

MAIN DIRECTIONS OF THE BUDGET AND TAX POLICY OF THE REPUBLIC OF AZERBAIJAN

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Abstract. The paper focuses on the adoption of taxes as a financial support for the activities of the state and municipalities imposes on them the task of solving social problems. It is shown that among the state budget revenues, revenues from the State Oil Fund of the Republic of Azerbaijan also occupy a large and significant place, but both growth and decrease are observed in the volume of revenues from the Oil Fund in the corresponding years.

Keywords: State budget revenues, state budget expenditures, budgetary and tax policy.

AZƏRBAYCAN RESPUBLİKASININ BÜDCƏ VƏ VERGİ SİYASƏTİNİN ƏSAS İSTİQAMƏTLƏRİ

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Xülasə. Məqalədə müəllif göstərir ki, vergilərin dövlət və bələdiyyələrin fəaliyyətinə maliyyə dəstəyi kimi qəbul edilməsi onların üzərinə sosial problemlərin həlli vəzifəsi qoyur. Göstərilir ki, dövlət büdcəsinin gəlirləri sırasında Azərbaycan Respublikası Dövlət Neft Fondundan daxilolmalar da böyük və əhəmiyyətli yer tutur, lakin müvafiq illərdə Neft Fondundan daxilolmaların həcmində həm artım, həm də azalma müşahidə olunur.

Açar sözlər: Dövlət büdcəsinin gəlirləri, dövlət büdcəsinin xərcləri, büdcə və vergi siyasəti.

ОСНОВНЫЕ НАПРАВЛЕНИЯ БЮДЖЕТ- НОЙ И НАЛОГОВОЙ ПОЛИТИКИ АЗЕРБАЙДЖАНСКОЙ РЕСПУБЛИКИ

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Резюме. В статье автор указывает, что принятие налогов в качестве финансового обеспечения деятельности государства и муниципалитетов возлагает на них задачу решения социальных проблем. Показывается, что среди доходов государственного бюджета доходы Государственного нефтяного фонда Азербайджанской Республики также занимают большое и значительное место, но в объеме доходов Нефтяного фонда в соответствующие годы наблюдается как рост, так и снижение.

Ключевые слова: Доходы государственного бюджета, расходы государственного бюджета, бюджетная и налоговая политика.

1. Introduction

Taxes are obligatory, personal, gratuitous payments to the state or local budgets in the form of alienation of funds owned by taxpayers, aimed at financially supporting the activities of the state and municipalities. Compulsory payments on the part of individuals and legal entities, their individuality and gratuitousness distinguishes taxes from other compulsory payments. The adoption of taxes as a financial support for the activities of the state and municipalities imposes on them the task of solving social problems. As can be seen from the definition, the taxpayer is presented as the owner. That is, the taxpayer owner pays part of his property to the budget in the form of taxes.

The tax rates applied by the state for each year may be higher than the rates stipulated by the Tax Code, and each year, when the law of the Republic of Azerbaijan on the state budget is adopted, these rates may be revised. The rates determined in the Tax Code can only be reduced. In addition, a change (reduction) in tax rates and certain additions or changes in legislation can be considered only at the end of the year when the draft law on the state budget is submitted to the Milli Majlis [1].

In general, the implementation of measures to improve the country's tax legislation is presented as one of the tasks facing the government in the State Program for Poverty Reduction and Economic Development. The Tax Code of the Republic of Azerbaijan determines the tax system in our country, the general principles of taxation, the rules for establishing, paying and collecting taxes, the rights and obligations related to the issues of taxation of taxpayers and state tax authorities, as well as other participants in tax relations, forms and methods of tax control, liability for violation of tax legislation, procedure for filing complaints against tax control authorities and their officials. Normative legal acts adopted on the basis of the Tax Code or for the purpose of its implementation should not contradict the articles of the Code [1].

State budget expenditures are expenditures

established on the basis of the budgetary classification. In accordance with Article 10.1 of the Law "On the Budgetary System", the state budget expenditures include the following:

- 1) current expenses, including wage supplements, pensions and other social benefits and payments, expenses for the purchase of goods and other services, interest payments, grants, subsidies and current transfers;
- 2) capital expenditures, including the purchase of fixed assets, capital investments and the acquisition of shares;
- 3) loan debts, interest servicing costs and equity participation in projects.

In 1993, the Ministry of Finance of the Republic of Azerbaijan prepared functional, economic and administrative classifications of budget revenues and expenditures. The budget classification for expenditures prepared at that time in Azerbaijan and currently in force is divided into three types:

- Functional, grouping budgetary funds by levels for the implementation of the main functions of the state.
- Economic, grouping budgets of all levels according to economic content.
- Organizational, grouping of state budget funds between the main managers.

2. Analysis

In 2017, 5615.6 million manats of state budget expenditures or 33.8% were provided for financing specific programs and activities. In accordance with the economic classification, in the budget of 2017, 4,077.0 million manats were provided for the payment of wages, or in the amount of 24.6% of expenses; for the purchase of goods (works and services) - 3123.5 million manats, or in the amount of 18.8% of expenses; for interest payments - 408.4 million

manat, or in the amount of 2.5% of expenses; for subsidies and current transfers - 704.5 million manats, or in the amount of 4.2% of expenses; for grants and other payments - 75.6 million manat, or in the amount of 0.5% of expenses; for pensions and social benefits - 2067.8 million manat, or in the amount of 12.5% of expenses; for other expenses - 1259.7 million manat, or in the amount of 7.6% of expenses; for the purchase of intangible assets - 3603.3 million manats, or in the amount of 21.7% of expenses; for transactions with financial assets - 52.0 million manat, or in the amount of 0.3% of expenses; for financial transactions on liabilities 1228.2 million manats, or in the amount of 7.4% of expenses. As a continuation of the work aimed at improving the structure of state budget expenditures and the process of its preparation, as well as strengthening the targeting of these expenditures, in 2017, in the paragraph "Other expenses" of the economic classification of state budget expenditures, an amount was provided for 1744.6 million manats or 67.7% less compared to 2016 [3].

Table 1. State budget expenditures, million manats

	2009	2010	2011	2012	2013	2014	2015	2016
Expenses - total	10503,9	11765,9	15397,5	17416,5	19143,5	18709,0	17784,5	17751,3
On the economy	4373,9	4889,9	6803,2	6960,7	8207,5	7598,7	6408,8	4124,0
Socio-cultural events	2763,0	2901,4	3447,2	4072,9	4081,8	4484,4	4442,9	5789,5
For education	1147,9	1180,8	1268,5	1453,2	1437,7	1553,9	1605,1	1754,4
Healthcare	402,4	429,2	493,4	609,4	618,9	665,3	708,2	702,5
Social protection and welfare	1054,4	1123,0	1495,4	1769,5	1750,3	1971,2	1857,2	2645,2
On culture, art, information, physical culture	158,3	168,4	189,9	240,8	274,9	294,0	272,4	687,4
For science	83,3	92,8	106,1	116,7	117,0	124,2	113,2	110,2
Prosecutor's Office	648,9	668,5	710,3	929,2	1049,3	1103,6	1105,7	1117,1
Legislation	289,7	303,0	281,9	342,3	349,3	449,7	430,9	470,1
Other expenses	2345,1	2910,3	4048,8	4994,7	5338,6	4948,4	5283,0	6140,4

Table 1 shows that the total amount and the amounts of certain types of expenditures of the state budget of the Republic of Azerbaijan have been growing annually. State budget expenditures for 2010 amounted to 11,765.9 million manat. However, state budget expenditures for 2016 amounted to 17,751.3 million manats, which shows a decrease compared to previous years (2014-2015). The increase in state budget expenditures continued in 2013 on the rise and increased by 61%, amounting to 19.143.000.0 thousand manats, but after this year there was a relative decrease. If you look at the last two years, it turns out that in comparison with 2015, in 2016, state budget expenditures decreased by 0.2% [3].

1. Tax receipts.

In accordance with the Tax Code, state, autonomous and local (municipal) taxes are established and payable in the Republic of Azerbaijan.

2. Grants.

Starting from 1996, the article of the grant allocated by the European Union to the Republic of Azerbaijan is reflected in the state budget revenues. According to the Law of the Republic of Azerbaijan "On Grants" dated April 17, 1998, assistance received in the form of grants, or (or) any other material assistance, is exempt from all types of taxes, duties and mandatory payments to the state budget. However, when using grants, legal entities involved in the implementation of projects and programs pay taxes in accordance with applicable law on the amount received from the recipient (a grant that is in relationship with a donor is considered a recipient). When using a grant, individuals involved in the implementation of projects and programs pay income tax in accordance with applicable law on the amount received from the recipient. For the amount paid to individuals, the recipient is exempted from paying compulsory contributions.

3. Social contributions.

Social deductions, depending on the programs implemented by the state, are divided into social security and social needs. Social contributions are mandatory and require the creation of a special fund.

4. Other receipts.

The article on proceeds from the lease of state property is regulated by the decisions of the Cabinet of Ministers "On establishing the minimum amount of rent for the transfer of state property (housing stock) into lease" dated March 5, 1999 and March 27, 2000. On the basis of this decision (dated March 27, 2000), a separate annual rent per 1 m² is established for the areas located in the city of Baku, as well as in other cities and districts of the republic. budget.

II. The economic classification of expenditures of the state budget of the Republic of Azerbaijan according to its economic content is a grouping of expenditures of budgets of all levels. The classification forms the following expense items:

11. Remuneration of labor, purchase of goods and payment for services;
12. Interest payments;
13. Subsidies and current payments;
14. Capital investment in fixed assets;
15. Creation of state reserves;
16. Purchase of land and intangible assets;
17. Capital payments;
18. Issuance of credits after the deduction of the amount returned within the country;
19. Issuance of loans after the deduction of the amount returned abroad.

III. Classification by organizations of expenditures of the state budget of the Republic of Azerbaijan is a grouping of expenditures reflecting the direct distribution of budgetary

funds from the state budget [7]. In this classification, a list of enterprises specifically receiving budgetary funds is shown by chapters:

20. Legislatures;
21. Executive authorities;
22. Judicial and prosecution authorities;
23. Other government bodies;
24. Press and public organizations;
25. Grants;
26. State funds.

And now let's consider the dynamics of revenues of the state budget of the Republic of Azerbaijan over the past 8 years. From Table 2 shows that the revenues of the state budget of the Republic of Azerbaijan grew annually both in terms of the total amount and in separate types. If you pay attention to the last five years, you can see that the maximum income limit falls on 2013. Thus, in 2013, the state budget revenues amounted to 19496.3 million manats. And in 2016, the budget revenues of Azerbaijan were equal to 17505.7 million manats, which, in comparison with 2013, shows a decrease by 11.2% [3].

Among the state budget revenues, receipts from the State Oil Fund of the Republic of Azerbaijan also occupy a large and significant place. Thus, in the volume of receipts from the Oil Fund in the corresponding years, both growth and decrease are observed. The volume of proceeds from the State Oil Fund of the Republic of Azerbaijan in 2012 amounted to 9,905,000.0 thousand manats, and in 2013 it continued the growth rate and was already equal to 11,350,000.0 thousand manats. In 2014, there was a drop in volume, and it amounted to 9,337,000.0 thousand manats. The indicators increased relatively in 2015, and in 2016 they completely decreased and amounted to 6,000,000.0 thousand manats. Compared to the last two years, there was a 40% decrease in receipts from the Oil Fund [3].

Table 2. Dynamics of state budget revenues

	2009	2010	2011	2012	2013	2014	2015	2016
Income - total	10325,9	11403,0	15700,7	17281,5	19496,3	18400,6	17498,0	17505,7
Personal tax	581,9	590,2	715,7	813,0	859,7	980,3	982,5	1145,7
Income tax from legal entities	1329,2	1429,9	2134,0	2252,0	2374,8	2302,7	2211,1	1983,2
Land tax	26,2	35,3	35,3	30,6	33,1	35,4	48,7	50,3
Property tax	66,2	101,8	103,9	105,1	125,1	141,3	148,2	174,7
VAT	2012,8	2082,5	2222,7	2366,9	2710,0	3119,6	3454,7	3623,5
Excises	485,1	514,9	480,2	531,5	593,3	797,3	647,8	625,1
Trade tax	121,9	130,1	129,8	125,8	121,5	116,2	116,1	110,3
Taxes related to foreign economic activity	418,1	291,8	433,1	592,5	675,2	684,7	934,5	861,2

As already mentioned, the value added tax occupies a significant place in the composition of budget revenues. Thus, value added tax amounted to 2,366.9 million manats in 2012, and 3,623.5 million manats in 2016. In other words, the value added tax in 2016 increased by 53.1% compared to the level of 2012.

In terms of its volume, personal income tax occupies one of the leading places in the composition of budget revenues. Income tax amounted to 813.0 million manats in 2012, 859.0 million manats in 2013, 980.3 million manats in 2014, 982.5 million manats in 2015, and 1145.7 million in 2016. million manats. As can be seen from these indicators, personal income tax increased by 96.9% until 2016 [3].

Excise taxes, customs taxes and duties also occupy an important place in the composition of state budget revenues. Excise taxes in 2012 amounted to 533,600.0 thousand manats, and in 2016 - 105,000.0 thousand manats, which shows a significant decrease compared to previous years. If we look at the data of the last two years, we can observe a decrease of 51% [3].

The other structure of non-tax revenues includes financial sanctions on taxes, interest and deductions to the budget of a certain percentage from the difference between the contract value for the export of products with a regulated price, which is produced in the Azerbaijan Republic, and the price at intra-republican wholesale enterprises [1].

In the non-oil sector, GDP growth in real terms by 2.5% and reaching a level of 41.7 billion manats is forecasted. In 2017, according to the sectoral structure, 4.0 billion manats or 6.4% of the gross domestic product of agriculture, forestry and fisheries, 22.2 billion manats or 36.2% of industry, 6.1 billion manats or 10.0% of construction, 24.3 billion manats or 39.6% of service production, 4.8 billion manats or 7.8% of production and exports accounted for net taxes [3].

28.6 percent of total investments fall to the public sector and 71.4 percent to the private sector. In January-August 2016, compared to the same period in 2015, the price of consumer goods and services increased by 10.8%. For the first 8 months of this year, the turnover of foreign trade in the country amounted to 11.3 billion US dollars, including 5.5 billion dollars - import operations, and the volume of export operations was equal to 5.8 billion US dollars. It should be noted that at the beginning of the current year, the declining trade balance for the first time again entered the positive zone in June of the current year.

For 8 months of 2016, the country's foreign exchange reserves amounted to \$40.1 billion, of which \$39.5 billion were the assets of the State Oil Fund of the Republic of Azerbaijan (SOFAR) and \$4.2 billion were official hard reserves of the Central Bank.

Based on the concept of economic and social development of the country and forecast indicators for 2017 and the next three years, prepared by the Ministry of Economy of the Republic of Azerbaijan, in 2017 the real GDP growth in the country amounted to 61.4 billion manats. The growth trend is projected to continue in 2018-2020 and is expected to be 2.4% of real GDP growth in 2020.

The second level of the functional classification of expenditures of the state budget of the Republic of Azerbaijan within sections includes auxiliary sections that specify the direction of budgetary funds for the performance of state functions.

The classification of targeted expenditure items of the state budget forms the third level of the functional classification of state budget expenditures and, within the subsections of the functional classification of the state budget of the Republic of Azerbaijan, reflects the financing of specific areas of activity of the main managers of the state budget funds.

The classification of types of budget expenditures is the fourth level of the functional classification of expenditures of the state budget of the Republic of Azerbaijan and shows in detail the directions of financing by target items of the state budget [2].

Conclusion. Thus, the fiscal policy for 2017 was prepared taking into account the priorities of the strategic development of the Republic of Azerbaijan in accordance with the main trends and challenges occurring in the global economy, medium-term budgetary and financial policy on the basis of article 11.5 of the Law of the Republic of Azerbaijan "On the budgetary system", as well as in proportion to economic and social forecasts and relevant state programs [2].

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