

Analysis of tax revenues on the sectors of economy

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Abstract

The purpose of the study is to determine the priorities of tax policy in the sectors of economy as part of the state reforms in Azerbaijan at the present stage and to identify its impact on economic development.

In the process of writing the article, the authors referred to the general provisions of dialectical cognitive teaching as a research methodology. Both general-scientific, specific and area methods (systematic analysis, logical, logical conclusions, analysis and synthesis, relationship between general and specific, generalization, statistical analysis, etc.) have been used in the research.

Findings of the research is to use the experience of developed countries in the tax policy to be implemented in the future by the Republic of Azerbaijan, to develop a flexible tax system taking into account local specifics; in order to increase tax revenues, tax gaps should be the center of attention (tax gap is the difference between taxes being calculated and paid to the state budget and taxes that should actually be calculated and paid to the state budget); a system of effective measures against tax evasion should be developed and implemented. In particular, some works should be continued in the direction of service, public-catering and trade, optimization of tax rates. International experience shows that not all tax rates applied in our country have effective impact on economic development. In order to create a more effective investment climate in the non-oil sector of economy, a system of measures should be developed to reduce the tax burden and increase tax privileges.

Limitations of the study are the challenges regarding the impact of amendments and newly added provisions to the tax legislation and administration on tax revenues by the sectors of economy.

The practical implications of the research is to improve tax policy as a part of state reforms.

The proposals and conclusions as a result of originality and scientific novelty of the research are evaluated as a new approach to improving the legislation and administration in the tax system.

Key words: tax policy, tax legislation and administration, statistical analysis, tax revenues, tax evasion

İqtisadiyyatın sahələri üzrə vergi daxilolmalarının təhlili

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Xülasə

Tədqiqatın məqsədi müasir mərhələdə Azərbaycanın dövlət islahatlarının tərkib hissəsi kimi vergi siyasətinin prioritet istiqamətlərinin işlənməsi və iqtisadi inkişafa təsiri imkanlarının müəyyənləşdirilməsindən ibarətdir. Məqalənin yazılması prosesində müəlliflər tədqiqatın metodologiyası olaraq dialektik idrak təliminin ümumi müddəalarına əsaslanmışlar. Tədqiqat zamanı həm ümumelmi, həm xüsusi, həm də sahəvi metodlardan (sistemli təhlil, məntiqi, məntiqi nəticələr çıxarılması, analiz və sintez, ümumi ilə konkret arasında əlaqə, ümumiləşdirmə, statistik təhlil və s.) istifadə olunmuşdur.

Tədqiqatın nəticəsi olaraq, Azərbaycan Respublikasının gələcəkdə həyata keçirilməsi nəzərdə tutulan vergi siyasətində inkişaf etmiş ölkələrin təcrübəsindən istifadə olunması, yerli xüsusiyyətləri nəzərə almaqla çəvik vergi sisteminin inkişaf etdirilməsi; vergi daxilolmalarını artırmaq məqsədi ilə vergi boşluqlarının diqqət mərkəzinə gətirilməsi (vergi boşluğu dedikdə hesablanıb dövlət büdcəsinə ödənilən vergilərlə, əsl həqiqətdə hesablanmalı və dövlət büdcəsinə ödənilməli olan vergilər arasındakı fərqdən nəzərdə tutulur); vergidən yayınma hallarına qarşı təsirli tədbirlər sisteminin işlənilib həyata keçirilməsi kimi məsələlər yer almışdır. Xüsusilə də xidmət, ictimai-iaşə və ticarət; vergi dərəcələrinin optimallaşdırılması istiqamətində işlər davam etdirilməlidir. Beynəlxalq təcrübə göstərir ki, respublikamızda tətbiq edilən vergi dərəcələrinin heç də hamısı iqtisadiyyatın inkişafına daha səmərəli təsir göstərmir; iqtisadiyyatın qeyri-neft sektorunda daha əlverişli investisiya mühitinin yaradılması məqsədi ilə vergi yükünün aşağı salınması, vergi güzəştlərinin artırılması istiqamətində tədbirlər sistemi inkişaf etdirilməlidir.

Vergi qanunvericiliyində və inzibatçılığında edilmiş əlavə və dəyişikliklərin vergi daxilolmalarına təsirinə qiymətləndirilməsindəki yaratdığı çətinliklər tədqiqatın məhdudiyyətlərini təşkil edir. Tədqiqatın praktiki əhəmiyyəti dövlət islahatlarının tərkib hissəsi kimi vergi siyasətinin təkmilləşdirilməsindən ibarətdir. Verilmiş təkliflər və çıxarılmış nəticələr vergi sistemində qanunvericiliyin və inzibatçılığın təkmilləşdirilməsinə yeni yanaşma kimi tədqiqatın orijinallığı və elmi yeniliyi olaraq qiymətləndirilə bilər.

Açar sözlər: vergi siyasəti, vergi qanunvericiliyi və inzibatçılığı, statistik təhlil, vergi boşluğu, vergidən yayınma.

Introduction

Tax policy is an integral part of the fiscal policy of the state. When creating the country's tax system, the state is enthusiastic about using it for certain fiscal policy purposes. Taxes are one of the key elements of state regulation of the economy. Tax policy is a set of economic, financial and political measures taken by the state to form the country's tax system in order to meet the needs of various social groups of the society and the state for financial resources, to ensure the development of the country's economy at the expense of redistribution of financial resources.

The successes achieved in the socio-economic development of Azerbaijan in recent years show the important role of tax policy. Taking this into account, the Development Concept "Azerbaijan 2020: vision for the future" was adopted by the Decree of the President of the Republic of Azerbaijan dated December 29, 2012. One of the main issues facing the tax sector was the creation of a highly competitive economy. In order to implement the concept, the Ministry of Taxes approved a Strategic Plan for 2013-2020. In the Strategic Plan such issues as improving physical persons' income tax (transition to a single tax system), introducing transfer prices, stimulating non-cash payments, increasing the range and quality of e-services provided to taxpayers, applying e-audit and taxing e-commerce, improving the partnership relations between taxpayers and tax authorities, gradual transfer of the tax burden from production to consumption, improving the mechanism of application of excises on domestically produced and imported goods, creation of a favorable tax environment for entrepreneurial activity, optimization of tax rates, improving the mechanism of application of VAT, expanding the tax base by minimizing tax exemptions and tax privileges, creation of the legislative base related to the application of the single real estate tax on the basis of property and land taxes, etc. have been the main directions of future tax policy (A.R., 2020a, A.R., 2020b).

In accordance with the economic development strategy defined by our national leader Heydar Aliyev, comprehensive measures have been taken in recent years to strengthen the country's economy, diversify the sectors of the economy, stimulate private sector development and improve the financial situation of the population through the state budget and other economic instruments. As a result of the successful continuation of this development strategy by the President of the Republic of Azerbaijan, Mr. Ilham Aliyev, favorable conditions have been created for the future socio-economic development of the country.

The study shows that as a result of radical socio-economic changes in the country, taxes have become a key factor in the regulation and management of the economy. It has been a conceptual character in the tax reforms implemented in the republic in order to ensure its economic growth and become the most effective means of forming competitive production and increasing business activity.

The impact of the sectors of economy on tax revenues

It should be noted that the growth rate of tax revenues was possible to exceed the growth rate of GDP as a result of comprehensive reforms in the tax service. In recent years, as a result of the improvement of tax legislation, the proper establishment of tax administration and the strengthening of tax control, potential tax bases have been identified and proper taxation of these bases has been ensured (A.R., 2020c).

It should be noted that in 2019, the state budget received 7672.6 million manat through the State Tax Service under the Ministry of Economy, which was 104.9% of the forecast. Compared to 2018, 283.6 million manat, i.e. 3.8% more funds were received. The main reason for the increase in tax revenues in 2019 compared to 2018 was the gradual emergence of the economy from the "shadow", the increase in the level of voluntary tax payments, as well as the continuation of tax

Table 1. Impact of tax revenues on growth dynamics of GDP and budget revenues as a result of changes in tax legislation (State Tax Service)

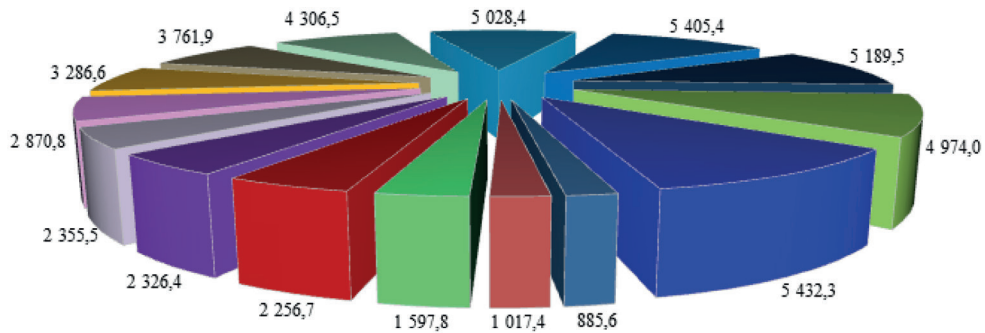
Years/ Indicators	Gross Domestic Product, million manat	Budget revenues, million manat	Tax revenues, million manat	Specific weight of tax revenues in GDP, in%	Specific weight of tax revenues in budget revenues, in%
2000	4718,1	714,6	510,4	10,8	71,4
2001	5315,6	785,0	579,6	10,9	73,9
2005	12522,5	2055,2	1 427,7	11,0	69,5
2007	28360,5	6006,6	4 549,3	16,1	75,7
2009	35601,5	10325,9	4 113 ,4	11,6	39,8
2010	42465,0	11403,0	4 292 ,8	10,1	37,6
2011	52082,0	15700,7	5 475,1	10,5	34,9
2012	53995,0	17281,5	6 025,4	11,2	34,9
2013	57708,2	19496,3	7654,2	13,3	39,3
2014	58182,0	18400,6	7113,7	12,2	38,7
2015	54380,0	17498,0	7118,2	14,4	44,9
2016	59987,7	17505,7	7015,6	11,7	40,1
2017	70135,1	16516,7	6 973,5	9,9	42,2
2018	79797,3	22535,4	7415,5	9,3	32,9
2019	81681,0	24199,6	7672,6	9,4	31,7
2020 (prognoz)	83321,5	24134,5	7875,0	13,5	46,5

Source: Compiled by the author on the basis of statistics date of the State Tax Service

Table 2. Execution of tax revenues by sectors of the economy, (mln. manat)

Indicators/ Years	2015	2016	2017	2018	2019	2020 (forecast)	Compared to 2018, in 2019, in%
Total	7118,3	7015,6	6973,5	7415,5	7672,6	7875,0	99,4
Oil sector	2089,9	1610,1	1784,0	2441,5	2240,3	2180,0	110,8
Non-oil sector	5028,4	5405,5	5189,5	4974,0	5432,3	5995,0	96,0

Source: Compiled by the author on the basis of statistics date of the State Tax Service

Diagram 1. Tax revenues from the non-oil sector, (mln. manat)

Source: Compiled by the author on the basis of statistics date of the State Tax Service

reforms in 2019, improving tax legislation, tax administration and normative-legal base in this area.

As it is seen from the table, purposeful tax reforms aimed at improving the country's tax legislation and tax administration have led to an increase in GDP, budget revenues and tax revenues in general.

Ongoing reforms have led to stimulating and diversifying the economy and as well as the development of the oil and non-oil sectors has led to an increase in tax revenues.

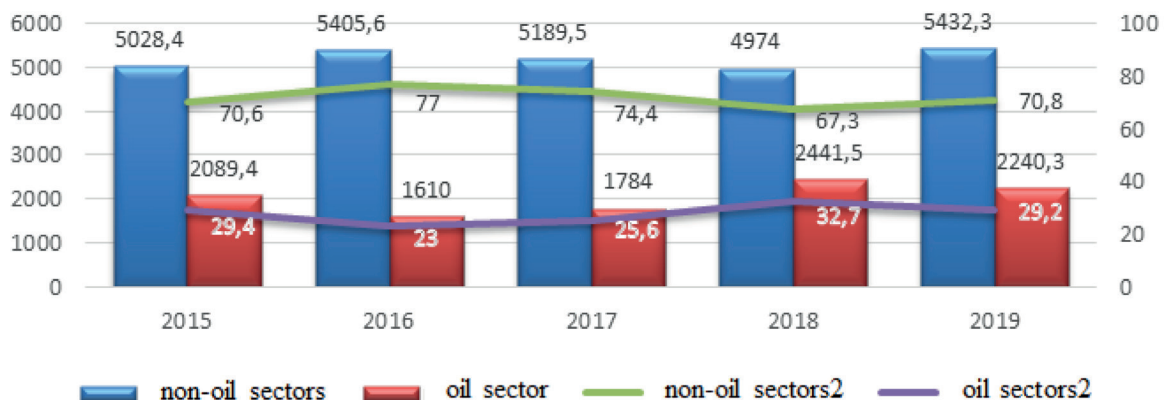
As it is seen from the table and diagram, in 2019, 5432.3 million manat or 70.8% of tax revenues were received from the non-oil sector, and 2415.0 million manat or 29.2% were received from the

oil sector. Compared to 2018, tax revenues from the non-oil sector increased by 458.3 million manat or 10.9%. In general, tax revenues in the non-oil sector are growing dynamically.

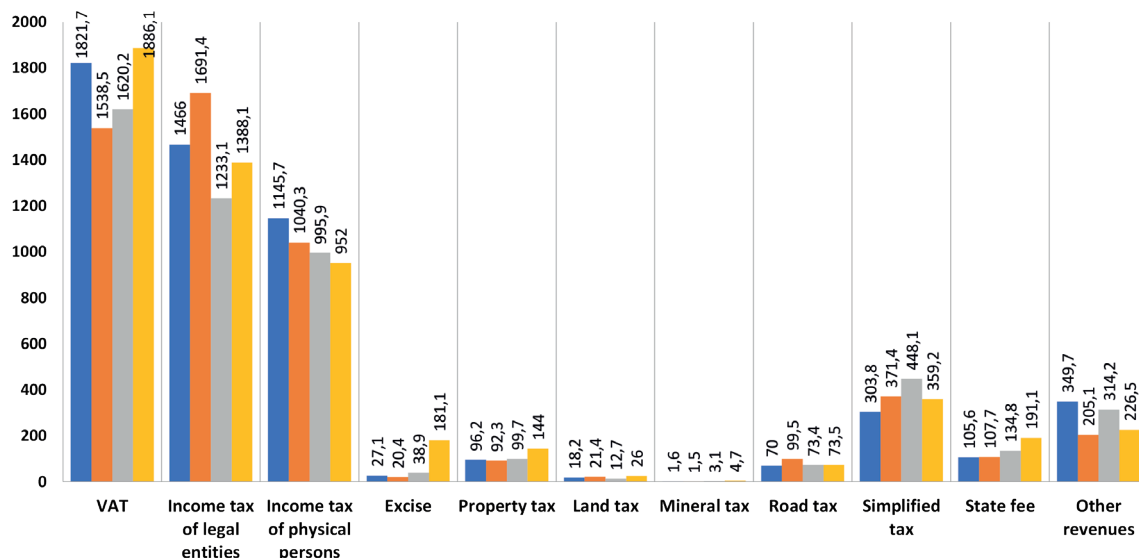
It should be noted that in 2019, the volume of tax revenues from the private non-oil sector amounted to 3835.2 million manat (70.6%), the volume of the non-private sector was 1597.1 million manat (29.4%).

Revenues from payments in the non-oil sector in 2019 increased compared to 2018 on all other payments, except for income tax, simplified tax and other revenues.

As it is seen from the diagram, the volume of tax revenues from the non-oil sector was mostly increased. Thus, compared to 2018, in 2019,

Diagram 2. Tax revenues from oil and non-oil sectors of the economy

Source: Compiled by the author on the basis of statistics date of the State Tax Service

Diagram 3. Tax revenues from the non-oil sector, (mln. manat)

Source: Compiled by the author on the basis of statistics date of the State Tax Service

Table 2. Execution of tax revenues by sectors of the economy, (mln. manat)

	Calculated				Paid			
	2018	2019	Difference		2018	Difference 2019	Difference	
			in the amount	in %			in the amount	in %
Total	8221,4	8237,2	15,8	0.2	7415,5	7672,6	257,1	3.5
Oil sector	2816,7	2397,9	-418,8	-14.9	2441,4	2240,2	-201,2	-8.2
Non-oil sector	5404,8	5839,3	434,5	8.0	4974,1	5432,4	458,3	9.2
On Baku	4854,5	5143,1	288,7	5.9	4366,0	4745,2	379,2	8.7
DVX, MGBİ	3413,0	3386,6	-26,4	-0.8	2985,3	3190,9	205,6	6.9
10 major taxpayers	527,2	374,0	-153,2	-29.1	339,7	349,7	10,0	2.9
PSA other	808,2	740,2	-68	-8.4	905,9	864,1	-41,8	-4.6
Others	2077,6	2272,4	194,8	9.4	1739,7	1977,0	237,3	13.6
DVX, BKGBİ	1358,3	1665,6	307,3	22.6	1282,5	1453,1	170,6	13.3
DVX, BKSİBİ	82,2	90,9	7,7	9.3	98,1	101,2	3,1	3.1
ƏVİ, total	550,3	696,1	145,8	26.5	710,6	795,4	84,8	11.9

Source: Compiled by the author on the basis of statistics date of the State Tax Service

Table 4. Data on tax revenues by the sectors of economy, (mln. manat)

Areas of activity	Tax revenues on the areas of activity of the non-oil sector		Difference, in %
	2018	2019	
Total	4974,0	5432,3	9,2
Industry	1353,8	1356,1	0,2
Trade	601,4	644,7	7,2
Service	913,6	958,0	4,9
Banking and insurance	301,6	400,3	32,7
Construction	823,8	902,3	9,5
Transport	243,7	259,0	6,3
Communication	272,4	352,2	29,3
Agriculture	7,1	9,2	29,5
Other	456,6	550,6	20,6

Source: Compiled by the author on the basis of statistics date of the State Tax Service

there was an increase of 16.4% on VAT, 12.6% on income tax and 4.7 times increase was recorded on excises.

As it is seen from the table data, 60-74% of tax revenues on the oil sector fall to SOCAR, 87.5-89.7% of tax revenues in the non-oil sector fall to Baku, i.e. the territorial tax authorities collect only 10-11% tax.

If we consider tax revenues by the sectors of economy, we can see that in 2019, tax revenues in the non-oil sector amounted to 5432.3 million manat, which increased 9.2% compared to 2018. Tax revenues on the areas of activity of the non-oil sector accounted for 70.8% of total tax revenues.

The largest growth in the non-oil sector was in banking and insurance (32.7%), agriculture (29.5%) and communication (29.3%).

As it is seen from Table 4, the main part of tax revenues by areas of activity is industry (25%). At the same time, service, construction and trade have a specific share in tax revenues. Tax revenues in this area of activity are low due to the fact that agricultural producers are exempt from income tax, VAT, simplified tax, property tax and income tax of physical persons engaged in entrepreneurial activities.

In 2019, as part of the tax revenues of taxpayers by areas of activity, compared to 2018 revenues in the field of industry increased by 2.3 million manat, trade by 43.3 million manat, services by 44.4 million manat, banking and insurance by 98.7 million manat, construction by 78.5 million manat, transport by 15, 3 million manat, agriculture by 2.1 million manat and in other areas by 94 million manat.

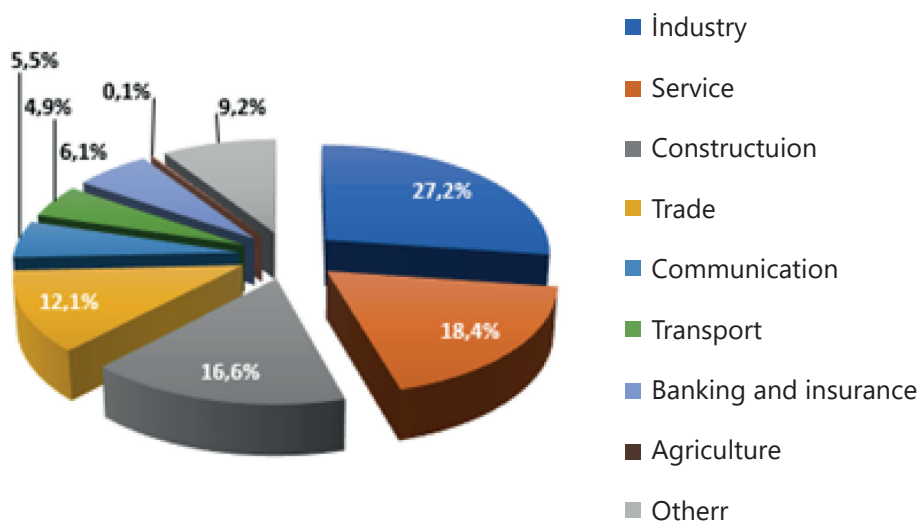
As a result of the improvement of VAT administration by the State Tax Service, an increase was observed in VAT revenues on the sectors of economy. Thus, compared to 2018, in 2019, the volume of VAT revenues in the industry sector was 9.6%, 44.1% in trade, 12.1% in service, more than 2 times in banking and insurance, 38,7% in transport, more than 5 times in agriculture, in general, an increase of 16.4% was observed in the economy (Table 5).

The volume of VAT on industry increased by about 39 million manat, on trade by 112 million manat, on service by 38.3 million manat, on communication by 21.6 million manat. In general, there was an increase of about 266 million manat on the sectors of economy.

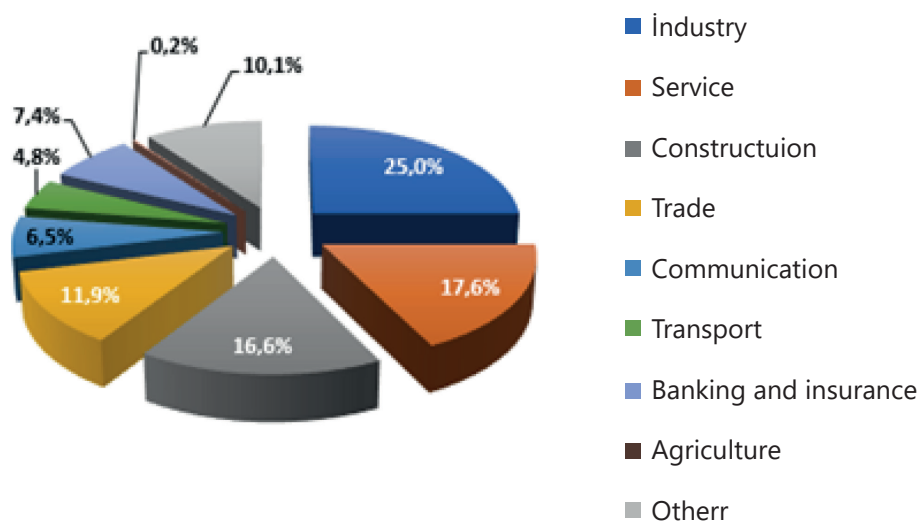
The share of the areas of activity in the non-oil sector in total revenues

Diagram 4. Comparative structure of tax revenues by areas of activity in 2018-2019

Specific share of the areas of activity in the non-oil sector in revenues, 2018 January-December.



Specific share of the areas of activity in the non-oil sector in revenues, 2018 January-December.



Source: Compiled by the author on the basis of statistics date of the State Tax Service

Table 5. Data on VAT revenues on the sectors of the economy, (thousand manat)

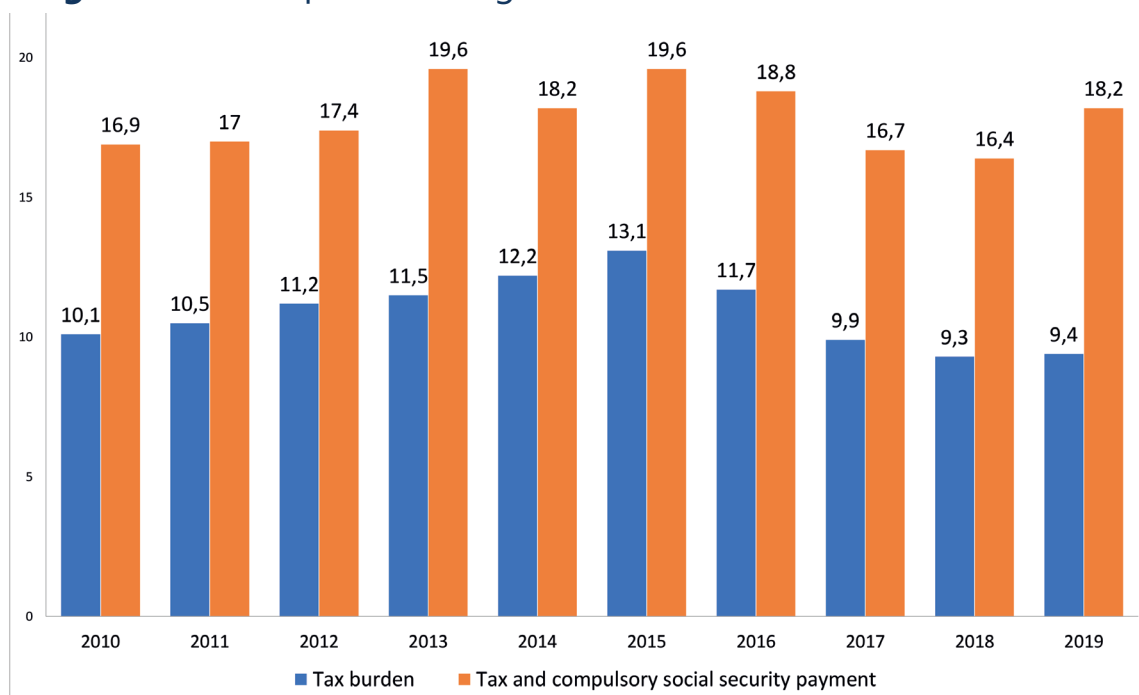
Areas of activity	Revenues		Difference	
	2018	2019	Amount	Percentage
Industry	405488,0	444471,3	38983,3	9,6
Production	225107,2	266777,5	41670,0	18,5
Trade	253602,8	365558,9	111956,1	44,1
Retail trade	91095,6	134780,4	43684,8	48,0
Wholesale trade	162507,2	230778,5	68271,3	42,0
Service	315953,9	354248,7	38294,8	12,1
including PSA without others	302653,6	341941,6	39287,9	13,0
Banking and insurance	16412,6	34316,8	17904,2	109,1
Construciton	353296,4	362887,6	9591,2	2,7
including PSA without others	331112,0	331339,6	227,6	0,1
Transport	42402,5	54559,5	12157,0	28,7
Communication	163675,5	185246,9	21571,4	13,2
Agriculture	396,3	2442,0	2045,7	516,3
Other	68896,0	82359,4	13463,5	19,5
TOTAL:	1620123,9	1886091,1	265967,2	16,4

Source: Compiled by the author on the basis of statistics date of the State Tax Service

Table 6. Data on tax burden, (mln. manat)

Years	2014	2015	2016	2017	2018	2019
GDP	58182,0	54380,0	59987,7	70135,1	79797,3	81681,0
GDP on the oil sector	24968,4	16459,6	20584,6	26073,2	32904,2	31289,9
GDP on the non-oil sector	33213,6	37920,4	39403,1	44061,9	46893,1	50391,1
Tax revenues	7113,6	7118,2	7015,6	6973,5	7415,5	7672,6
Taxes on the oil sector	2807,1	2089,8	1610,1	1784,0	2441,5	2240,3
Taxes on the non-oil sector	4306,5	5028,4	5405,5	5189,5	4974,0	5432,3
Tax revenues on the oil sector, in %	39,5	29,4	23,0	25,6	32,9	29,2
Tax revenues on the non-oil sector, in %	60,5	70,6	77,0	74,4	67,1	70,8
Tax burden on the State Tax Service, in %	12,2	13,1	11,7	9,9	9,3	9,4
On the oil sector	11,2	12,7	7,8	6,8	7,4	7,2
On the non-oil sector	13,0	13,3	13,7	11,8	10,6	10,8

Source: Compiled by the author on the basis of statistics date of the State Tax Service

Diagram 5. The impact of changes in tax rates on the tax burden

Source: Compiled by the author on the basis of statistics date of the State Tax Service

The impact of changes in tax rates on the tax burden

An optimal tax system should not only meet the needs of the state for financial resources, but also increase the interest of taxpayers in entrepreneurial activities, and at the same time motivate them to constantly look for ways to increase the efficiency of economic activity. The tax burden on economic entities is considered to be an indicator of the quality of the tax system being as a result of the tax policy implemented by the state.

According to the corresponding member of ANAS, doctor of economic sciences., professor A.F. Musayev, such a level of tax burden should be determined for the sectors of industry, agriculture and finance so that it will allow for the effective development of these areas and at the same time ensure stable budget revenues. By determining the final limit of the tax burden on the sectors of economy and taking into account the economic impact on the growth rate of

taxes, it is possible to create a model of optimal distribution of the tax burden on sectors. The optimal option should serve the development of entrepreneurship and increase state budget revenues, while protecting the interests of the state and taxpayers (Musayev, 2020; Musayev, 2010; Musayev, 2004).

The tax burden expresses the level of tax rates, the amount of tax privileges, the growth rate of economy on the areas of activity, the organization of tax control and a number of other indicators (table 6).

The volume of the tax burden on the revenues of the State Tax Service in 2019 was 9.4%. This indicator was 10.8% in the non-oil sector and 7.2% in the oil sector. The tax burden indicators in 2018 was 9.3%, of which 10.8% was in the non-oil sector and 7.4% in the oil sector.

It is obvious that the fundamental reforms carried out by the state in the field of tax legislation and tax administration are yielding positive results. Tax legislation has been adapted

to international standards, and a number of normative documents have been adopted in the direction of realizing tax administration. The reforms are based on the experience of advanced countries, the recommendations of international financial institutions, the results of meetings with representatives of tax administrations of developed countries, joint conferences and seminars (Musayev, 2001).

Conclusion

In order to achieve an optimal tax policy in the Republic of Azerbaijan, an effective preventive management which is able to prevent tax evasion should be implemented using best models of world experience which takes into account local specifics. For further development of the economy, it is necessary to apply tax rates suitable to the global world, to advance investment climate in the non-oil sector and to use appropriate tax incentives. Additionally priority should be given to the development

The main strategic task of economic reforms is to ensure economic growth in the medium-term period not to lag behind the world average economic growth, and in the long-term period to achieve that the growth rate of economy exceeds global growth.

of the following areas: 1. Significant expansion of exports of non-oil goods and services; 2. Accelerating the development of the non-oil refining industry; 3. Diversification of economy and development of sectors of economy; 4. Expanding business access to bank loans; 5. Increasing the economic efficiency of state investment; 6. Ensuring the dominant role of private investment; 7. Transformation of small and medium enterprises into the main force of economic growth; 8. Increasing transparency and minimizing the "shadow economy".

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