they are founded by tax auditors.

Complex tax audit is verifies accuracy, completeness, occurrence of all the tax declarations during the year years.

Thematic tax audit differ from complex tax audit. So thematic tax is- To check and verify the preparation of the tax declarations and the accuracy of the settlement for definite period.

Accuracy-Auditors must devise check to sure that all of the actions that realized during one year duration had been recorded at the correct amounts .

Completeness-The tax auditor must check to sure that all of the actions realized during duration of the one year had actually been minuted in the P/l or balance sheet.

Occurrence-Tax auditor must check to sure that the actions in the Profit and loss or balance sheet actually realized.

There is one other type of the tax audit in the practice. And this type called as a structure tax audit. And check the accuracy of the preparations of the tax declarations. And consider calculation of the individual tax of legal persons. And this type of the audit actually need for big companies in practices.

If we based on some kind of author and above tax we can say that we can take place tax verify during audit procedures. Despite this there some difference

between tax verifying and audit. One of the main difference between this – During audit procedures auditor make audit base of sampling method. But this method do not complicate with tax purposes. If we take place tax verify base of this principle we could not give reasonable opinion for tax purposes.

Rule of the mobile tax inspection.

Rule of the enforce mobile tax inspection had been prepared in 2016. And these rules based on order of the president on 4 august 2016.

Aim of the these rules is to achieve to the implementation of the strategy goals of the Tax system ,imporve tax administration and also developpe effiencie of the mobilə tax inspection by the use of the modern technology

The concepts which had been used in these rules are utilise the borders of the regards which regulated by the tax code, and other codes which is prepared based on tax code of the Azerbaijan Republic.

Decisions which accepted based on the Tax code must consist with the rule of the other normative codes. And do not make any dissociation.

And also new branch of the audit- IT audit appropriate, corresponding to the standart, rule of the “Implementation, realization of the IT audit “which approved by judgement of the Ministry of the Taxes .

If inspections are not registered in valid information register these inspections results consider as an illegal and they do not carry any meaning. So in these cases even if you determine some infraction during illegal inspection the evidence and infraction do not carry any meaning for government.

Common requirement during mobile tax inspection.

We must determine compliance method, formulate volume of the work, and use time duration efficiently, effectively for effectively mobile tax inspection.

Tax audit must learn business activity properly and analyse client work environment.

Current information about tax payer must be collected by tax auditor and planned task must be discussed with guide of the structure.

Tax audit must be polite with client and meet deadline, and must make all work suitable time for client.

Auditor must always be tidy when meet client.

If auditor determines some infringement auditor must collect evidence for proof his/her assumption. If auditor claim issues he/she must prove it. If auditor has not got enough evidence he/she can not claim issue against client.

Documents which are used in mobile tax inspection must be understandable, reasonable for people who read this text or report.

All evidence of the infractions must be collected and reported in the act in detail.

All calculation about tax audit process must be accurate and complete.

Prepared reports and acts must be in standard format and this format formulated by Tax of Ministry.

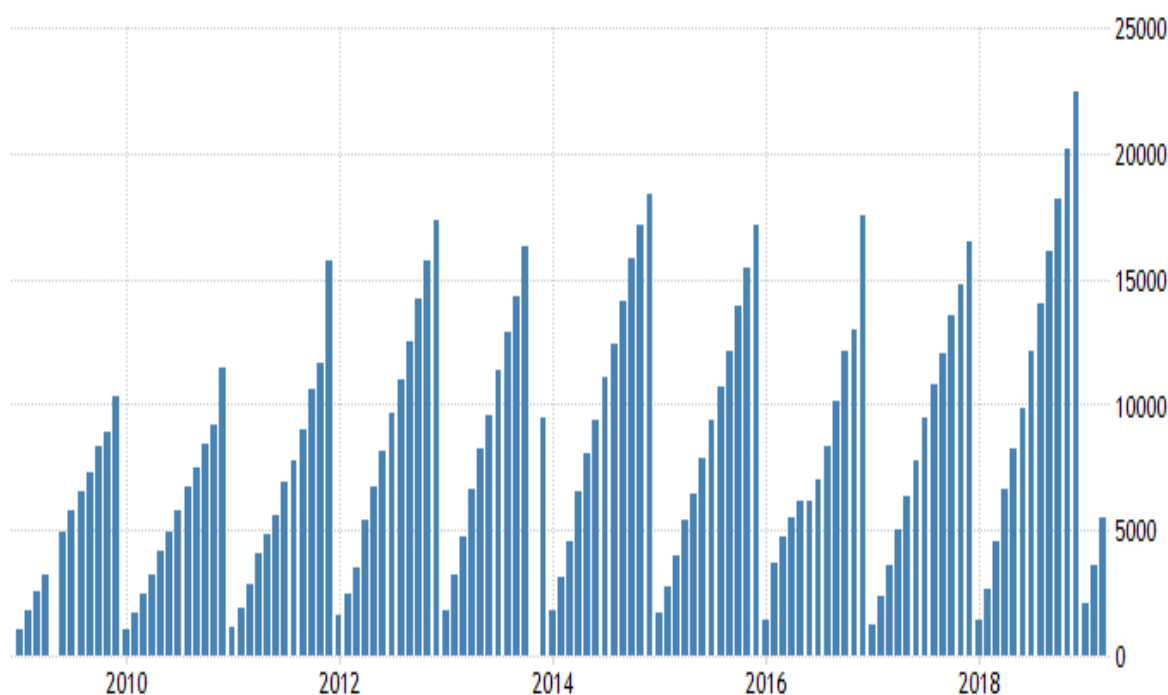
All acts except mobile tax inspection must be prepared in place where audit realized and this information included AVIS's audit system.

All type of the grafik must include time, name, count, field and so on. And these included items belong to the type of the grafik, statistic.

CHAPTER 2. ANALYSIS OF THE FUNCTIONING OF THE TAX AUDIT SYSTEM

2.1. Analysis of the structure and dynamics of tax revenues received in the budget system of the Azerbaijan Republic. Tax system in the world practice.

Figure 1: Azerbaijan Government revenue.



SOURCE: TRADINGECONOMICS.COM | THE STATE STATISTICAL COMMITTEE OF THE REPUBLIC OF AZERBAIJAN

Source: <https://tradingeconomics.com/azerbaijan/government-spending-to-gdp>

Government budget take main place in development of the our country .And government budget is main support of the finance system .I want to record that Azerbaijan's economic development belongs to quality of the use government budget.

Budget revenue play principal role in and main resource in direction of the strategy of the budget and tax .Because if these resources are directing wrong it may caused facing minority income and in this situation budget mechanism loss its one of the main function.

The revenues of the Azerbaijani state budget are generated from difference sources. For example Azerbaijan state budget is predicted as 23.168 billion during 2019. The revenues of the Azerbaijan state budget will be generated through the income from Taxes Ministry worth 7.316 billion manat, 30.702 billion manat from State Customs Committee, 11.364 manat from State oil Fund of Azerbaijan. And other part of this revenue (785.6 billion manat) from other sources.

Azerbaijan Republic states budget must include taxes, other income, duties, tariffs as created by Azerbaijan Republic.

If we view dynamics and structure of the government revenues in Azerbaijan, we can see essential differences, changes in this part particularly since 2008. So in previous years main income, main revenue is generated from tax. But since this year income due to State oil Fund of Azerbaijan is risen significantly and this increase impact share of the tax in the budget of the Azerbaijan. So in this year (2008) part of the tax in budget of the Azerbaijan government decreased from 80.8% to 57.4%.

But these changes between income from difference source impact each others shares in budget of the Azerbaijan government. So after 3 year since 2008 tax shares of the tax revenues in budget of the Azerbaijan is decreased. This reduction belongs to the global financial crisis. This crisis impact Azerbaijan business as well. And revenues from State oil Fund of Azerbaijan is increased year by year.

Although all of these, in the duration of this time there was an abrupt increase in government tax income from virtually all sources. Essential development of income was recorded, in spectacular, for taxes on value added, corporate profits, real estate, personal income and excises. During duration in 2000 and 2013, income from value added tax increased 14.2-fold, personal income tax (Azerbaijani term "income tax") 18.9-fold, corporate income tax

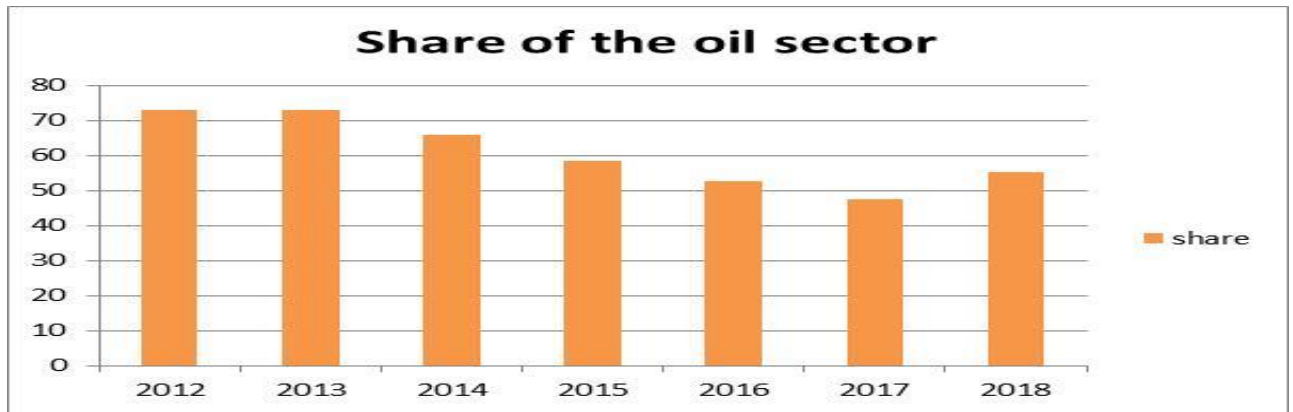
(“profit tax”) 9.1-fold, excise tax 26.5-fold, property tax 10.6-fold, severance tax (“mineral extraction tax”) 2.4-fold, and land tax 4.9-fold.

Today, value added tax is the principal resource of tax income in the budget structure: it accounts for 40% of total tax.

From 2008, tax revenues as a share of GDP—one of the most general factors of the tax revenue—began to decline. From 2007 to 2013, the tax burden calculated by this method fell by 5.3 percentage points to 11.8% of GDP. Starting in 2008, there was also a decline in the similarly measured personal income tax burden (ratio of personal income tax revenues to total wage income) and the corporate income tax burden (ratio of corporate income tax revenues to total profit generated in the economy). As a result, from 2007 to 2013 the tax burden on corporate income fell from 11.2% to 5.4%, and the burden on personal income, from 13.7% to 9.1%. The VAT burden (government revenue from VAT as a percentage of total retail trade) began to decline in 2009, falling by 4.6 percentage points to 13.5% in 2013.

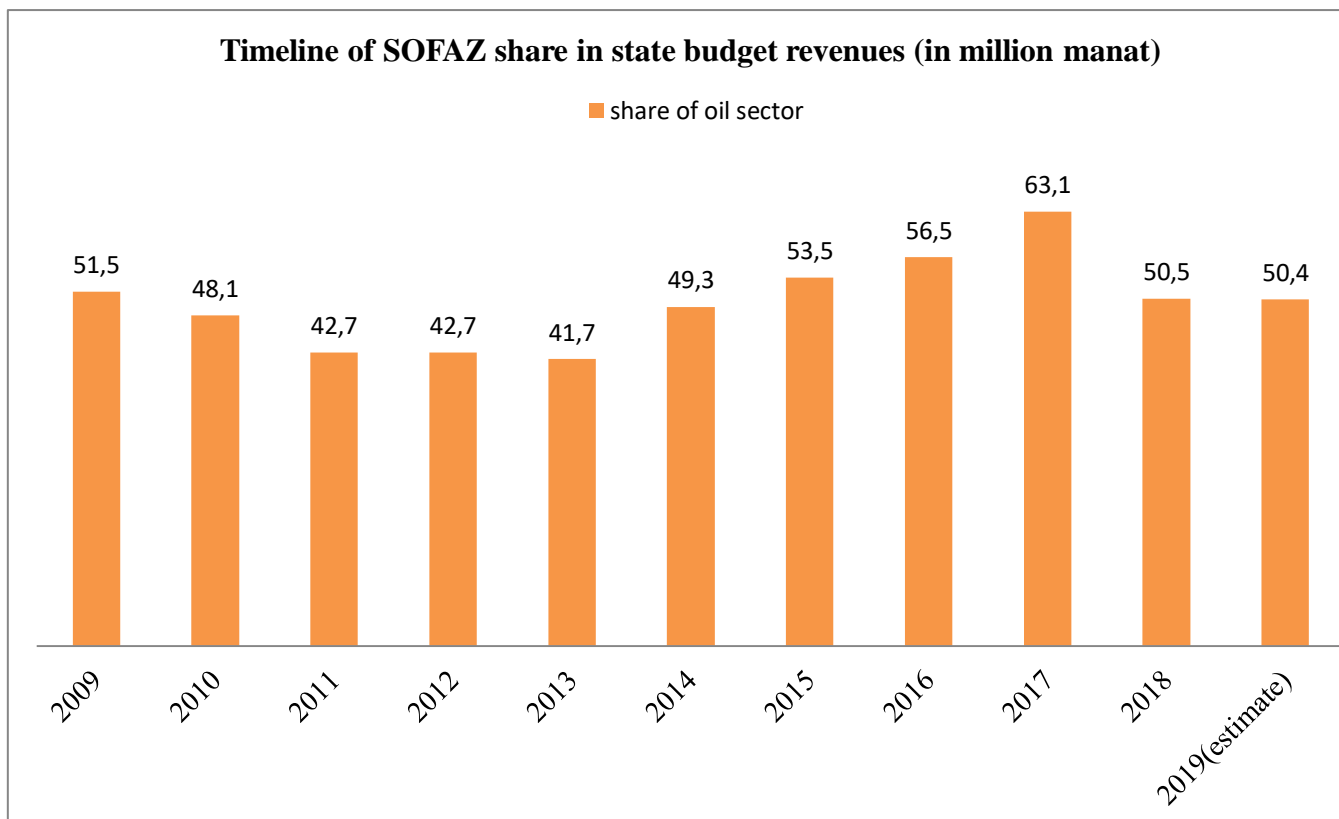
From 2013 Share of oil sector in state budget had been decreased so this diagram show movement of the share of the oil sector from 2012 to 2018

Figur 2:Share of the oil sector in budget revenues of Azerbaijan.



Source:<https://cyberleninka.ru/article/v/government-budget-revenues-in-azerbaijan-the-tax-burden-and-the-role-of-the-oil-factor>

Figure 3: Time line of the SOFAZ share in state budget revenues (in million manat)



Source: State Statistical Committee, Ministry of Finance

Tax revenue

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Budget revenue play principal role in and main resource in direction of the strategy of the budget and tax .Because if these resources are directing wrong it may caused facing minority income and in this situation budget mechanism loss its one of the main function.

Money gathered by the government belongs to taxation. This is the essential revenue for the state, funding public expenditure, further items, tangibly expressing the common efforts of the community.

So taxation is the best way for financing public expenses and expenditures. A particular sum of the goods whose consumption by only one person do not decrease the consumption by others and, at the same duration, for which it is much more costly or impossible to prevent consumption. A normal pricing for these products would arrive to a zero-level price; thus, it would provide no incentives to supply.

And also this is common to finance by the taxes services and product's cost has massive positive externalities if they aren't supplied very well by the private sector. Taxes are the compulsory payment which is determined by government. Tax revenue is gathered from the whole society by the government with differentiated severity, inspired by considerations of effectiveness , efficiency and justice.

In especially , tax system have the some purposes.One of the tese purpose is- reducing income inequality.

Taxes can be by named such as ex-ante payments for services or goods gathered later on (allowing for coupling of the payment structures from

consumption structures but not necessarily). They may be seen as premium payments for insurance schemes too.

A lot of fiscal systems are highly irrational, exceedingly difficult and the payer risks to need a professional advice for calculate the tax payment and for figuring out ways to decline the tax burden. They can pay for wasteful and unnecessary expenditure, especially of the political and economic elite. Reaction to taxation can shape electoral behavior.

Taxes help to the repayment of accumulated public borrowing (principal amount) and the relevant interest paid on this. They become intolerated by the voters if the portion devoted to such aims becomes too big, compressing public expense amount, coverage and quality, since most electorate will feel to receive less than they pay in taxes.

Ingredients

Tax revenue include different types of tax. And tax revenue is the total of the revenues of the different types of the taxes and depending on the what is taxed:

- Income tax from natural persons
- Profit tax from legal persons
- VAT
- Simplified Tax
- Excise Tax
- Property Tax
- Tax on land
- Taxes to the Road
- Royalty (Mining Tax)

Income tax from natural persons- is a tax that states abuse on revenue created by individuals and businesses within their fairness. By law, taxpayers must keep an income tax return annually to identify their tax obligations.

Income tax is a source of income for governments. This is used to fund pay government obligations, public services and provide goods for citizens.

Profit tax from legal persons- Profit tax from legal persons is generated from profit of a firm. After operating income are counted by subtracts expenditures, involve the cost of goods sold (COS) and depreciation, amortization from income, enacted tax rates are applied to generate a legal obligation the business owes the government. Rules rounding corporate taxation different greatly around the world and must be voted upon and authored by the government to be enacted.

Value Added Tax-A VAT is a using, utilizing tax impose on products and items at all point of sale where amount has been added, beginning from raw inventories and in montion all the road to final retail purchase. Ultimately, the users pays the A value-added tax; users at earlier stages of production receive reimbursements for the previous A value-added tax they've paid.

Excise Tax- An excise tax is an indirect tax on the sale of a especial service and goods such as alcohol,fuel, tobacco and. Means of the indirect tax is –tax is not paid directly by an personal consumer — instead, IRS levies the tax on the merchant and, who passes it into the consumer by including it in the product's values.

Property Tax- Property tax is a tax of the real estate, evaluated, calculated by a national and local government, statement, that is paid by the holder of the land, real estate, and so on . The taxations are belong to the value, amount of the real estate, land. The native, local governing body shall use, utilise the evaluated, assessed tax to financed water and sewer development and improvement, ensure juridical security and fire service and other items accounted essential and main.

Taxes to the Road- When foreign drivers of the transport means, pass the border of the Republic of Azerbaijan, the state takes the road tax from

foreigners. The rate of this tax on foreign transport means passing the area of the government based on the kind of the vehicle, the gravity on the road, load capacity, the distance passed in Azerbaijan, transportation of dangerous goods, seating accommodation, the total weight of the loaded vehicle. Persons who has own car, buses, other road-transport and uses on border of the Republic of Azerbaijan must pay road tax between 0.01-0.02 AZN per cub meter of motors of the mentioned vehicles.

Royalty tax- If you have ever established something -- like any music, art -- and somebody makes revenue from this utilization, clients have juridical, legal right to make royalty revenue. In another word, if the rest of the people use clients work, or products to make money and generate income, profit, you may take, generate money, revenue. Royalties are payments for use and utilize of the intangible works but this work must be different, various from service and products. Client can also receive, get royalty income, revenue within investment in a mineral operation, action, like gas or oil. Taxes paid on royalty revenue belong on a lot of indicator or factors, involving, including the following:

- *Whether the creative work product is a trade or a business*
- *The timing and type and kind of revenue, income got received,*
- *Who posses the property (an individual or a corporation, for example)*
(<https://money.howstuffworks.com/personal-finance/personal-income-taxes/what-is-royalty-income-and-how-is-it-taxed.htm>)

Simplified Tax- Simplified tax is used in Azerbaijan since 2001. If the profit tax is paid from profits, and there should be carried out complex accounting transactions, the simplified tax is paid from the quarterly turnover. To pay it you just need to know the volume of the turnover. This tax is not of a great complexity for taking account and counting.

People and enterprises with low incomes are entitled to pay the simplified tax.

The reason why the simplified tax in Baku is higher than in a district, is that in the capital live more people than in a district, and so the capital

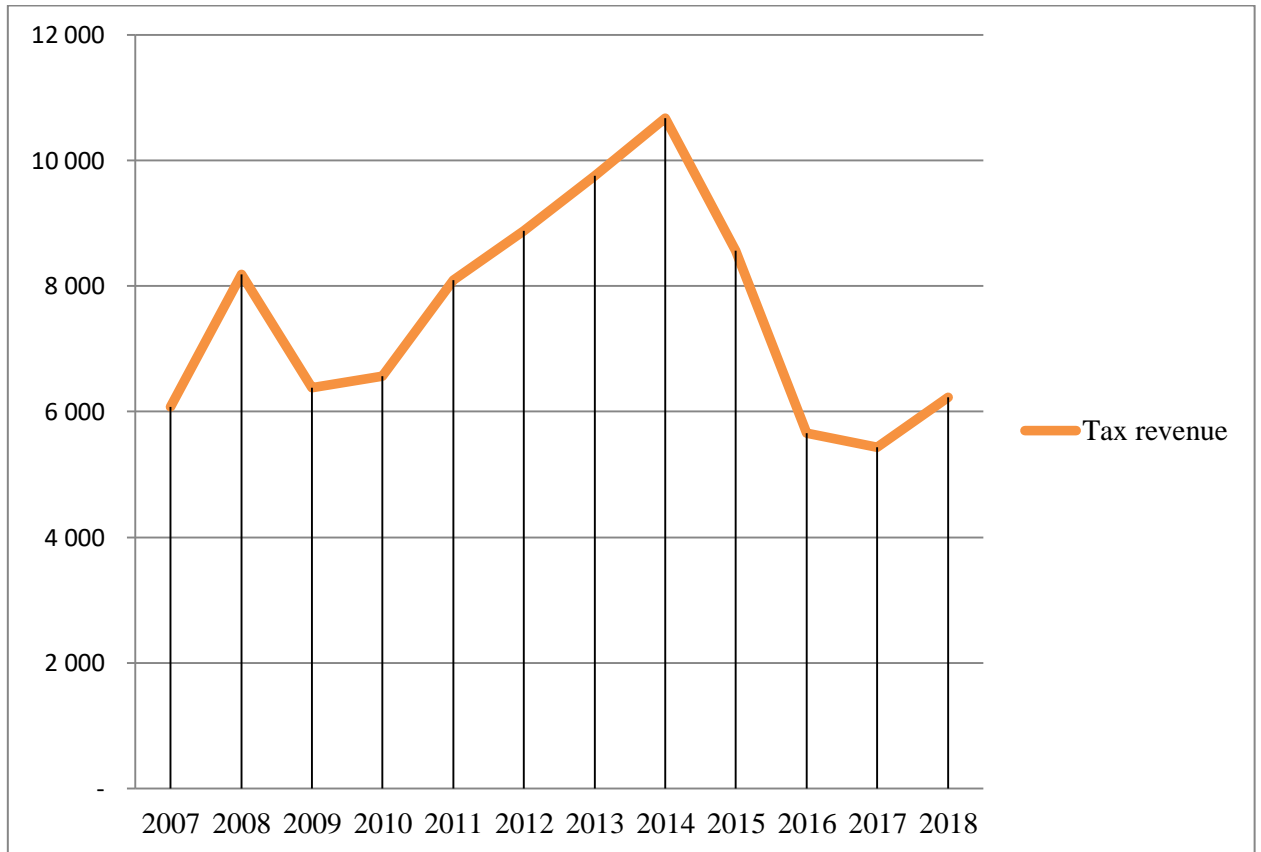
hairdresser will have more customers than his colleague carrying out his activity in a region. As it can be seen, to calculate the simplified tax you need to know the amount of income for three months and calculate taxes with 2% or 4% per cent from it.

Along with this, persons involved in passenger and cargo transportation are also simplified taxpayers. Thus, persons carrying passengers by taxis, calculate simplified taxes by applying special coefficients, determined for the zones of the republic, apply 9 manats for every taxi, persons carrying passengers by buses-1,8 manats for every sitting place, persons carrying cargo-1 manat per ton depending from the carrying capacity of the vehicle and paying the whole amount to the state, get the “Distinction Sign” from the Ministry of Transport, that confirms it.

At the same time, persons involved into housing construction pay the simplified tax, too. These persons applying special coefficients determined for the zones and using 10 manats for every m² of the building’s total field, calculate the simplified tax in the 3 month when the main works began, and pay it to the state budget in equal parts of 12,5 percent until the obligation is completely fulfilled not after than 20 th of the month following every quarter.

Tax revenue play main role in Azerbaijan Republic’s budget. This graphic shows revenue which had been earned from taxatin year by year.

Figure 4: Tax revenue statistic



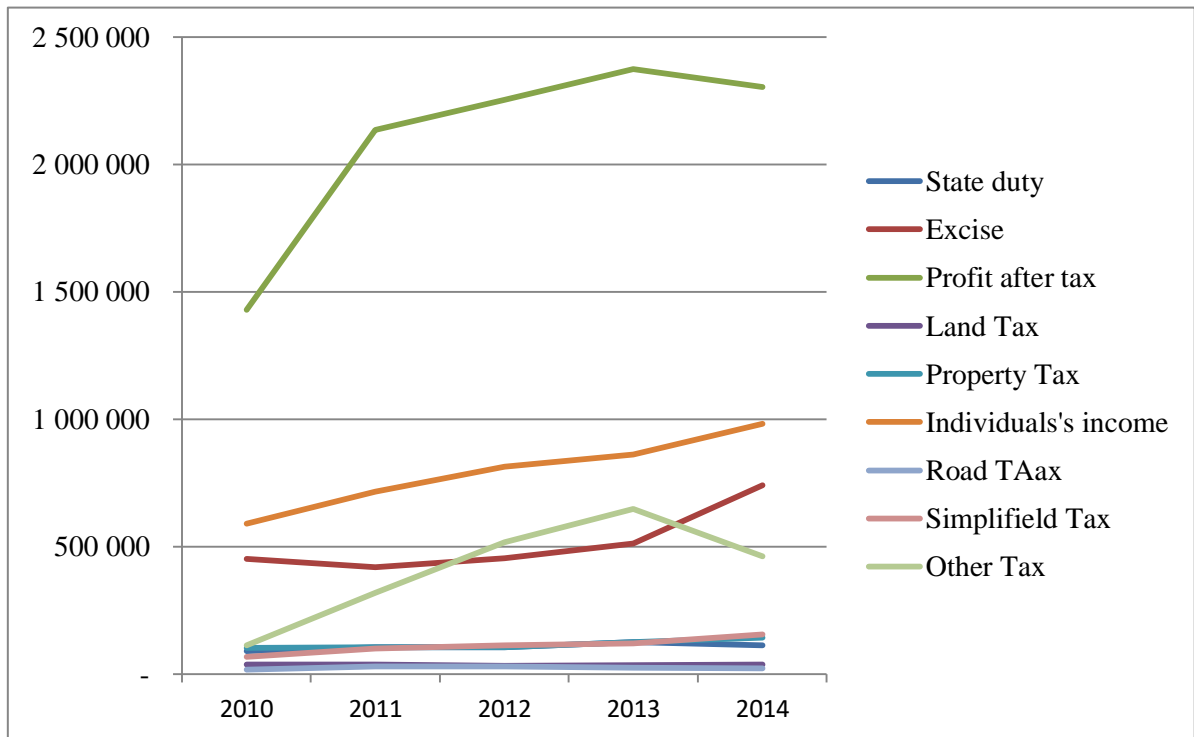
Source: <https://data.worldbank.org/indicator/gc.tax.totl.gd.zs>

If we look the graph Timeline of SOFAZ share in state budget revenues (in million manat) and tax revenue we can easily say that when oil price rise share of the tax revenue begin diminish.

After this graph then we can show distribution of the revenue between types of the tax.

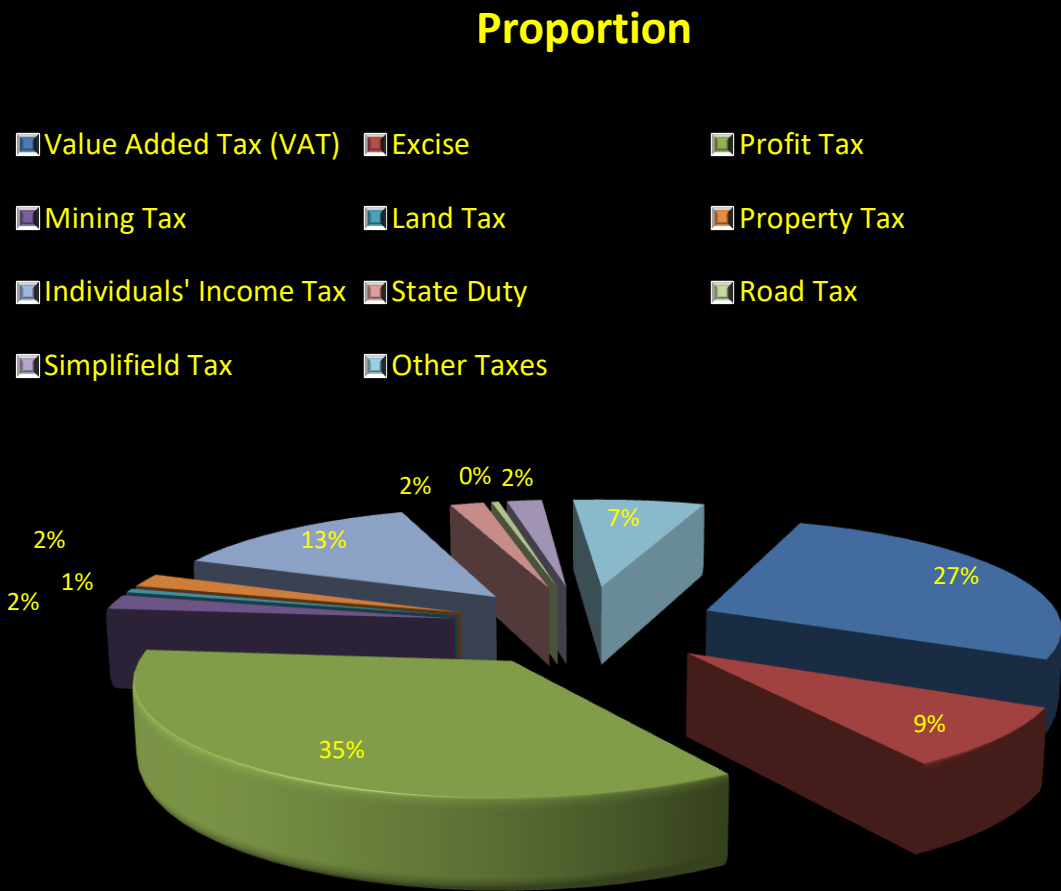
Graph obviously show that main resource of the tax revenue is profit after tax .The second is individual's income tax.

Figur 5:Revenue of the different type of Taxation



Source :Taxes.gov.az

Figure 6: Proportion of the Tax revenue types of tax.



Source: Taxes.gov.az

2.2. Proses analysis of the tax audit.

The Internal Revenue Service and state department of the taxation conducted, realized tax audit. The following information is related with Internal Revenue Service tax audits, just report that a lot of government audit steps, processes are much similar and same to the International reporting standards. The tax audit's main and necessary aim, goal and purpose is to check, then confirm and verify that the tax result, report is showed nonbiased and objectively. And also confirm the accuracy and occurrence of the report. Many time when the Internal Revenue Service choose firms or individuals retract, return for an this process it means that statistically there is a challenges, problems belongs to the numbers you provided. But this is not meaning that being choosed many time mean that there is a problem and challenges, rarely you can really be due a refinanced next step of the audit or the International Revenue Service admit your tax retract, return as is.

The International Revenue Service uses a lot of different indicators when choosing which retract this is walking to audit. The tax audit's majority are identified, determined by computers. The International Revenue Service has a lot of different computer process and systems that do analyses' different kinds, types on retract, returns that make statistical analysis, regressions to score tax returns belongs to its chance of being sure. An International Revenue Service selects audits belongs to other non-computer relative analysis and research too. All of these methods are showed, described follow.

Method 1-The Discriminant Function System:An International Revenue Service has a computer, it system that is named the Discriminant Function System that hand each tax , retract, return a score. That dot is named the Discriminant Function System dot. The dot is a number that statistically identifies, determines the credibility of the tax retract, return being exact. The paramount the number that is, identified, determined to the tax retract, return, the highest the credibility of this tax retract, return being audited or checked. An

International Revenue Services do not distribute the all details of how precisely their programs works, however this is trusted that there are a lot of hundred primers that are weighed out and this is trusted that deductions and release pretend carry the biggest weights.

Method 2-The Unreported Income Discriminant Function: This is a 2-nd computer system which is used by an International Revenue Services that looks at different factors rather than the IDIF system. The essential, main goals and purpose of those IT programs is to rate retract, return on this possibility to have unreported or unrecorded revenue. That system dots users based to expenditure, revenue and revenue ratio. Essential which that is painful to determine, identify is if an personal is peculation a lot of money than these make and as a result probable have another revenue which they are not recording and reporting to the International Revenue Services. This does happened seldom which individuals do have less income years and that triggers an audit for them, but many times the time this can be expire easily to an auditor.

Method 3- The Information Returns Processing System (IRP): That is a three computer program used by International Revenue Services that keeps very big number of information, data adopted from third sides that are demanded to keep record, report taxpayer revenue, brokerage firms, such as workers, banks, social security administration, such as employers, banks, non-bank organizations and other institutions which are required to keep record, report date to the International Revenue Services on taxpayers. For example, your firm's worker is demanded to report, keep record to International Revenue Services how much workers paid their employees during the recent year. The International Revenue Services shall then run their fitting process to make ensure the personal taxpayers had reported all actions which were already supported to the International Revenue Services. Utilizing system the International Revenue Services can discover personals which have likely under reported their income and they will follow up with an audit.

Prosecute Documents Turned Over to International Revenue Services: In seldom conditions tax retract, return shall be selected to be checked, audited belong upon data, information that was gotten by the International Revenue Services in the effort to identify, determine member in tax avoidance transactions. In many times the International Revenue Services shall get the courts to disposal information, data from the supporter to be handed over to the International Revenue Services. That information, data can dot out personal which were concentrated with the promoter tax avoidance layout.

Audits of Related Parties: If the International Revenue Services checked, audited other tax retract, return and this retract, return include operations, transactions by other taxpayers-legal or individuals like as investors or business partners and this retract, return had a challenge and problem, challenge and this is likely that other legal that are linked, related to that individual then this is a possible that International Revenue Services shall then chose those related tax returns to audit.

Types of Audits Once Selected

One International Revenue determines, identifies that it could like to track within and obtain much a lot of data, information about companies tax retract, return, these shall dispatch a letter declare that your revenue retract, return has been choose for an audit procedures. There are the 3 vary test methods utilized by International Revenue Services determines.

Correspondence Audit: That is the best general type of audit and is happened by mail or g-mail. International Revenue Services shall normally require particular documentation to handle special items on the tax retract, return.

Field Audit: That is when the International Revenue Services desires to seem to your house, place of business, or your professional office to fulfill the

audit procedures. That is the least common types of audit and this is utilized if the companies or business being audited gained well over \$100K.

Office Audit: That is when you are required to seem to an International Revenue Services office to meet with an International Revenue Services auditor. The International Revenue Services will identify the durations and the special items that it could like you to bring for provide.

What realized after an Audit procedures

In the next step of the audit you will be sent or mailed Form of the IRS, that is the International Revenue Services test record, report and shall display the suggested changes to tax responsibility. This shape shall support an obvious explanation of any changes made. The account shall either power this you have had no error, mistakes, omission and changes. Companies have 2 selects first you accept this, you can support companies findings or you can select to do not admit with companies result, findings, each explained in more detail below.

Audit Findings' confirm: Primary task you confess by the offered distinctions later you could sign, return a numerator of the account with IR Services Form. At once time you project the shape companies are approve this client has a tax omission, error, mistakes, errors and the additional tax fine, penalty and interested that are listed on client given account as well. Whether clients pay more taxes rather than you company bring to pay in full then you can require recalculate within a payment timetable. The payment timetable you utilize shall be determine, identified by how much amount you must get and how much money you can bring to pay monthly.

Do not confirm of Audit proof: Whether clients do not approve of the proof in the given account then company shall have 1 month (30 days) to do some of the following:

Mail in other accounts and deeds you need them to take into consideration,

Requirement a discussion on the proof with the members (company may do that and submit extra data, information to take into consideration).

Discussion your problems by the group's a manager or senior manager

Require an address: Whether clients do not admit with the issued changes and client do not clear up the discord with the members than an address could be a good chance.

Company, auditors have 1 month (30 days) to consider consideration the suggested changes after getting the draft report. Whether company does not reply within 1 month (30 days) then the IR Services shall send an proclaim that your task is take into consideration do not admitted and whether you shall have 1 month (30 days) to file for an address or the IR Services findings will become final.

CHAPTER 3. DIRECTIONS FOR IMPROVING THE TAX AUDIT SYSTEM OF THE AZERBAIJAN REPUBLIC

3.1. Problems and limitations of the development of the modern tax system and tax audit

Grow bigger countries and governments face complex and difficult problems, challenges in pressing to establish and create effective and efficient tax regulations, systems. Well known economist-Vito Tanzi had summarized, gathered main and essential challenges, problems that Grow bigger countries, governments meets usually, frequently, the leading, caused power, authority on those challenges, problems, many developed governments, countries have to appeal four main and basic invitation:

- 1) The economy's structure, that makes this complex, difficult to abuse and gather collect taxes
- 2) The scanty volume for tax administration,
- 3) The poor brand of essential, basic, main data and information
- 4) Some grow bigger, the proof, evidence this political setup is less amenable to reasonable tax laws, rules than this is in improved governments, countries

Structure of Developing Economies

Grow bigger countries have well-known and improved economic characteristics, features: big shares, parts of total economic output, production and employment are based to agriculture; these have big informal sectors, areas; entrepreneurial units, products are small, less and numerous; salary, gain form a relatively, related small share, part of summary local revenue; some shares of total user spending occur in big contemporary institution. The measure of the unofficial department implemented a significant, essential performance. Not only does this decrease the assumption of rely on defined, determined modern taxes, such as individual income taxes at the individual level, or Value Added Tax at the wholesale-large quantities, retail-sparse, and user levels, however this

makes this much more difficult, complicated to reach, arrive these by the economic skill to pay taxes too. The many writers, well-known people about tax regulation and policy in grow bigger countries, government trends to carry to a focus on big tax payments units, countering tax evasion, and the nominal economy. Although these regulation and policy analysts who discuss the particular, special challenges, problems resulted, outcome by relatively big and massive informal sectors or areas of the economy be notable in their views, opinions as to exactly, accurately, tidily what could be done about this deficit in grow bigger countries, government's tax foundations, these agree that the informal sectors, areas need to be carry into the documentary procedure, process, which any type of conceited taxation may be the ideal path to start collecting and gathering revenues or incomes from the documented sectors or areas. Well know writes Bonjean and Chambas pretension that the tax chance of the informal and in official activities, work is at least incompletely operate within direct taxation and indirect taxation. Vice versa to their large contribution to manufacture and production, unofficial, informal activities, actions are determine define with small and narrow profits, unofficial, informal activities, actions are essentially, mainly geographically demolished, destroyed and these may not establish, create and save accurate, exact accounts or document returns. Such as an outcome the official and administrative costs or expenditure of direct taxation in such situation, conditions are prohibitive. Shome further carp, criticized, find fault simplified tax routine created, established to provision for small, little taxpayers. Those routine require, demand less, little revenue, income from the taxpayers in confrontation to its revenue potential and do not recruit as much revenue. Bonjean and Chambas suggest this use of a combined business tax on the informal, unofficial activities, actions as a strategy for gathering, collecting taxes from the unofficial, informal activity, action sectors. In system, the value of tax is determined, identified belongs on objective, unbiased factors and indicators. Those may be the nature, character of the activity, action, fact's geographical

place, or the equipment, property used. In other situation, case of a restaurant, a lot of tables and chairs or other things could be used such as taxation factors, indicators. The forecast outcome, result, consequence would unfortunate in the administrative, official and financial weight of provide taxpayer conformity as the need for keep recording and filling retracts, returns would be removed, deleted. In spite of those visual advantages, chance, well know writer Shome has crap, criticized, find fault the single business tax for growing horizontal and vertical inequity, stimulating the reluctance of small, little taxpayers to graduate, rescue from the single tax to the conventional, conditional tax regulation, system. Shome commends a MAT belongs to both of the gross assets and turnover, which yields higher tax revenue. The tax rate of MAT could be fit to equivalence with the less, lower marginal income tax rate under the credibility of a solvable percentage of return, retract on capital, equity. VAT doorsteps should be suit underneath that small taxpayers could be permitted to optional to the conventional, conditional VAT system.

The International World Bank (IWB) study on the unofficial sector in Ghana analyse how the state, government had tested to tax the unofficial branch. The government, state used the Common Assessment method, that utilized a single tax. Under the Common Assessment, a fixed lumpsum tax was pay on individuals or businesses on the base of occupation or the business actions, activity in that these were related, relative. Levies were evaluated, estimated from the average revenue level assumed to be acquired by members, participants of any particular occupation. People compulsory, obligate to tax was to receive certificate that means that your tax obligation is clear. Ensurely, that legislations, system was find fault as being less leading. However, the proposition was later named as ‘Occupational Grouping Taxation’ in an attempt to occupate unofficial, informal division action, activity. The pilot strategy begins by the big informal, unofficial transport sector, area. The standard, rules, laws decided which whoever people who took a particular car or other things

were to pay a specified percentage. Transportation operators in the unofficial, informal sectors, areas where this was demanded to save returns, retracts and scores at the end of the recent year of valuation. The proposition grows horizontal equity, capital to the enlarged that the master held small businesses and the self-employed, who had before avoided taxation. But, plural challenges spring up - speculation by tax representative in charge of assemble, gathering tax retracts, returns, bad book record keeping, or booking, documentation and other vary problems, issues, challenges, relative, related with high levels of ignorance. Another distinctive and legislative of growing governments, countries' economies are an obstacle, hassle, barrier to tax legislation, policy is the poor registration rate of the taxpayers. People who register in figure either because companies or individuals do not comprehend obligations of their or because companies or individuals are deliberately, intentionally avoid tax. Dhillan and Boucher recorded that main and prior aim, purpose, goals and aims of tax administration could be to identify, determine and carry tax run companies, entities into the system. Companies, entities further describe that all taxpayer could be appointed a unique and inimitable figure and relation details should be recorded and approved. Other government, state agencies such as the police, land registrars, and licensing departments could be included in discover, finding tax avoiders too. The writers and users do not elaborate exactly, accurately how the registration, recording should be achieved, but at least writes support, provide a beginning point. Personal entities and companies like mobile companies that provision to a large range of the inhabitants could be enlisted in the research for tax avoiders. It might be costly, expensive, valuable but there is a terrible need for the state government to identify, determine all absentee taxpayers

Tax Administration and Data

The other and next challenges, problems that we faced in tax legislation, policy of growing governments, countries is the poor of efficient tax management. Managements across main, essential challenges, problems: a large side and part of the economy is at a subsistence level; much more taxpayers do not write records, reports, plus where reports are kept, these are not decently valid. Taxpayer cooperation is poor, weak too because of prolonged lack of trained officials, traditions of corruption, and poor of apparent improvements in the state services. As a conclusion, government, countries a lot of times develop tax legislation, systems that operate whatever obvious income-generating option they have other than develop modern and efficient tax legislation, systems that create, establish large tax index from which to generate revenue. From there some growing government, countries a lot of times end up with too a lot of small tax foundation too hard a reliance on external taxes, and a small utilize of personal income taxes.

The challenges, problems faced by growing states, countries are made hardly obvious and clear by contradictory the administrative advice made by the International Monetary Fund (IMF) with the truth in growing states, countries. The IMF concluded that that effective tax administration belong to the existence of these index and factors:

- 1) The availability of a principal economy of money,
- 2) A high standard of knowledge rate; although literacy is not a necessary status for taxation, the weak of a literate population decrease the choice for policy makers
- 3) Balance of honest and valid accounting; weak of of valid accounting force the kinds of taxes that may be effectively employed,

4) A big rank of voluntary accordance on the taxpayers' unit; contemporary taxation covering self-assessment rely seriously on voluntary collaboration by taxpayers;

5) A political system not commanded by wealthy groups acting willfully in their self-interest.

Many strategies that have been offered to deal with the challenges are: utilize of WHT tax rate and other characteristic; increased dependence on indirect taxes; presumptive tax's utilize; and raised computer action, operation, activities in the tax legislation system. The prosperity and consequent of they and other reconstruction strategies are discussed more detail in end of the chapters, so for now a short overview will suffice.

Withholding taxes

The International Monetary Fund advice use of Withholding taxes such as a method to improve the administration of the tax system and legislation in the growing countries and states. The review is which the tax is withheld with the payer and turned over to the state, government directly firstly it comes to the taxpayer. These methods and approach are effective when taxing wages and revenue, but this required that people who is taxpayer be simply determinable, identifiable. However, in growing statements, countries in which a big part, side of the inhabitants worked in the informal and unofficial sector, area a withholding system and legislation would not come them.

Indirect taxes.

Developing countries have understand that direct taxes – particularly individual income taxes – are difficult to administer. There are many reason one of these reasons- because direct taxes demand experienced taxpayer inhabitants this is simply identifiable and understable, educated, can keep records and write report correctly, and enthusiastic to file valuate yourself. These features are not exist in most growing countries, states by the conclusion that heavier validity

located on consumption taxes that can not be deciate from even by these in the informal activity sector. One of the main and popular consumption taxes are VAT .The value added taxation uses a fundamental foundation of WH and is in proof defines, determines as a “form of withholding.” Value added taxation may be successfully managed by implementing a one rate and demotion the number of exemptions.

Political and Social Factors

Political and social indicators, factors make create additional and extra challenges, problems in tax legislations, policies for growing states, countries. Poor of political shall to handling tax reforms in growing states, countries have main evoke to unlucky reconstruction. Knowledge studied from successful reconstruction training and programs suggest that the essential, main factor, indicator is hard political shall, show by a obligation from leaders at all standards of government, state. We can easily tell that a lot of growing countries, states suffer from corruption, civil wars, underdevelopment, deep penury, illness, and hungry too. Every of the these factors and indicators have unavoidably, lead to low less tax income yields in growing states, countries.

Another developmental challenge, problem faced the world and specially Africa is epidemic. This epidemic called as the HIV/AIDS epidemic. This illness has become more than a health problem and challenges thus this is, social, political, psychological, and cultural measures. A lot of places especially Sub-Saharan Africa continues to be the main strictly influenced, impacted by HIV/AIDS. In 2006, this was proclaimed that more than 1/3 (63%) of all people pass with HIV are alive in Sub-Saharan Africa – nearly, approximately 24.7 million people in total. An roughly calculated 2.8 million people- adults and children in Sub-Saharan Africa passed with HIV in 2006 - more than in the rest of the world combined. The scale of the epidemic’s influence, impact greatly different from place to place. In states, countries with high levels of HIV/AIDS, the epidemic is having a strict and serious influence, impact on public services. At the same

moment that fertility and tax foundations are being timid by the mortality of adults in their fruitful prime, AIDS is placing growing demands, requirement on social sector services, such as health and education, and on public administration. AIDS has started to confrontation the economic income that had been achieved by many growing countries.

3.2. Tax audit system in the world practice

In Germany ,as in a lot of governments,countries,tax payers became anxious the moment the revenue authority starts the audit.Regardless of whether tax payer is German or Foreign eitjer one looks forward to an audit .Foreign corporations meet big problems,challenges,because tax ,especially international taxes,generally are managed by the tax department of the parent company very often with little involvement by the tax advisors of the various subsidiery companies other than the preperation of year-end financial statements and in dealing with the local tax authorities.

The tax system in Germany is mainly divided into entitles and companies in the one f and personal persons in another flank, both flanks need to be conversant of tax audits. Such as a company, you mainly lonely dispatch companies' profit and loss statement and the tax declarations to the tax bureau all years. As a result, the Financial Powers take just bluff checks and audit when adopting the declarations, but do tax audits after on. The audits always have a range of 3 years. The tax auditor shall check, audit, all invoices and if he/she finds, discover an error, mistake, omission this shall be corrected. The annual interest percentage for extra taxes is 6%. Fines and penalties are only due when an error, mistake, omission is belongs on gross carelessness or on aim. The density and the supposition of a taxation audit based mainly on the revenue of the entitles, company, the kind of industry and the conclution of former audits. As a personal natural person with revenue other than business revenue you hand in all invoices all years with your tax declaration. The tax office audits, checks

your reports and recordings instantly and comes back with questions right away. As a conclusion tax audits are less likely.

New legislation of the Germany taxation became effective in 2002 years. And this legislation increase right of the tax authorities of the Germany to recover electronic information in tax audit. And this new legislation are sometimes called "E-Audit". The most essential differences and changes are merged in sections 146 para.5.147 paras, Tax Procedures Act. On July 16, 2001 guidelines had issued by The Federal Ministry of Finance that represent the view of the tax administration on the new legislation. At the same time sec.14 ara. Value Added Tax Act has been amended too. According sec.14 ara. Value Added Tax Act a digital settlement that fulfils the demand of a sophisticated digital subscription can be admitted as an invoice.

A goal, aim or purpose of this concise is to emphasize the variation which structure from the novel dot of electronic information and data repaying, retrieval and the liability to made digital information, data available for audit.

In the main modern and novel standards, rules and laws the tax power has 3 choices to pass digital data and information:

- Use the client's software and hard for refer to "read-only" pass at the client's premises ("on site"). It includes and involved information, data chance using ready selection tools, instruments taxpayer's selection tools.
- Taxation auditor can require the client to select data and information as instructed with the taxation auditor
- The Income Service can demand the tax payer to save all relative information on external disc, which can be get with the Income Service.

Tax Procedures Act abuses an obligation on the tax payer to help the tax powers in perform, fulfill the e-audit. This must be sure that the tax auditor gets access to whole information relative for tax aims ("tax relative data"). From base of the view of the taxpayer this is of the utmost significance to provide this (a) the tax

powers have pass to tax relative data or information to which information have the rules and (b) the tax powers are not let know beforehand from having pass to full tax relevant data and information. If tax relevant information is confused with other information the tax powers trust that taxation powers can breakers all the available, relevant information, data electronically regulated to recover the taxation relevant, available information.

The first technical consultation among tax practitioners, members and persons who engaged with taxation of the tax administration occur a large argument with consider what kind of data, information is relative, available for taxation purpose, aim, goals and which is not available or relative. This is not difficult to forecast that the not obviously term "tax available, relevant information, data" shall be the cause of a lot of next conflict with the tax administration. And while this is clear that letters received and sent accounting records and book keeping vouchers, bills which have to be kept, stored in compliance with section 147 paragraph 1 Tax Procedures Act are tax relevant information, material's other kinds are much more problematic. That is in especially right as regards g-mail or e- mail exchange of the letter, as well internal and external. Whilst a lot of tax administration's members have showed various approach, views these are the writer's position that "tax available, relevant data, information" linkes only to present proof, evidence and situations, and not references Section.102 paragraph .1 no.3 litteratrue.a) Tax Procedures Act sets out a compulsory tax advisors' juridical person's artisan concession that use to all qualifications, occupations have a right to show taxation consulting, providing services in Germany e g commissioners in law, approved tax advisors and approved social accountants. This will be essential for such advisers to provide that they tranquility that professional concession in day to day practice.

This is clear that under the modern rules this is so essential and basic for all taxpayer to obviously determine, and teach their workers accordingly, which kinds of information or data could be considered as tax available and relevant

and which should not be considered as tax available or relevant. Finally, taxpayers ought to go within the steps which are shown below:

1. Get an item of all relevant and available information within the organization.
2. Determine whole of information, data which must be saved for tax aims, goals purposes in compliance with section. 147 paragraph. 1 Tax Procedures Action (as that could be got by the tax management in compliance with section. 146 paragraph.).
3. Determine tax relative information and insure that this is store particularly from other data. Store documents those are privileged according the professional concession separately.
4. Identity which systems can, and which cannot, be accessed by the tax authorities.
5. Determine access profiles.

In common terms the tax government circles have the liability, right, law and obligation to digitally restore, recover report, information, data from January 1, 2002, including, involving that for last, past and previous years. However, if data, information has been rescued or saved, wrote in non-electronic form previous January 1, 2002 it does not must be charged in an electronic shape, formation if this could outcome, conclude, result in unreasonable, lacking common sense expenditure, expense for the people, entity, company. If in the condition of a present year other than a calendar year digital storage can not be happened, realized, implemented for technical reasons, the client has until the, starting, beginning of the next nominal year (starting in 2002) to fulfil perform the demands and requirements, and demands. If the system, legislation permits, allows electronic information and data retrieval this is the tax management's view that they can utilize it to access prior, next years' data as well.

Tax audit in Netherlands

Tax audits are an important part of the Netherlands Tax and Customs Administration's compliance risk management strategy. ICT developments are a major part of this instrument. In the Netherlands, software developers and the tax authorities have developed the so called Audit file in which business taxpayers can gather the most important information. This makes preparing for the tax audit easier. In executing the tax audit, the knowledge of ICT is vital. As noted earlier, businesses keep their books and records electronically and it is very important that IT expertise is applied in tax audits.

Preparing for tax audits with the Audit File

Collecting and ordering the data the Tax and Customs Administration needs for a tax audit is one of the entrepreneur's most time-consuming tasks when preparing for an audit. In 1999, the Tax and Customs Administration developed the Audit File to reduce the administrative

burden imposed on entrepreneurs. This Audit File contains most of the data required for the audit. Technical progress in the intervening years subsequently resulted in the XML platform's development of the XML Audit File Financial. This platform is based on a cooperative arrangement between the Samenwerkende Registeraccountants en Accountants-administratieconsulenten ('Association of chartered accountants and accounting and tax consultants'), software suppliers and the Tax and Customs Administration. The XML Audit File Financial enables entrepreneurs to make maximum use of the opportunity to exchange data between the various standard packages used in accountancy practice. The Audit File is currently supported by most accounting software packages used in the Netherlands.

Using computer assisted audit techniques & the expertise of IT Auditors

One of the basic principles of tax audit in the Netherlands is that a tax audit should be substantiated as much as possible on computer assisted audit

techniques. For the planning and execution of the audit, the possibilities offered by information technology are used as much as possible. Specially trained IT auditors assist auditors during such audits. Most organisations use computer systems (from partly to almost fully integrated business and information systems). This is why it is almost always necessary for the auditor to use them in order to form an opinion on the audit object. If the auditor is not expert enough for this, he can engage specialists like IT auditors. They can help the auditor for example with reading of files and the determination of the reliability of systems and the output of systems. An IT auditor has more knowledge and experience in this area than a regular auditor. For instance, an IT auditor can:

- help the auditor with reading of files and determination of the reliability of systems and their output
- use the features in the option menu of a standard software package, for example for copying files and creating an audit file;
- create a table of contents of the files or software present
- use audit modules of a software package, as they are or can also be used by internal and/or public accountants.

Powers

The tax auditor is allowed to consult electronic records and scanned invoices on the computer systems of the business; this is part of the obligation of a company to keep books and records and make them available to the tax authorities. It is also possible for the tax auditor to provide the business with a USB stick or other data storage medium so the business taxpayer can connect it to his computer system himself to copy files on to that medium. The tax auditor is not allowed to perform other acts on the computer system of the taxpayer because this could cause damage to the original data, the software and/or the hardware. The tax authorities may be held liable for any damage or loss suffered, such as replacement costs, the hiring of IT experts or lost profit as a result of a

disruption of the business operations. Liability proceedings or complaints are not only damaging to tax authorities' reputation but may also affect the progress or results of the audit. In short: the auditor will take care not to touch the buttons of taxpayers' computer systems! And he will avoid giving specific instructions to the taxpayer with regard to operating the system as this might equally be seen as acts of the tax auditor.

Using the expertise of the IT auditor Information and communication technology is the whole of technical facilities to collect, process, store and present information. For the tax audit it is very important to understand and determine the reliability of the electronic data processes (EDP). The EDP consists of both hardware and software. The accounts of almost all organisations are more or less automated and make use of IT. So if the auditor wants to gain a good impression of the administrative organisation, he will have to make an inventory of, analyse and evaluate this EDP environment. If a public accountant audits the company financial statements, he will almost always have already made such an assessment. In that case, it will be more efficient to request this assessment and find out which conclusion this accountant has drawn from it. In order to assess a complex EDP environment, the auditor can use the expertise of IT auditors. He will surely do so if automation is important for the business processes and therefore for the audit object. However, the auditor continues to be fully responsible for his opinion on the audit object. This means that he must have sufficient (general) knowledge of the automated system in order to schedule and direct the activities of the IT auditor and to be able to assess the latter's findings.

The auditor must be deemed able to assess the separation of duties, the user controls and general IT controls of a simple automation environment. In order to assess the programmed control measures – even if it concerns standard software –, he is usually not expert enough, so that, for many audits, he needs

the support of an IT auditor. This support may consist of, for example, checking whether:

- there are programmed controls which cover the relevant risks;
- the interface files include controls guaranteeing the reliability of the data traffic between computer systems and communication systems;
- mutation reports are or have been drawn up and whether these are or have been assessed regularly and whether the necessary actions are or have been taken;
- there are reject lists and whether these are or have been assessed regularly and whether, if opportune, any actions are taken; for example a plausibility check: if an order represents an amount higher than a certain value, this amount must be approved twice, before the order is executed;
- the automated system includes authorisation tables that correspond with the desired separation of duties. It should not be possible to use software outside these function tables. Moreover, the IT auditor can be of use by providing the auditor with access to files, such as reading in files in Excel for further processing.

Basic principles

1. Four-eye principle

The so-called four-eye principle is used for the automation-related activities mentioned. This means that the IT auditor performs these activities in the presence of the taxpayer or of a person who has explicitly been appointed by the latter and to whom each of the steps or actions required are explained, unless the taxpayer explicitly states that he does not appreciate this. In that case, this will be recorded in the audit file, just as it is recorded who was present during the activities.

2. Copy of data file

It is usually not necessary for an auditor to call in an IT auditor in order to request standard data. In many cases, it will be sufficient for the auditor to point out to the person obliged to keep accounts that he is obliged to provide information, to set up accounts and to cooperate. This means that the auditor may ask for a copy of a data file. Moreover, this means that the taxpayer must also provide the necessary information about the set-up and functioning of the accounts. If necessary, he must arrange for (internal or external) IT support himself. In addition, the taxpayer is obliged to set up the accounts and cooperate in such a road and approach that the auditor can (digitally) perform the audit within a probable duration of time

3. Reasonable period of time

Surely, the auditor and checker must observe the principles of good governance, such as giving a a probable duration of time in order to provide data. Reasonableness depends on the situation. The principle of proportionality may also apply here. For example, if the costs – both absolute and relative – for remedying certain defects in the computer system are too high, compared with the interest for the audit department of the Tax Authorities. In such a case, the person obliged to keep accounts cannot be expected to incur such costs or make such investments.

4. Subjective and objective impediment

If, after the end of the reasonable period of time, it appears that the person obliged to keep accounts does not meet his tax obligation (to set up accounts and/or to cooperate) and he can also be blamed for this (unwillingness), this is called a subjective impediment. In such a case, the auditor will, as a result, not be able to form an opinion on the audit object with reasonable assurance and he must consult a procedural law expert to see whether, and if so, how it is possible to enforce compliance with these tax obligations. If the taxpayer cannot be blamed for not having remedied certain IT limitations, this is called an objective impediment. In that case, the auditor will ask the support of an IT auditor. The

latter will assess whether he has the possibility and expertise to perform these actions, or whether he can (temporarily) remedy these limitations. The IT auditor will perform such activities in the presence of a colleague, but not after the person obliged to keep accounts has agreed in writing to the execution of the automation-related activities. The taxpayer is also asked to be present here, so that each action can be explained to him. This is referred to as the six-eye principle. Of course, the IT auditor records his actions in the audit file in detail. Finally, he will draw up a brief report afterwards, containing a general description of the action, activities, the persons present (who are also requested to sign the report) and any problems.

3.3. Proposals and measures to improve tax regulation

The relevance of this topic is reasonable the proof and fact, indicators that taxes are the main and important, prior resources of reconstruction of the state and government budget and influence the improvement of market links and relations. In turn, it depends on the budget how well society will develop in the country, and how comfortable each citizen will feel individually. The main disadvantage of the current tax system is that financial and legal regulation and its improvement is based on the reorientation of the tax system mainly on direct taxes, taxes on consumption, also increased tax pressure on individuals with all the shortcomings of the income tax legislation and system. In this area there existed and there is such a problem as the fact that the representative bodies of the Azerbaijan Republic, the subjects of the republic and the municipalities do not study the scientific findings of professionals, experts in the area, field of taxes and state taxation. So the legal tax concept of the Azerbaijan Republic has developed only general principles for regulating the tax system in order to ensure the development of the constitutional norms of the Azerbaijan.

Speaking about the issues of the current tax concept of the Azerbaijan Republic, primarily in general, it is worth noting the problem of tax administration - the tax system of the Azerbaijan Republic still remains very cumbersome, uneconomic and unproductive. A huge amount of taxes, difficult methods of their calculation, the presence of a large number of bureaucratic operations lead to a significant increase in the complexity of both tax accounting and tax inspection. Solving the problem of the stimulating influence of the taxation system on the economic activity of enterprises, the development of production and the economic development of the country as a whole are currently one of the state's primary tasks.

The tax legislation, system of the Azerbaijan Republic does not at all reflect the urgent need for novel improvement of the government and country. Development of the tax system is demanded. This is required by the budget message for of the country's 2015 of the President too.

A clear drawback of the tax legislation and system of the Azerbaijan Republic is also the instability of tax legislation: amendments are often made to the AR Tax Code. All this provides an opportunity for unscrupulous taxpayers to manipulate at their discretion the norms of the Tax Code of the Azerbaijan Republic.

Also, the Government of the Azerbaijan should improve the elements of taxes and fees, taking into account the ongoing changes in the social-economic improvement of the state and country. This will both stimulate investment in the development of sparsely populated regions, promote the development of technology industries, and motivate research and development, and ensure the small and medium-sized businesses' improvements and development.

The tax legislation and system of the Azerbaijan Republic should preserve its competitiveness compared to the tax systems of the states that are leading the world market to attract investment, and the tax administration procedures should be as comfortable as possible for bona fide taxpayers. The most important factor in the tax policy is the need to keep a proportionate budget

system of the Azerbaijan Republic. Certain time, this is essential and necessary to preserve the immutability of the tax burden for the sectors of the economy in which its optimum level has been reached. As part of tax incentive measures, it is planned to amend the legislation on taxes and fees in the following areas:

- Support investment and human capital development.
- Support measures related to the provision of concessions on personal income tax.
- Improving the use of property tax deductions for personal income tax. To make the tax system in the

To make the tax system in the Azerbaijan Republic more efficient, it should be improved:

1. Provide the financial authorities of the Azerbaijan Republic with the right to issue additional regulatory acts on tax regulation issues, which need to be specified and detailed if the information contained in other regulatory documents in the field of tax and taxation is not enough;
2. Give the Government of the Azerbaijan Republic similar rights;
3. To supplement the first and second parts of the Azerbaijan Republic's tax Codes with a particular tax rule for taxing organizations that carry out innovative actions, activities in the area of technologies. In it to provide full exemption from taxes of these organizations

In the period from 2015 to 2017. The priority direction for the MF of the Azerbaijan Republic will be a further increase in the tax legislation, system's efficiency. At certain time, the State, Government of the Azerbaijan Republic does not plan to increase the tax weight on the economy in the medium term by increasing the rates of basic taxes. This policy will continue at the end of the plan period - in 2018.

The main objectives of tax policy are, on the one hand, maintaining fiscal sustainability, obtaining the necessary amount of budget revenues, and on the other hand, supporting entrepreneurial and investment activities that ensure the country's tax competitiveness on the world stage. At the same time, any innovations, even aimed at preventing tax evasion, should not violate the constitutional rights of citizens, worsen the current balance of taxpayers' rights and tax authorities, and adversely affect the competitiveness of the Azerbaijan tax system.

A significant reserve for increasing the efficiency of tax control is the elimination of gaps and inaccuracies revealed by law enforcement practice, in law, up to the preparation in the medium term of a new edition of the relevant chapters of the Tax Code. To prepare the relevant legal provisions, it is necessary to use the practice accumulated by arbitration courts, as well as international experience.

The priority of the tax authorities should be to verify the implementation of tax legislation, and not the implementation of any plans for the collection of taxes and fees. Tax control is intended to contribute to the creation of a rational system of taxation and the achievement of such a level of implementation of tax discipline, which minimizes violations of legislation on taxes and fees.

The problems of tax control lead to an increase in tax offenses, a decrease in the volume of tax revenues to the budget, an imbalance in the actions of authorized state bodies and the creation of an unfavorable economic situation as a whole.

The main directions of improving the efficiency of tax control can be distinguished in the first place - the improvement of the entire tax system, which will affect the results of the tax authorities, further reform of the tax administration system and direct improvement of tax control in certain areas of the tax inspectorates.

An important direction of the tax policy of the Azerbaijan Republic until 2018 is the transition to a tax on real estate not only for individuals, but also for organizations. It is assumed that, as in the case of individuals, the new tax will be levied only on real property owned by organizations under the right of ownership (economic management or operational management). In that condition, this is estimated that the new tax will be attributed to regional taxes with the transfer of part of the incoming sums to local budgets.

For the introduction of tax on real estate organizations, it is necessary to create conditions for its introduction in the subjects of the Azerbaijan Republic. For these purposes, it is necessary, first of all, to define the concept of taxation of real estate objects belonging to legal entities, namely:

to determine the composition of taxable items, the tax base, the limits for setting tax rates and possible tax preferences for tax.

So, in order to ensure a uniform approach to the taxation of property of organizations and individuals, it is proposed to determine the cadastral value of real estate objects as the tax base for the tax on real estate of organizations. In this regard, interested federal executive authorities need to develop a methodology for determining the cadastral value of non-residential real estate objects (including industrial buildings, offices, structures, linear facilities, etc.), to ensure that the Unified State Real Estate Cadastre is filled with information about real estate objects belonging to legal entities and about their cadastral value in order to create conditions for the formation of a fiscal register on immovable tax in tax authorities awn.

Citizens who do not receive tax notices and do not pay taxes on the real estate objects and vehicles they have, starting from 01/01/2015, are required to submit information on such property to the tax authorities. Do it one. If an individual received a tax notice or did not receive it in connection with the granting of a tax benefit in relation to his immovable property or vehicles, information on such objects shall not be submitted to the tax authority. It is important to

emphasize that the functions of calculating the amount of property taxes and sending tax notices, as before, remain with the tax authorities. The introduction of the above-mentioned norm for the majority of taxpayers (who receive tax notices) will not fundamentally change anything, but at the same time it will allow to involve in the tax turnover objects of real estate and vehicles, property taxes on which are not paid.

CONCLUSION

The utilize of the massive information, data and analytics is influenced all view of our standart lives, and I would observe auditing to follow suit. In my oponion using technology to say us much more about our companies, entites is obviously within the wheelhouse of auditor. Alternative of realized audit substantive testing by taking a sampling method, you should be able to utilize massive information to test full of the transaction of the company—and also a lot of entity are instantly going in that way. Companies may not be there yet, but I observe within the next audit era or so that you shall begin to see the roll out of much broad-based information testing. Even if substantive testing 100 percent of a transaction of company is not going to identify all problems, but it will surely help determine more of the potential challanges areas.

I think that auditors are progressively involving much more task with less striving, using suitable information technology to select and use relevant data. You now find that they surrouinded all populations or bigger samples and are able to fulfil analytical task utilizing massive volumes of information to discover risksand problems inconsequence and mistakes in the information they are auditing. The utilize of technology will farther help in rising external auditor quality up in the years to come.

I am interested in what is realized in the business area around IT and massive information data current time. Now days data and information analytics can do all of the things which we could have not imagined or expressed in the past. The audit I have enormous respect for – audit plans have innovated and matured for centuries. For example, substantive sample testing method once were an innovation to earn comfort with massive population. I consider data analytical methods – making effective use of massive information—will exchange audit methodology fundamentally and quicker than one might think. In my oponion, the chances to innovate the audit qualification have not been greater.

Improve in modern technology have make a modern formation and form for financial reporting and recording. By investor now has passage to a externally boundless depth and breadth of data, the need has not been bigger for the audit prosedurs to inprove by providing extremely and ralative insights about an financial condition and performance of the entity – while preserve and constantly developing audit quality.Consider the potential for more effective audits done by auditors with more reasoanble tools and skill sets.current days , in many situations auditors show procedures over a relatively sample of transactions – as little as 20 or 30 – and concluede conclusions from a much broader group of data. Using high quality analytics, auditors have the capacity to check 100 percent of operations and actions of the client.We are be able to sort, analyze ten of thousands or millions of transactions to determine risk and mistakes, making it siplier to attract in fields, areas, sections of potential care and dig downhill on those article and matter of higher risk. It will able auditors more than before to help assess inherit and control risks and determine movement within the audit procedures and process. By clever information, audit of the every years will also earn some information from previous times, subject locations, areas of feasible risk and establish a self-naking rich knowledge, information base to better inform companies.

Everybodyspeake about IT and utilize massive data, but a traditional and previose audit methodology might be important, although not innovative.Company performance analysis – analytical reviews– is and has to save a crucial audit step. Indications that numbers are higher or lower than expected are crucial to be able to assess in what areas more audit work must be done. This is not a task for junior audit staff members, but for seasoned auditors who know the business and understand the strategic risks faced by the company. With a trend towards using more IT and data-analytics, auditors have to save that they do not lose grip on their knowledge and understanding of the business and the strategic risks.

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