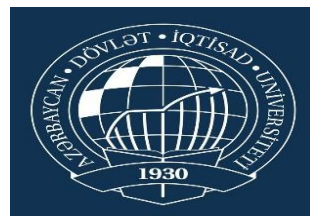


**MINISTRY OF EDUCATION OF THE REPUBLIC
OF AZERBAIJAN**

**ACCOUNTING AND AUDIT OF TAX LIABILITIES,
ITS ENHANCEMENT**

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ABSTRACT

Tax is one of the important sources of income for each country, the tax system is being developed, relations between taxpayers and tax administration are regulated, problems are solved, tax authorities are important targets. The development of the tax system in Azerbaijan is one of the important targets of the state. The Azerbaijani tax system should also be developed to minimize and reduce the adverse effects of the current economy and to minimize the impact of these negative effects on the country's economy.

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LITERATURE

INTRODUCTION

In the present period, the economic system based on market relations has been formed in Azerbaijan. For the management of this system, qualitative changes are required in all areas of economic activity, including accounting and auditing.

In order to calculate the tax payments associated with the entry into force of Tax Code in the Azerbaijan Republic, appropriate tax accounting is carried out. The practice of accounting for tax shows that the main source of information for tax calculation should be the accounting records.

However, the requirements of tax and accounting legislation do not coincide in many cases, which in turn reflects the need for separate accounting and financial accounting, along with accounting records. Within the framework of the implementation of the Program on reforming the accounting standards in accordance with the international financial reporting standards, commercial organizations in the country should establish records and reports at the level of new national standards. 27 national accounting standards for commercial organizations have been developed and approved. In this respect, the recommendations made to improve the accounting records should in some way encourage the parallel implementation of accounting (financial) and tax accounting.

Lack of information on accounting charges (financial statements) confirms the need to group them in accounting (financial) records. The issue of classification of tax payments is still controversial: there are different points

between scholars on the criteria for dividing taxes by certain criteria. The classification of tax payments allows for identifying, minimizing, simplifying research, and practicing. Any classification requirement and always has certain advantages and disadvantages. The classification of tax payments in accounting (financial) records should be useful for accounting, analysis and audit.

Some misunderstandings and shortcomings in the Tax Code and the lack of skilled staff by the tax authorities lead to the emergence of situations that do not allow a specific issue to be solved in the tax calculation. Increasing the risk of errors in the calculation of tax payments, with the emergence of explanations on taxation issues, new normative acts. Misunderstanding of the tax base often result in financial sanctions. Adoption of normative documents on taxation exceeds all the time allowed for their study, requires tax audits to be audited, which makes it possible to timely compile tax assessments.

It should be noted once again that the correct calculation of taxes depends on the management of the state, irrespective of the form of ownership, of state interests

is one of the methods of ensuring and managing the relationships of entrepreneurs and businesses with their commercial interests. By means of taxes, entrepreneurs and businesses are identified with the state and local budgets, foreign economic activity is regulated, foreign investment is encouraged. Tax payments are considered to be the main sources of money input to the state budget, and the government implements its public functions.

The level of studying the problem. Only a few aspects of the theoretical, methodological and practical problems studied on the topic of the dissertation work have been studied in relevant literature. Audit of tax accounting has not been independently studied.

Different theoretical, methodological and practical issues of tax accounting and auditing are presented by economist-scholars of foreign countries X.Anderson, B. Beck, K.Druri, D.Koldduell, D.Ris, J. Rishar, C.T.Thomgren, D.Foster, R.Entoni, A.S.Bakayev, P.S.Bezrukix, R.Y.Veytsman, Y.A.Danilovski, Z.V.Kiryarov, V.F.Pali, MZPizenkoldts, V.Podolski, O.V.Rojnova, Y.V.Sokolov, A.D.Seremet, A.Z.Shneydman, A.N.Xorin and others and learned.

Investigation of this problem was made by economist scientists V.Novruzov, D.Bagirov, M. Hasanli, M.Sadikhov, S.Sabzaliyev, Q.Abbasov, R.Hajiyev, Q.Rzayev, V. Aliyev, V.Guliyev, N.Ismayilov , C.Namazova and others.

Purpose and tasks of the dissertation work. The main objective of the dissertation work is to coordinate the accounting (financial) system in accordance with the new Law of Azerbaijan Republic "On Accounting" and the Tax Code, to develop concrete proposals and recommendations on the mechanism of its audit and its implementation mechanism.

The following tasks have been set in the dissertation: assessment of the possibility of applying various forms of tax accounting organization at the basis of accounting (financial) accounting; to define general and distinctive aspects of accounting (financial) accounting and parallel accounting of tax accounting;

To disclose the difference between earnings calculated in accordance with the Tax Code requirements and earnings calculated on the basis of the accounting (financial) accounting records;

To consider differences in the balance of profit calculated on the basis of the accounting profit (profit) calculated in accordance with the requirements of the Tax Code;

when preparing taxable profit, preparing recommendations on accounting and control over expenditures not subject to deduction under the Tax Code;

To clarify the signs of grouping of initial information on tax payments for accounting, analysis and auditing purposes;

Subject and object of research. During the writing of the dissertation, the information and methodological sources of the State Statistical Committee of the Azerbaijan Republic, the Ministry of Finance of the Azerbaijan Republic and the Ministry of Taxes of the Republic of Azerbaijan were used.

Theoretical and methodological basis of the research is the work of foreign and country economists, practical auditors in the field of fundamental research on economic theory, accounting, audit and taxation, normative, instructional, methodological and survey materials. Specific methods (analysis, synthesis, comparison, generalization, etc.) were used to justify the forward-looking statements.

Scientific novelty of research. A model of optimal accounting policy for taxation purposes has been prepared;

Proposals were made to improve the accounting reporting forms that reflected the information on calculated tax payments;

An entity's revenue and expenditure identification system has been developed to compute the taxable profit by completing accounting (financial) accounting records with additional requisites.

Practical importance of the work. The practical significance of the work is that the recommendations and suggestions made allow taxpayers to apply their existing accounting records in the Republic to the Tax Code.

The results obtained from the research include "Financial Accounting", "Management Accounting", "Tax Accounting", "Basis of Audit", "Financial

Reporting", "Financial Analysis" and so on in economics-oriented high schools and colleges. can be used in the study of subjects.

Volume and structure of work. Dissertation work consists of introduction, three chapters, results, suggestions and literature.

CHAPTER I.

ECONOMIC AND LEGAL BASIS OF ACCOUNTING AND AUDITING OF TAX LIABILITIES

1.1. The economic essence of tax liabilities and the objectives of accounting and auditing.

Particular importance is given to the assessment of financial and economic activity of enterprises in the market economy. For these purposes, the information gathering, classification, summarization and analysis system is used. This system incorporates accounting, finance, management and tax accounting related to each other. Although each of these types of records is used to solve specific tasks, they create a single accounting system.

Their creation of a single accounting system is explained by the fact that these types of accounting have an initial general information base, their purpose - to form a complete and useful information for making different management decisions. It is important to keep in mind the specifics of those types of accounting. Let's look at this from a comparative perspective, regardless of accounting records (financial) accounting.

The development of accounting (financial) accounting and reporting as well as the theoretical and methodological issues of tax accounting depends primarily on the correct definition of the concept in this area. If we define the conceptual elements of the essence of concept, then we should refer to the following:

- Purpose;

- Users;
- Elements and objects of accounting and reporting;
- Key characteristics of the information formed;
- General principles and methods of information formation.

As you can see, the concept of the first element determines the purpose of the accounting.

The purpose of accounting (financial) accounting and reporting -

to provide users with useful information about the entity's business, financial condition and results of its operations. They use that information to make economic decisions. The conceptual element of the concept plays a fundamental role in determining the theoretical and methodological foundations, principles and standards (rules) of any type of record as a whole. Users of financial accounting and reporting information can be divided into the following groups:

- Owners (shareholders) of the enterprise;
- Existing and potential investors;
- Creditors;
- Sellers and buyers ;
- tax authorities;
- employees of the enterprise;
- financial issues, tax consultants;
- Regulatory authorities;
- Other users.

The information in each of the groups of users accounting (financial) accounting and reporting is interested in certain parties. Investors, shareholders are interested in evaluating the enterprise's profitability, paying dividends. Creditors are interested in repaying their loans and loans and paying interest on them. The sellers are interested in the enterprise's solvency and the buyers are resistant and stable.

Tax authorities need information on the correct calculation and payment of taxes.

The company's employees are interested in the stable operation of the enterprise, its ability to pay wages and other payments on time. Consultants use the information they need for their clients' needs. Regulatory authorities use information to determine activity of enterprise regulation policy.

These are defined as the accounting (financial) accounting and reporting elements or indicators: assets; liabilities; capital; revenues; expenses.

Conceptual basis of tax accounting or concept is not specifically developed in the country. However, this does not mean that the purpose of tax accounting and the absence of its own principles and rules. It can be said that the objective or purpose of tax accounting is to form a complete and honest information to determine the taxation base. Such information covers all economic transactions or objects that create a taxation base. Tax accounting and reporting information is used by the tax authorities to oversee the full and honest accounting of taxes and the transfer to the budget. These users make administrative decisions on the formulation and payment of taxes within their mandate.

As mentioned earlier, information on accounting (financial) and reporting forms the entity's assets, liabilities, capital, revenues and expenses. Taxes are liabilities of the entity and included in the accounting and reporting liabilities.

As defined in the Principles and Conceptual Principles, a liability is a debt that has arisen as a result of past events that result in the loss of economic benefits to the entity from the entity. This definition first discloses the economic substance of the obligation. However, in the Tax Code, it is defined as a mandatory, individual, non-repayable payment transferred to the state budget and local budgets in the form of alienation of monetary funds owned by the taxpayer for the purpose of financing the activities of the taxation authorities and municipalities. Such identification is more legal character.

In other words, Accounting and audit as well as the subject of tax accounting in the Tax Code. It is also related to the fact that the so-called corporate tax liability is the amount that is formed on the basis of interests of the state rather than on the interests of that entity. But at the same time, the tax is the category of the entity's property and the results of its activities and, therefore, its accounting and reporting should be with the accounting and reporting system within that entity. However, it is necessary to explore in detail how this relationship can be and how it can be from the theoretical and methodological point of view.

Assets, liabilities and equity items are reflected on an enterprise's balance sheet and are used to form an entity's financial position.

Some taxable items are directly related to assets and liabilities. These include property taxes, value-added tax, and other taxes. In other words, some of the assets play a role of a tax base, and liabilities show that there are taxes on their part. Part of capital (additional capital, reserve capital, etc.) is generated from income. Retained earnings, which are an important part of the capital, are determined by comparing revenue and expenses. Profit is the basis for tax deduction.

Revenues and expenses characterize the financial performance of an entity and are generally recognized in profit or loss.

The definition of accounting, financial statement and accounting elements in both the International Accounting Practice and Conceptual Principles, as well as the definition of assets with a tax base, are formulated as follows: Assets are those that have been created as a result of past events in the entity's disposal and in the future, and are economically beneficial to it.

A liability is an obligation arising from an entity's past event that its payment will cause the entity to dispose of its economic benefits to the entity. A liability is an obligation arising from an entity's past event that its repayment will cause the entity to dispose of its economic benefits to the entity.

Capital is the entity's share of the assets after deducting all of its liabilities or its net assets.

Revenues are defined as an increase in the economic benefit of the entity during the reporting period, which is reflected in the increase of assets or the value of its assets, or the reduction of liabilities, and as a consequence, an increase in capital (without the increase in ownership interest).

Expenses are defined as the reduction of economic benefits that an enterprise will receive during the reporting period, which is reflected in the reduction of the assets or the increase in the liability, resulting in a decrease in the value of the equity (excluding the owners' equity).

It is not difficult to identify once again that all elements of accounting (financial) accounting and reporting play a potential basis for determining the amount of different taxes set out in the Tax Code. Taxes are also within these elements, or part of them. In other words, all rules and procedures relating to

the formation and payment of taxes are determined irrespective of those elements.

1.2. Accounting and tax accounting features in the application of International Financial Reporting Standards.

In most European countries, the term 'tax accounting' refers to tax regulations the calculation of revenue and expense in the income statement. Almost all countries in the world have differences between calculation the taxable income and the financial performance of the taxpayer. Such differences arise from the variety of objectives facing tax and accounting. Tax accounting should reflect the following, based on the state's principles:

implies that:

- accurately reflect the taxpayer's revenues;
- to raise interest in various types of investments (rapid amortization and other investment interests);
- Reduce interest in various types of costs (eg, representation costs);
- Preventing tax evasion (eg transferring prices);

All of the above are based on the characteristics of the tax legislation.

Generally, all countries use a single source of information for the purpose of compiling reports both for accounting purposes and for calculating the taxation base. In order to compile a profit tax return, information is collected from a specific taxpayer's account. These sources of information are also considered to be the basis for other types of taxes. However, the coordination

of accounting records and tax returns is determined by the history of a specific country. The forms of coordination shown in most cases depend on the rules for the preparation of accounting reports.

One of the most important factors in tax accounts is the use of taxpayer accounting records. In many European countries, the balance sheet method is used to determine the entity's taxable profit. In other words, taxable profit is calculated as the difference between the value of the net assets of the taxpayer at the end of the year (including the amount of dividends) on the value of net assets of the taxpayer at the beginning of the year. The positive difference is the amount of tax profit, and the difference is the loss of economic activity.

In some countries using common law (where judgments, as well as judicial decisions play an important role), « The Revenue and current expenses » system is used to determine the amount of taxable profit. Here, taxable profit is calculated on the basis of the taxable income received by taxpayers. In this case, all expenses incurred during the year and deducted from the taxation base during the year are taken into account. The tax legislation of such countries lists a list of all items of income and expense. Therefore, the formal requirement for the entity's financial results is weak in tax legislation.

In this section of the case we have tried to give comparative characteristics of accounting and tax accounting in a number of countries. One such country is France.

France is one of the countries supporting the idea of unified accounting. Accounting practices in France refer to legislation. Here's the first set of accounts in 1947. Under the influence of the Seventh Directive of the European Union, the General Account Plan was approved in 1982 and this plan was expanded in 1986, taking into account the requirements of the Seventh Directive.

"General Account Plan" includes the following:

- national unified accounts plan (legally binding);
- definitions and explanations of terms;
- accounting principles (assessment);
- standard forms of financial statements;
- Accepted methods of accounting of expenses.

Before the adoption of this plan, tax legislation was in force, and practically accounting and reporting were embodied under the requirements of tax legislation. The first taxation law in 1914 reveals the link between taxation and the necessity of accounting.

In France, the "balance method" of taxation is applied. The difference between the the beginning and ending of the year value of assets is taken into account in determining taxable profit. There are a number of general requirements for accounting in the tax legislation, such as the forms of accounting reports and the assessment procedures. Tax deductions are generally permitted only when they are reflected in their accounting records.

The German system differs from the high level of taxation principles.

Here the rules of accounting statements are subject to the principles of tax accounting. In contrast to the English-Saxon experience, a German accounting report primarily prefers more tax legislation than investors' and other financial markets' stakeholders' needs. At the time of the preparation of accounting reports in Germany, there may be little difference between the balance sheet prepared for tax purposes and the published balance sheet. Where appropriate, adequate adjustments to the accounting policies (eg,

adjustments to the recoverable resources) need to be made in accordance with the requirements of the tax legislation.

In Germany, the "Balance Method" is preferred over the tax calculation period. In this method, the primary point in determining taxable profit is the difference between the net assets of the company's balance sheet and the end of the year.

The tax rules are closely related to the manner in which the accounting report is prepared. When determining the amount of taxable profits, the "principle of determination" is used. In other words, this amount is calculated on the basis of information reflected in the taxpayer's accounting records.

Accounting in the United States is regarded as an independent science and its main principles are taken from the UK accounting system. Accountants refer to highly professional decisions and compactness in their activities.

In the US, financial results (unlike the legislature approach) dominate the concept of "honesty and justice". Professional activity of accountants is regulated by the Council of the Financial Accounting Standards (FASB). It is an independent body of the Special Unit and develops appropriate accounting standards. FASB has no authority to draft laws; its rules are considered generally accepted accounting principles (GAAP). These rules are simple professional standards, but their application is strengthened by the help of the Federal Securities and Exchange Commission (SEC). The Federal Commission regulates the activities of openly-traded companies on stock exchanges.

Different European countries have adopted separate principles of tax and accounting reporting in the United States. This means that US tax law is far from being able to accurately link accounting and tax reporting. According to the rules, all the principles of tax accounting are regulated by the tax code and

in the US normative documents or by judicial review. Despite the fact that the rules for the preparation of accounting records have an important role for practical purposes, taxable profit is calculated irrespective of accounting procedures.

In the US, the taxpayer's document of tax liability is tax declaration. The main task of the taxpayer is to timely replenish and submit the declaration. At the same time, great attention is paid to the "book" of the taxpayer. The taxpayer must keep records of accounts and other accounting information in order to justify the accounting information and tax declarations.

US tax legislation does not define concrete methods for conducting accounting records or accounting reports that can be used by taxpayers. These documents do not disclose the "accounting method" for tax purposes. It is such an assumption that the US Congress and the tax administration believe that the accounting method is essentially regulated practice and through which expense and revenue items are reflected in the accounting records.

The US Tax Code contains numerous items that define the rules of accounting for these or other items of taxation for tax purposes. Income accounting is also reflected in the tax legislation and depends on the nature of revenue. Certain items of tax legislation is encountered concrete issues such as computing, cash management, inventory accounting.

However, the US Tax Code does not contain any requirements for the application of a single accounting method for all taxpayers. In the Code, the principle of income and expense has been defined. There are no articles in the code about specific methods of reporting. Even though the basic accounting records indicate the need to be neatly and correctly followed, there is no mention of the manner in which they are introduced.

For the purpose of taxation in the United States, the final result for the determination of the taxable base is shown in the tax declaration. In the Declaration, all the major elements of the calculation of tax liabilities are recorded and then consolidated. The US tax declaration differs greatly from the declarations made in European countries. More specifically, the American declaration resembles more financial statements and has its own tax balance. This document lists all the key elements of the taxpayer's taxable profit.

Under the US tax law, the taxpayer uses the revenue and expense report system and takes the appropriate accounting information to fill the tax return.

In the US, the taxpayer is permitted to use the following methods (taking into consideration some of the limitations of the Tax Code) :

- cash accounting method (only for individual entrepreneurs and small entrepreneurship entities);
- special method of accounting of some items of income and expense;
- Combined method (hybrid method), at this time, the two elements mentioned above are used in this method.

There are a number of strict requirements for applying a free or other method of unlimited amounts in the US to select accounting methods for tax purposes. In principle, three main requirements are attracted. On the basis of these principles, tax authorities have the capability of the correctness of the method chosen by this or that taxpayer.

1. The tax accounting method must comply with the income calculation method.

This demand plays an important role and shows that even the American system is practically practical for taxpayers.

One of the important aspects of tax accounting is that taxpayers' profits are calculated when tax inspections are carried out | should be checked. This is achieved by the fact that the taxpayer uses the same accounting method for accounting and tax purposes. Such compatibility of the methods allows the taxpayer to use a single set of books and accounting information.

In recent years, some US accounting experts have found that taxpayers are not expedient to use a variety of methods for accounting and tax purposes. At a certain stage of the development of tax legislation, the Congress noted that more taxpayers are increasingly exposed to tax exemptions, and more in the accounting reports than in the profit mass.

2. The method of accounting should reflect the profit of the taxpayer.

The second requirement in the United States is that the taxpayer's accounting method reflects the profit correctly. If that does not happen, then tax authorities should recalculate the taxable profit by using the same method they think is more accurate.

3. The method of accounting shall be used continuously without exposure to change; the taxpayer can change the accounting method only with the permission of the tax authorities.

The main requirement in accounting is that the method can accurately reflect the amount of taxable profit. This is achieved by the fact that every year, all items of total revenues and expenses are calculated in the same way.

The accounting periods for income and expense in US tax records are key issues. In the "tax" accounting, usually the nature of income and (or) expenses is no interest. American tax legislation defines the rules for revenue and losses. Below are issues listed in US tax law :

1. Accounting method:

- specific rules for the receipt of income and expenses on the cash and calculation method;
- can the taxpayer use several methods of accounting;
- requirements for accounting methods - matching the taxpayer's accounting registries, accurate revenues, continuity of application;
- restriction of free choice of methods by the taxpayer.

2. Specific rules for applying cashier's method and calculation method:

- degree of harmonization of reporting rules;
- differences between rules of accounting and tax purposes.

3. Specific rules for the calculation of depreciation deductions:

- defining categories of property assets and amortization norms;
- accelerated amortization rules.

4. Inventory:

- main requirements;
- Cost of inventory for manufacturers, wholesale and retail trade organizations and other organizations;
- Removal of inventory costs from expenses to market;
- FIFO, LIFO and other methods.

5. Deferment of funds acquired during a long-term sale:

- accounting for the sale of the proceeds on the one-time or part-time basis.

6. Changes in Accounting Practices and Methods:

- coordination of corrections with tax inspection bodies;
- Controlled adjustments and their impact on taxation.

7. Registration period:

- determining the tax period and any changes that differ from that period.

8. Cost of money depends on time:

- Discount on initial value (distribution of expenses in the period of interest income and debt repayment);
- postponed payments;
- rent (rental payments are not evenly distributed during the lease term);

CHAPTER II. CURRENT STATUS AND IMPROVEMENT OF ACCOUNTANCY FOR TAX LIABILITIES

2.1. Accounting for direct taxes.

The difference between the income earned by businesses and the costs deducted is called profit. Profit tax is called profit tax.

Resident and non-resident enterprises in the Republic of Azerbaijan are profitable tax payers. The taxation object for the enterprise is its profits. Businesses earn tax on the profits they have received, that is, the remainder after the deduction is made on the total revenue.

The following are exempt from profit tax:

- Income from charitable organizations other than income from entrepreneurial activity;
- Revenues from international and intergovernmental organizations, other than income from entrepreneurial activity;
- non-transferable organizations' remittances, membership fees and donations;
- Revenues of State Authorities, budget organizations and local self-governing bodies, except for income from entrepreneurial activity;
- Revenues of the National Bank and its institutions, etc.

Accounting for income tax is carried out on the basis of NAS 4 "Current Income Tax" and Nos. 4 of "Deferred Income Tax". The main concepts in these standards refer to the following meanings:

Accounting profit - is net gain or loss for the period before deducting tax expense.

Taxable profit - (tax loss) is the profit or loss recognized in profit or loss for the period in which earnings is calculated in accordance with the rules issued by the tax authorities.

Tax expense - (tax revenue) is the aggregate amount included in net income / loss for the current and deferred tax.

Current tax - is the amount of tax payable or payable in respect of the taxable profit or loss for the reporting period, taking into account the adjustments in prior periods.

Temporary differences - are differences between the carrying amount of an asset or liability and their tax base.

Regular differences - are the difference between the tax benefit and the profit or loss recognized in the financial statements due to the fact that certain types of income are not taxable or are not recognized by the tax legislation, or because of the absence of appropriate amounts in the financial statements for certain tax calculations or tax deductions.

Investment tax credits - the amount of income tax liability

is an integral part of the investment that can be deducted from capital investments.

Deferred tax liabilities - are the amount of tax payable in the future in respect of taxable temporary differences.

Deferred tax assets are the income tax expense that is expected to be deducted in future periods.

a) deductible temporary differences;

b) unused tax loss on a future basis; and

c) unused tax credits for the future period.

Temporary differences are divided into taxable and deductible temporary differences

(a) Taxable temporary differences mean the difference between taxable amounts in determining taxable profit (tax loss) for future periods in which the carrying amount of an asset or liability is recovered or repaid.

(b) deductible temporary differences mean the differences resulting from the determination of the taxable profit (tax loss) of future periods where the carrying amount of the asset or liability is received or paid.

The tax base is the amount attributable to the asset and liability for tax purposes.

Give examples of tax assets and tax liabilities.

Income and Expenses	Nəzərə alınan məbləğ		Differences in the reporting period	Tax Assets and Liabilities
	Mühasibat uçotunda	Vergi uçotunda		
Representative expenses	20.000	10.000	10.000 (permanent differences) x 20%	2000 (permanent tax liability)
Unique QMA	15.000	-	15.000 (permanent differences) x 20%	3000 (permanent tax liability)
Amortization	5.000	2.500	2.500 (deducting temporary expenses) x	500 (deferred tax

amount			20%	active)
Cost of loaded products	100.000	80.000	20.000 (deducting temporary expenses) x 20%	4000 (deferred tax active)

The occurrence of a permanent tax liability is reflected in accounting:

DT 901 " Current Income Tax Expense "

CT 521 "Tax liabilities"

The creation of a deferred tax asset is reflected in accounting:

DT 161 "Deferred tax assets"

CT 521 "Tax liabilities"

The decrease in the deferred tax asset or the full paying of the deferred income tax expense (income) is reflected in the accounting records :

DT 521 "Tax liabilities"

CT 161 "Deferred tax assets"

The deferred tax liability is reflected in the accounting records :

DT 902 "Deferred income tax expense"

CT 421 "Deferred income tax liabilities"

Taxable deferred tax liabilities are also reduced or deducted when deducting taxable temporary differences during the subsequent reporting periods and paying them in full. This is reflected in the record by writing the following:

DT 421 "Deferred income tax liabilities"

CT 521 "Tax liabilities"

Such accounting records are generated when the assets that are deducted from deferred tax assets are calculated:

DT 801 "Gross Profit (Loss)"

CT 161 "Deferred tax assets"

Accounting records are generated when the assets or liabilities that are deducted from deferred tax assets are calculated:

DT 421 "Deferred income tax liabilities"

CT 801 "Gross Profit (Loss)"

Enterprises with municipal property pay profit tax to local budgets and other enterprises to the state budget. Profit tax rate is 20 percent.

Up to the fifteen of the next month after the current payments are paid, the final payment for the reporting year and the return of the declaration will be made by 1 April of the following year.

Property Tax. According to Article 196 of the Civil Code, both physical and legal persons are property taxpayers. Individuals subject to the property tax shall include the property of their property, ie buildings, parts there of, automobiles, water and air transport vehicles. Enterprises are subject to property tax on fixed assets (motor vehicles and other fixed assets) on the enterprise's balance sheet.

Taxpayers with taxable items and non-resident enterprises engaged in entrepreneurial activity in the territory of the Republic of Azerbaijan are property taxpayers.

Enterprises pay property tax at a rate of 1 percent of the average annual residual value of fixed assets. According to the engine size of motor vehicles (1 cm³), the annual tax on motor vehicles is subject to the following deductions from the non-taxable income:

Cars - 0.01%

Trucks and buses - 0.02%

For tax purposes, the value of the entity's property for the purposes of taxation is reduced by the value of the following property: objects of ecology, fire protection or civil defense, transmission lines, railways and motorways, communication and energy transmission lines, melting and irrigation system facilities, the value of the property of the facilities, educational, health, sports and cultural facilities used only for the purposes of these areas, is exempt from the tram and trolleybus property tax for the city passenger transport.

Property tax is calculated based on the average annual residual value of the property. The average annual residual value of an entity's property is determined by dividing the property of the enterprise (excluding motor vehicles) at the beginning of the reporting year (the residual value after the depreciation for the year then ended) and the residual value at the end of the reporting year. Accounting of enterprise tax on property tax is made in the corresponding sub-account 521 "Tax liabilities". The tax period for the enterprise's property tax is counted as the calendar year. Current tax payments relate to the amount of taxation on the taxpayer for the tax year. Property tax of the enterprise is paid to the state budget.

When calculating property tax, DT 801 "Total Profit (Loss)" is credited to CT 521 "Tax Liability" and DT 521 "Tax Liability" CT 223 "Bank on Accounting" at the time of payment.

Property tax payers pay advance of 20% of the property tax no later than from the 15th of the second month of each quarter as current tax payments. Entities shall submit their annual tax return and the final payment to the tax authorities before 31 March of the year following the reporting year.

Owners of motor transport vehicles owned or operated by foreign states included in the territory of the Republic of Azerbaijan as well as persons within the territory of the Republic of Azerbaijan shall be considered as taxable items of the road tax.

Non-resident enterprises and physical persons, who are the owners of vehicles, entering the territory of the Republic of Azerbaijan and transporting passengers and cargo from that territory, as well as persons having vehicles, buses and other means of transport on the territory of the Azerbaijan Republic are taxpayers, because of the using roads in Azerbaijan Republic.

The calculation of road tax on motor vehicles of foreign states entering the territory of the Republic of Azerbaijan shall be carried out on the territory of the Republic of Azerbaijan, depending on the type of motor vehicle, number of seats, load capacity, combined weight of load, weight, distance from AR territory, shall be calculated on the basis of the amount of motor vehicles owned and operated. The mentioned type of tax is calculated according to the relevant article of AR Tax Code.

Vehicles of foreign countries shall be exempted from customs duties by the customs bodies at the time of their entry into the customs territory of the Azerbaijan Republic and transferred to the state budget within one banking day.

Individuals with motor vehicles, which are owned and used by persons in the territory of the Republic of Azerbaijan, pay annual road tax to the state budget when passing technical examination.

Legal entities that own or use the vehicle status in the territory of the Republic of Azerbaijan at the end of the calendar year shall submit the annual tax return to the tax authority no later than 31 March of the year following the reporting year and pay the assessed tax to the state budget for that period. The amount of the calculated tax is attributed to non-deductible expenses that are deductible.

DT 711, 721 CT 521, and DT 521 CT 223 accounting for the road tax, when transferring to the budget.

Individuals and enterprises, irrespective of the results of the economic activity, shall pay a land tax on a stable amount of land plots located in the territory of the Azerbaijan Republic owned and used.

Land plots, which are owned and used by natural persons and enterprises in the territory of the Republic of Azerbaijan, shall be regarded as objects of taxation. In this case, the documents confirming the right of ownership or use of land are taken as the basis. The land tax is calculated and paid for the land and facilities required for the sanitary protection of the lands under the buildings and facilities.

In order to calculate the land tax for agricultural land, each hectare of land plots must be multiply point. The conventional point is determined specifically, considering the designation, geographical location and quality of the agricultural land, and is documented in the land document.

To calculate the land tax on lands occupied by industry, construction, transport, communications, trade, household services and other lands of special purpose, lands of residential buildings, lands of the yard areas and lands of citizens' lands, each square meter of that land area shall be shown at the rates indicated in the tax code needed.

Businesses calculate the land tax yearly based on the size of the land plot and the rates specified in the Tax Code, and submit the relevant declaration to the tax authority no later than May 15.

Individuals' land tax is calculated by the municipality in the aforementioned order until 1 July of the current year and communicates the payment notice to the beneficiary no later than August 1 of the same year. The assessed land tax is paid in equal parts no later than August 15 and November 15.

Land tax is compiled 202, 203, etc. on the Debit account when calculating the production costs, 521 is recorded Credit account. When transferring the tax to the state budget, the DT 521 CT 223 accounting record is drawn up.

Individuals pay land tax to the local (municipal) budget and legal entities to the state budget.

The mining tax is paid for mineral resources extracted from the earth's surface in the territory of the Republic of Azerbaijan, including the sector of the Caspian Sea (Lake).

Individuals and enterprises producing mineral resources in the territory of the Republic of Azerbaijan are considered as mining tax payers. The rate of mining tax is differentiated depending on the type of minerals extracted from the earth's surface. The rates of mining tax are determined in accordance with Article 216 of the Tax Code of Azerbaijan Republic. According to this article, the level of the mining tax is based on the wholesale price of crude oil, 26% on crude oil, 20% on natural gas, and 3% for non-ore minerals, with different rates for each cubic meter (eg 6% for mineral water, 4% of stone salt and 0.5% of cement raw material).

The mining tax reporting period is a calendar month. The amount of the mining tax for the reporting month is calculated not later than the 20th of the

month following the month of mining. Mining tax payers must submit tax returns to the tax authority no later than the 20th day of the month following the reporting month, and to the municipalities on the mining taxes included in the local budgets.

Mining tax refers to non-deductible expenses. Mining tax (excluding local construction materials tax) is paid to the state budget.

Construction materials of local significance include brick-ceramic clay, construction sand, gravel raw material.

Mining tax is compiled 202, 203, etc. on the Debit account when calculating the production costs, 521 is recorded Credit account. When transferring the tax to the state budget, the DT 521 KT 223 accounting record is compiled.

2.2. Accounting for indirect taxes

Value added tax was applied in the 20th century. The specific scheme of attracting VAT was prepared by French economist M.Lore in 1954 and was first introduced in France in 1958 with his participation. The vast amount of VAT has been applied by a document signed in Rome in 1957 on the establishment of the European Economic Community. According to this document, the participating States have undertaken to harmonize their tax systems to create a common market in Europe. In 1967, the European Union Directive adopted the VAT by main European indirect taxes and recommended member states to apply this tax until 1972. At present, VAT (including "general sales tax", "other goods and services taxes") is applied in 135 countries around the world.

Value added tax is a form of budget appropriation of part of the value added, determined as the difference between the cost of sold goods (works, services) generated at all stages of production and circulation, and material costs included in production costs. Value Added Tax (VAT) is the budget of part of the cost of all goods imported into the territory of the Republic of Azerbaijan and imported into the territory of the Republic of Azerbaijan, as well as the value added in the producing goods, performing works, rendering services and circulation in the territory of the Azerbaijan Republic. VAT degree is 18 %.

All legal and individual entrepreneurs, who are VAT payers, are obliged to keep accounting and tax accounting in accordance with relevant legislation of the Azerbaijan Republic. VAT is a consumer tax on universal tax that has a large tax base. VAT payers are practically the majority of legal entities that pay this transaction on a regular basis.

If profit tax at the disposal of the entity result in a decrease in the amount of wages paid to the earnings, the value added tax does not reduce the size of the entity funds because the product is sold at the price of the merchandise sold by the customer. The value added is not included in the turnover and operating expenses, but as a separate indicator in the payment order and other documents.

According to Articles 164 and 165 of the Tax Code of the Republic of Azerbaijan, they are VAT and are subject to "0" degrees and types of activities to be applied. While paying attention to VAT exemption and performance of goods and services, it is evident that the peculiarity and outcome of the steps taken by the state in the field of economic progress has been smashed out of the prism of the social development of the population [1].

The procedure for reflecting the value-added tax in accounting records is based on how the entity determines the cash flows from sales for taxation purposes. Under current legislation, entities may determine the proceeds from sale in two ways: "on payment" and "on-loading". It should be considered that household sub-entities should choose only one of these methods during the reporting year and can not be changed by the end of the calendar year [18].

It should be noted that these methods applied in the accounting system are identical with the "cash" and "calculation" methods applied in accordance with relative tax legislation, consider the differences in the application principles.

No. 68 account shall be calculated or paid to the budget of the sub-account "VAT", but debit is reflected the amount paid on these taxes and the VAT amount to be deducted from the budget.

In general, the taxable amounts payable to the budget for the economic operations carried out at the enterprise are written down to debit :

Corresponding with the Budgetary Property Account No. 68 with credit :

Dt 46, 47, 48 - goods sold, fixed assets, intangible assets and so on. VAT amount payable to the recipient (customers) on assets and paid to the budget;

Dt 64 - VAT amount on advance amounts received from the buyer (customers);

Dt 80 - rent, penalty, etc. amount of VAT on payments;

Dt 08 - VAT amount on construction works executed in the form of economic accounting.

VAT amount paid for work and services rendered for production purposes, as well as costs of production (turnover) expenses for services and works, value

added tax for production and circulation costs, capital contributions and intangible assets aren't belong to balance cost.

In the case of the sale of raw materials and materials related to the production (circulation) expenses, the amount of the value added tax calculated at the time of issuing the work and services documentation is calculated on the basis of the "VAT on purchased goods" section of Article 19, "Property with managers and sellers" or should be reflected in the Credit No: 76 "Differentiated Debtors and Creditors".

When the value of the purchased materials is spent on capital expenditures after payment to the sellers, the amount of VAT paid to the sellers is calculated with the budget. At this time the following entry is made in the accounting records:

Dt 68 "Accounting with Budget"

Ct 19 "VAT on purchased resources"

Now let's look at the examples we have just mentioned above:

Example. 1. The cost of the piece included in the warehouse documents is 100 thousand manats and the value-added tax - 18 thousand manats. At this time, the following accounting records should be made.

Debit	Credit	Amount (AZN)
10 "Raw materials and materials"	60 "Accounting with Contractor and Seller"	100 000
19 "VAT on purchased resources"	60 "Accounting with Contractor"	18 000

	and Seller”	
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When the money is paid:

Debit	Credit	Amount (AZN)
60 “Accounting with Contractor and Seller”	51 “On Accounting”	100 000
68/5 Accounting for Value Added Tax	19 "VAT on purchased resources"	18 000

Example 2. When the payment document for the cleaning service is given by an outsourer to a legal entity is AZN 1000 (including 180 VAT)

Debit	Credit	Amount (AZN)
20 "Basic production"	60 “Accounting with Contractor and Seller”	1000
19 “VAT on purchased resources”	60 “Accounting with Contractor and Seller”	180

When the service fee is paid with cashless, the following correspondence should be provided:

Debit	Credit	Amount (AZN)
60 "On Accounting Contractor and Seller"	51 "On Accounting"	1180
68/5 "On Accounting for Value Added Tax"	19 "VAT on purchased resources"	180

Accounting for budget calculation on excise. Excise is considered to be the oldest type of taxation and is a type of indirect tax collected from taxpayers selling and selling excise goods, included in the sales price of excise goods, intended for separate types of products. All excise taxes, such as excise tax, are included in the commodity price and form its value, and the tax burden is actually paid to consumers by the consumers of tax excisable goods. That is, excises are often referred to the price structure of unmarked products by setting the final product value.

Excise is defined for the purpose of capturing a portion of the additional earnings from the production of highly profitable products in the state budget. The use of excise tax for centuries proves that this tax is one of the most reliable sources of the budget. Excises of economic significance are applied on the one hand to the state budget for part of the additional profit derived from the production of highly profitable products and, on the other hand, to restrict the consumption of socially harmful commodities.

Excise products include : All kinds of drinking alcohol, beer and alcoholic beverages, tobacco products, oil products, cars, yachts for recreational or sports purposes and other floating vehicles intended for these purposes, imported platinum, gold, jewelry and other household articles , processed, sorted, framed and fastened diamond.

Tax rates on excise goods are determined by the relevant executive authority or by the Cabinet of Ministers.

Citizens of the Republic of Azerbaijan, as well as all enterprises and individuals involved in the procurement and importation of excise goods, as well as outside the Republic of Azerbaijan, are not liable to pay as an employer or a legal person, but exclude the goods exclusively through the Contractor.

The time of taxation transactions is for the goods exported to the territory of the Republic of Azerbaijan, when the goods are extinguished outside the building of the commodity building and the goods are exported under the Customs Code of the Republic of Azerbaijan.

The accounting for excise is accounted for under the subaccount "Excise accounting" in paragraph 68 "Budget accounting", paragraph 19/5 "Costs of unpaid material exemptions", item 19 "VAT on acquired property" "Costs of Future Periods" is carried out under the "Advance Payment on excise marks" account.

Let's take a look at excise tax records at Goldex LLC, which we are dealing with the manufacture and sale of gold jewelry. Imagine that the enterprise imports both gold and precious jewelry from abroad.

If an excise tax is calculated, then the following accounting records are issued:

Dt 19/5 "Excises on unpaid material valuables"

Ct 68/4 "Accounting on the excises" subaccount

It should be noted that an enterprise can pay excise in several stages. For example, if an entity has acquired any excised goods to be used as raw materials and materials in the production of other excise goods, it is payable when it produces raw materials and materials as well as other raw materials using the raw material and material under the Tax Code. At the same time, the same entity reserves the right to substitute the amount of excise paid when buying raw materials. If the taxpayer has submitted the invoice, the raw material and the materials confirming the payment of the excise tax, the relevant taxpayers should submit the relevant documents to the tax authorities. In short, if the enterprise imports gold from abroad, ie used in the production of jewelry, then the excise paid in imports is substituted and the following accounting records are issued:

Dt 68/4 "Excise on accounting" subaccount

Ct 19/5 "Excises on unpaid material valuables"

CHAPTER III. METHODOLOGY AND DEVELOPMENT OF AUDIT OF TAX LIABILITIES

3.1. Purpose and principles of audit of tax liabilities

As a country passing the market economy, entrepreneurship develops in the Republic of Azerbaijan and new enterprises are created. But experience shows that the formation and rapid development of market relations, along with positive factors in modern Azerbaijan, also contributes to the emergence of difficult, contradictory and complex processes. I would like to note with regret that not all enterprises have their income and expenses correctly reflected in accounting and tax records. For this reason, since the independence of our country since the early years of market relations, the state faces numerous taxpayers' tax evasion. The result of such cases is that in many developed and emerging economies there is a financial problem like "Secret Economy". The reason for the emergence of a "secret economy" is that tax evasion is a problem and this is a problem in calculating GDP, and each state must control the calculation, retention, timely and full payment of taxes, as well as their overall record. Otherwise, the increase in tax evasion will result in substantial losses in the revenue side of the budget. In this regard, the law enforcement agencies are in charge of combating tax evasion. Because statistics show that tax crimes are increasing year by year.

As we know, the volume of oil revenues prevailed in previous years' budget revenues. But due to the sharp decline in oil prices in the current period, oil revenues to the budget have dropped. It is known that the increase in the unemployment rate on the current situation in our country has had an impact on the purchasing power of the population. In doing so, the reduction in income from enterprises and firms encourages tax evasion to reduce their costs. In view of the current situation, we see how tax revenues dominate in the budget and at the same time consider the particular importance of the amount of taxes in the budget, the importance of tax audits is crucial and relevant. Tax audit is a mobile tax audit carried out by the tax authority based

on tax returns, as well as on the calculation and payment of taxes and information received from tax authorities on taxpayer activity and from other known sources.

I would like to note that the tax authorities in accordance with the rules set out in the Tax Code of the Republic of Azerbaijan carry out tax audits to ensure full and timely collection of taxes. Tax control is a unified control system for taxpayers and taxation entities, as well as compliance with tax legislation.

The main purpose of taxes audits is to generate an auditor's opinion on the degree of conformity and degree of reliability of economic entities to the formation and recording of taxes paid to the budget in accordance with the existing legislation [33].

According to the applicable laws in force in our Republic, each taxpayer or individual is obliged to ensure that the taxes are calculated and paid correctly. According to the Tax Code, individuals and legal entities paying taxes must submit a report to the tax authorities on the calculating and deduction incomes accounted for in each quarter of the reporting year.

As we have already mentioned, indirect taxes are one of the main taxes forming the revenue part of the state budget. Unfortunately, in our republic, there is no tax on all products and services that are of value added. The factors that led to this can be summarized as follows:

- non-compliance with tax legislation;
- Failure to compile tax returns;
- improper taxation of indirect taxes;
- Fully and timely transfer of indirect taxes to the budget;
- Unequal accounting and tax returns

- Failure to calculate the applicable tax rates on indirect taxes.
- increase of tax crimes day-to-day.

But what is the reason for these factors? If we look at tax crimes from a criminal point of view, almost on their basis there is a conflict between state and taxpayers in the face of tax authorities. Causes of tax offenses differ not only from other crimes, but also from economic crimes. The main reasons for these murders are the following:

- Economic reasons for radical changes occurring in the country's economic life (eg lower production and decline in enterprise revenues);
- Lack of tax legislation, legal grounds for non-compliance;
- Psychological causes arising from negative attitudes towards the tax system typical for most citizens.

Failure to pay taxes can be done in two groups:

1) the taxpayer shall have the right to make false accounting and tax documents, incorrect information on these documents, concealment of property, income and generally object of taxation, improper number of employees, non-formal employment relationships with workers, concealment of their real wages and so on. by methods;

2) non-payment of taxes, even though everything in the accounting and tax documents is in order:

The avoidance of tax evading, by hiding that the person who is obliged to file a declaration by distorting information about his / her activity and additional sources of income, by refusing to file a declaration of income in the cases provided for by law by individuals, by reducing the amount of revenue or increasing the amount of expenses, to submit false information for tax

incentives, and other methods, and to legal entities, to incorrectly mislead false information that is intended to reduce revenue, increase costs, or deliberately falsify other facts of tax evasion, commercial or other economic and financial transactions performed by the entity not to be dental and so on. can be done by methods. Tax audits are carried out regularly by the tax authorities in order to prevent the above mentioned negative circumstances and violations. As a result of the audit, criminal offenses are detected and prevented, and financial and administrative sanctions are imposed on those who violate tax legislation.

If we take into account existing problems with tax accounting, we will define the following **responsibilities** for auditing indirect taxes:

- Timely and accurate verification of budgetary payments on indirect taxes to prevent delayed tax evasion and tax debts;
- Control over mathematical calculations and their proper representation when calculating payments to the budget and other destinations;
- Control over the accuracy, rightness and compliance with legislation of budget calculations;
- Verification of the quality of accounting and accounting of taxable items in indirect taxes;
- Verification of the degree of ownership of the information responsible for the tax calculations on current changes in tax legislation and the correctness of the normative legal acts by them;
- The extent to which the indirect taxation relates to budgetary on accounting and the validity of the verification;
- Verification of compliance with tax legislation;

- Prevention of tax offenses.

After gaining independence and transition to a new economic system, market economy, the economy was reformed, as the state's main financial plan, as well as in many areas of the economy, was revised. Studying the revenues of the state budget in conditions of market economy is one of the most important issues.

Every inspector conducting tax audit should remember that the importance of taxes in the implementation of economic, political and social programs of the state is indispensable. As we mentioned earlier, the amount of indirect taxes in our country has a special place in the budget revenue.

3.2. Methods of planning and carrying out audit of tax liabilities.

Audit of budgetary accounts, accounting and reporting in that area are carried out according to the legislation, calculation and payment of separate tax types | The objective is to verify that transactions are accurately and fully reflected in the accounting and reporting. First of all, it is necessary to carry out its planning for the audit. Planning should be efficiently implemented by the auditor, and should involve the application of different procedures so that it is possible to make proper management decisions as a result of the audit.

Audit planning is carried out by a relevant normative act. In the normative act, the rules for planning audit are regulated by considering international standards. The rules specify that an auditor or an individual auditor should plan their work so that the audit is efficiently carried out. The Auditor is responsible for the right and complete development of the overall plan and program of the audit when planning audits with the budget. The auditor should draw up an audit plan for the budget and submit it to the documentary

and describe the scope and procedures of the auditor audit planned for that plan. The plan should be sufficiently detailed to develop an audit program. However, the form and content of the audit plan may vary depending on the entity's (entity's) activities and, consequently, the organization of the tax reporting and reporting, the complexity of the audit, the specific procedures and methods applied during the audit.

When developing an audit plan for the budget, the following should consider :

- 1) the activity of the subject (enterprise) of the audit trail. In this case, it is necessary to pay attention to the general economic factors and conditions affecting the person's activities. However, it is essential to determine how the financial condition has changed in the post-audit period. At the same time, the overall level of competence of the head of an enterprise should be determined;
- 2) accounting, including tax accounting and internal control systems. In this context, the entity's accounting policy, including its adoption of its accounting policy, its changes, accounting and tax legislation, should be in the focus of attention on how the entity's activities affect the accounting and reporting of an entity subject to audit audit;
- 3) risks and significance. In this context, the auditor should carefully examine the indicators that are important for auditing, the significance level for audit, the distortion opportunities (including the past audit), the accounting records in the accounting and tax accounting considerations, for example, the evaluated indicators, must receive;
- 4) the nature, timing and extent of the procedures. In this area, the auditor should focus on what is most important from different sections of the accounting for auditing, and determine whether the entity (s) of the audited entity have an internal audit department and that it has an impact on external audit procedures;

5) coordination and directions of work, availability of current supervision of the works performed and their verification. In this case, the necessity and capabilities of other auditing firms and experts to be involved in auditing the ventures, divisions and subsidiaries of the entity should be precisely planned, whether the units are separated from each other in the entity conducting the audit, whether there are specialists required to perform adequate work;

6) Other aspects, including the suspicion of the continuity of the audited entity, the nature of the contract for the provision of auditor services, the form and duration of the auditor's report, and so on.

The Audit Program is a set of tools for auditor, as well as a means of controlling and overseeing the work. The audit program may also include the terms of the preparation of the audit report and the timetable for the various areas and procedures of the audit.

During the preparation of the program, the auditor should consider the risk assessment, the effectiveness of controls. At this stage, the inspection procedures should be reviewed once again, and time frames for testing of the controls should be identified.

An audit plan and an audit program may be clarified and reviewed on an audit basis when necessary. When significant changes to the plan and program of the audit are made, the reasons for these changes should be documented in the formalities.

When planning an audit of budgeting, special attention should be paid to how the issues raised during the enterprise audits of budgetary calculations in previous years. Recommendations from previous auditors and the measures taken to remedy the detected errors should also be studied.

Before proceeding with the audit of budgeting, the audit firm should ensure that the specific auditor's task is to determine the composition and purpose of the inspection, the composition of the current documents to be prepared, and the results of inspection.

In addition to the documents submitted by the client to the auditor to audit the budget, the auditor's work paper should also be prepared that reflects the entire process of auditing the budget.

When the auditor's working papers are mentioned, the auditor's notes conforming to international standards are understood. Most of the auditors' working papers are considered confidential.

All the worker's documentation of the auditor should be exact, accurate, complete and accurate. Each document must contain all the necessary requisites, sequence numbers, where its place of residence in the auditor's file should be indicated.

World practice and research, it is desirable to divide the auditors' working papers into the following groups:

- uninterrupted documents;
- Administrative documents of the auditor;
- information documents of the auditor;
- final documents.

In order to audit the calculations with the budget, the auditor may require the following documents:

Regularly updated documents (Documents that are relevant to auditing the same client over many years) - Incorporation of the entity's charter and share

certificates, current contracts, accounting (financial) reports of previous years and auditor's reports (acts).

Auditor's current administrative documentation (letter of invitation of auditors to have information about preliminary planning of audit planning) or audit engagement records, auditor identification records for audit, and presentation records of meetings with client-enterprise managers will be. In addition, this group includes the initial analytical summary, documentation proving usefulness and materiality, documentation on planning, documentation for inspection, list of questions on internal control, list of questions on computer control, evaluation of internal control system, the auditor's program, and the Employee Accounts plan on the General Book.

The auditor's information documentation (containing information on key issues) may consist mainly of: records of procedures performed, auditor's schedules and calculations, note booklets, decisions made during the audit, and audit evidence.

These documents testify to the quality of the audit, and the final result is taken and the auditor's report is drawn up.

The final documents (drawn up at the final stage of audit) consist primarily of an audit report, auditor's recommendation, and auditor's review.

3.3. Improve the audit methodology of tax liabilities.

Transformation of tax records into separate areas necessitates the formation of a tax audit. Tax audit is understood to mean that the auditor's responsibilities for auditing the financial and tax assets of economic agents are fulfilled.

There is no statutory act yet to regulate tax audits in Azerbaijan. It is true that although the Audit Chamber of the Republic of Azerbaijan has drafted a tax audit on 16 December 2005, this document is of recommendation character

and has no legal status yet. We believe that the timely preparation of a regulatory act capable of regulating tax audits in the republic has long been reached.

In recent years, issues related to tax audit have become a subject of serious debate in a number of publications in the republic and beyond its borders. An interesting fact is that most vast majority of authors believe that the term "audit" should only refer to audit of accounting reports and that there is no legal basis for the existence of "tax audit". The definition of "Audit" should be used both broadly and narrowly. First, the majority of science progresses in the same way. Secondly, both

audit professionals as well as experts in the preparation of relevant regulatory documents are deeply convinced of the need to have a generalized term, which enables them to verify the financial statements as well as the effects of mixed types of activities. It is also difficult to find and introduce a new term. Therefore, it is more appropriate to use the term "audit" in a broader sense (checking any financial-economic activity) or narrow sense (audit of accounting reports only).

Complex tax audit should combine several stages, in particular the following:

1) Pre-existing system of taxation of economic entity

evaluation;

2) verification and confirmation of the accuracy of calculation and payment of taxes by the economic entities from the budget.

Preliminary assessment of the existing taxation system of the economic entity combines with the following:

- Review of the general analysis and elements of the existing taxation system of the economic entity;

- identifying key factors affecting tax indices;
- verification of the tax calculation methodology;
- Legal and tax examination of the economic relations system;
- to assess the document turnover of the service areas responsible for the calculation and payment of taxes and to study their duties and powers;
- Pre-calculation of tax indices of an economic entity.

Implementation of the listed procedures is the main economic entity the properties of the transactions and the existing taxation objects; compliance of the taxation procedure applied to the economic entity with the existing legislation; assessing the level of tax liabilities of an economic entity and potential tax offenses.

The work carried out at the stage of verification and approval of the tax assessment and payment by the economic entity from the economic entity may be carried out both on the whole and on different taxes depending on the request of the person who ordered the tax audit. During the audit it is necessary to pay attention into the following stages:

- identification of tax liabilities as taxpayers;
- assessment accounting and tax accounting;
- assessment of the internal tax control system;
- Detecting the risk of the auditor's failure to detect errors;
- selecting a source for tax audits;
- implementation of analytical procedures;
- Evaluation of auditor selection results;

- Evaluation of audit evidence;
- Formation of auditor's opinion on the degree of reliability of budget and tax balance on financial statements;
- Preparation of the report for the leader of the business entity.

For the implementation of the stages mentioned during the audit, the validity of the preparation of tax returns is assessed on the basis of the provisions of the Tax Code on each type of tax, the integrity of the tax accounting and the entity's internal control system.

Tax reports (tax returns, tax calculations, references, etc.) submitted by the economic entity as well as the accuracy of the use of tax incurred when performing the work.

The information contained in the tax report is reviewed and analyzed by comparing them with the accounting and reporting data in synthetic and analytical registrations.

The main task of tax audits is to verify the validity of the tax amounts to the budget.

In order to achieve resolution tasks, adequate evidence should be cited by using different methods and sources of information. When checking accounts for taxes, the auditor uses:

- the main normative documents governing the organization of accounting and taxation operations;
- the accounting policy for tax purposes;
- financial statements;

- synthetic and analytical accounting registrations of tax calculations made by the entity;
- From the first documents.

For the purposes of the taxation policy, the auditor should be familiar with the following:

- a list of accounting forms and analytical registries drawn up at the enterprise;
- circulation of documents related to accounting of tax calculations;
- a list of persons entitled to sign the documents submitted for official registration;
- Arranging inventory of taxes and charges with budget.

At the first stage of the accounting on audit, it is advisable to calculate the accuracy of the account's credit turnover on account 68 "Accounting on Budget" and to match that information with the tax authorities.

The accuracy of the calculation of income tax, value-added tax and other types of taxes depends on the correct representation of the proceeds from the sale of goods (works, services). Therefore, it is necessary to start checking the accuracy of the proceeds from the sale of tax on checking of credit turnover on account 68 "Accounting on Budget".

If the auditor determines the discrepancies in the calculation, payment and submission of tax submissions, the interest rate and financial sanctions that may arise may have an impact on the financial position of the entity and should be reported to the management and presented as a detailed report.

Developed on the basis of international auditing standards - the internal structure of the firm, organization of its operation, standards for auditing the

customer's performance, auditing on various sections, standards, common signs, which are considered as intellectual property of the auditing firm to audit accounting records and other sections of the budget standards for auditing of economic entities, standards for verification of various spheres of the entity and activity sphere). The preparation of auditor standards is a fairly labor-intensive process and is itself a scientific-research activity. There is no doubt that the auditor's standards organise theoretical and legal basis for auditing. The use of firm standards makes the auditor work easier, more qualitative, and leads to unification of the employee's work documentation.

RESULTS AND SUGGESTIONS

Increase of budget revenues through the increase of internal payments and thereby minimizing budget dependency on external (objective) factors reduction should be ensured. This is a tough financially-credit end result the gradual mitigation of its policy, and the establishment of the economic-legal system of state regulation in the domestic economic activity. The economic-

legal system has already begun should continue the process of reducing the tax burden, in numerous and most cases normative-legal regulation of the fiscal area, which conflicts with each other must replace the complex of acts. It is also domestic manufacturers and should create a stable investment climate for foreign investors. Preventing of the necessary measures to eliminate the rapid growth of tax debts, eliminate most of the psychological factors, modernize the structure of tax authorities and increase the tax burden coefficient, as most taxpayers do not want to fulfill their obligations should be carried out.

On the other hand, the mentioned system restarts the taxation mechanism the establishment of a modern taxpayer registration system for this purpose creation, filling and submission of tax returns improvement of rules, elements of compulsory payment of taxes complex application of tax authorities in this area, the simplification process of tax debt management should create realistic conditions for acceleration. Today, these ones are a complete economic and legal system. This should be reflected in the tax code. This Code should play the role of the sole document used in the regulation of all issues related to taxation and taxation in the Republic of Azerbaijan. All of these features are very important in the new market economy.

The research has led to a number of conclusions and the adoption of appropriate recommendations.

1. The history of the development of tax relations in the state has been investigated and the development of the existing tax system has been analyzed at the level of budget reforms since the beginning of economic reforms. As a result of the research conducted, the tax system reforms have a positive impact on the economy of the Republic of Azerbaijan and the existing principles of taxation are maximized to international standards.

2. Methods of classification of taxes (according to the methods of deduction, according to the purpose of the taxation of the enterprise's tax accounting, depending on the taxpayer subject and taxation objects). The proposed classification has been systematized and has made the overall structure of tax payments clearer.

3. The main directions and methods of audit of budget calculations in enterprises are defined. The methods used in the audit of budget calculations include methods of comparative and validation methods and documentary verification methods commonly used in auditing practice (methods of formal verification of documents and methods of checking the reality of the events in the documents).

4. A typical program for budgeting audits has been proposed. This program is based on pre-examination of client's records and accounts before carrying out audits of budget calculations at the enterprise. The budgeting planning audit program should include the following: assessment of the internal control system in the enterprise, execution of auditor audits before, drafting the general plan for audit of the budget, preparation of the stages of the audit of the budget, preparation of the audit documentation and the principles of high level auditor decision making.

5. The tax services are divided into several large blocks with their diversity and each of them has been thoroughly reviewed:

- Implementing the audit of budgetary accounts in the context of current tax legislation;
- tax compliance and taxpayer interests;
- tax planning and taxation optimization;
- Establishment of tax accounting.

6. One of the most important problems in modern accounting practices is an explanation of the relationship between accounting and tax accounting. There is a serious debate in the accounting community regarding tax accounting and parallel with its accounting. The analysis of various points of view has made it possible to make a conclusion: tax accounting is an independent field of accounting and its main source of information should be accounting.

7. In the current stage of development of the tax system and accounting, there are more problems related to the fact that accounting requirements for tax and savings accounts do not comply with tax legislation on accounting of tax payments. The solution to these contradictions

In the accounting report, a model of accounting policy for the purpose of tax reporting and tax purposes has been proposed.

8. At present, the Republic of Azerbaijan is experiencing turning point in its development, the concept of economic activity is being reconstructed, its main aims and tasks are concretized. One of the main areas of economic efficiency, regardless of ownership, is optimization of tax payments, accounting for taxes and fees, as well as timely detection of errors. These issues were also partly considered in the case.

9. Multiprofile activity of the enterprises of the Republic is accompanied by numerous types of costs. As some of them are not listed in the standard documents, they are not accurately registered and the sources of deletion are unknown. In our opinion, the amount of tax expense that is incurred in the event of loss, loss and loss is reflected in Profit and Loss Account.

10. Analysis of the accounting (financial) and tax registration in the dissertation work shows that tax accounting can not have its own information base. Under these conditions, it is practically impossible to set up independent, free tax accounting that differs from financial records.

Otherwise, there is a need to involve specialized taxpayers in the creation of a special structural unit and management sector. And most importantly, it is necessary to apply a completely new schedule of document circulation and define new rules for the development and protection of the first documents.

Today it would not be fair to imagine tax accounting separately from accounting records. The methodological and documentary link between them is quite intense. There is no doubt that accounting and tax accounting in enterprises is the subject of the same professionals. Accordingly, it is possible to confirm that tax accounting, along with financial and management accounting, is one of the accounting divisions. The only thing left for the enterprise's accounting is its location.

METHODOLOGY

When writing this thesis, English and Azerbaijani books, websites of formal institutions, academic articles and initial published postgraduate theses are research.

As a result of the research, information was obtained on the steps taken to improve tax accounting and auditing for which various concepts were put forward and that they were regulated by the tax code and legislation. In addition, some of the items mentioned in the tax code were mentioned in the thesis. Thesis was prepared according to the following sources referenced.

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