

Questions on tax regulation of regional development



Rzayev Parviz Gafar oglu*
Doctor of Philosophy on Economy

Abstract

Purpose - researches of questions on the tax regulation, stimulating economic activity of businessmen and the population in regions.

Design/methodology - the system approach, the comparative analysis.

Findings - perfection of tax regulation for developing the regions, promotion of scientifically well-founded offers on maintaining of effective mechanisms.

Research limitations/implications - wider research of structure of the mechanism of tax regulation of regional development is required.

Practical implications - use as a scientific source by preparation of measures for increase of efficiency of the tax mechanism in regulation of regional development.

Originality/value - definition and a scientific substantiation of directions on increase in a stimulating role of tax regulation of regional development.

Keywords - *regional development, regional economy, optimization of tax regulation.*

JEL Classification Codes: *E62, H21, R28*

* Training Center of the Ministry of Taxes of the Republic of Azerbaijan
perviz595959@mail.ru

1. Introduction

In the case of market condition, solution of socio-economic development, problems arise out of the necessity of implementation of form of economy on regions. Nearly, the majority of economic reforms implemented in our republic connected with regional economy. In the last years, conducted regional society, regional economy state regulation and management based in Azerbaijan attain special actuality from theoretical-methodological and practical point of view. The main cause of it connected with the development and strengthening the integration to the world economic system.

In accordance with the democratic demands, regional society, regulation of regional development and improvement of the economic system is one of the important problems before our country. The duty is connected with the democratic state creation, development of the state territorial management system in Azerbaijan, in other case with the differences existing in the development of regions.

Studying and learning theoretical-methodological problems related with the state regulation and management of the regional economy of our republic are very important. It is firstly, arouse out the fact, that the territory of the country with it natural-economic richness.

Secondly, different legislative and economic regions of the territory differed in accordance with the natural possibilities, specializing of the production, transport - geographical case and production experiment of the population.

Thirdly, there existed comparatively complex territorial structure formation of the national economy in the republic. By considering it, it is expedient to prepare and implement fruitful regional the society, state regulation of the regional economy and its management.

The important duties of any independent states is by the aim of the prepare of the scientific strategic line of the tax society arouse out of national interest of the country, define economic development conception and regulation of the regional development to direct the regional potential to their realization.

2. Socio-economic development and peculiarities of the regions

Our economic districts differ from each other according to potential, scale of natural resources, kinds and engagement level. The factors differing our economic regions from economic, geographical and historical point of view are the followings: Economical-geographical direction, natural cases and resources, population settling level, area and field structure of the region, bases and development peculiarities. In the last years, regulation of the regional development turned into prior direction of the state society.

The safe execution of actions implied in the “The State Program of the Republic of Azerbaijan on the socio-economic development” and other documents accepted in connection with the socio-economic development of regions (2004-2008) settled the commence of the new stage in the social-economic development of the country, stimulated the constant development of other-oil sector, establishment of the new working places and companies, improve of the capacity and quantity of the communal, service and social infrastructural maintenance in regions, have important role improvement in ownership environment, increase of invest to economy, increase of the engagement level of population and decrease of poverty.

State Program on the socio-economic development adopted for 2009-2013 by the aim of diversification of the country, to gain fruitful integration of it to the world economic system, improvement of the infrastructure and communal service level and constant increase of the life level of the population in the country. By the aim of increase of state care to the agriculture economy and direct subsidiary to this field, involve of investment to the creation of the conversion establishment in regions, provide of other-oil and other-raw material and tourism development are considered prior directions in 2009-2013 [2].

By the aim of the regional development of tax regulation, implementation of the following measures in the direction of the tax system improvement has been implied [6, 7]:

- Optimization of the taxes degrees;
- Implementation of the tax - customs society directed to the agitation of ownership;
- Applying tax allowance terms to the producers of agriculture products;
- Implementation of the computer terminals and private tax advice for improvement of tax services denoted to ownership and enlarge environmental sphere;

At the result of the successful socio-economic reforms in the last years in Republic of Azerbaijan budget system of the country has developed and improved together with the economic development.

There are great needs to the regulation of the state tax system under optimal society in the regulation of the regional economy in market relations. After gain of liberty of our republic natural steps made in tax system as in all spheres of the economy, legislative and executive bodies implemented. Suitable reformed measures made in connection with the improvement of tax system in any field. The measures are implementation of tax legislation, creation of structure of tax system and their improvement.

Regional society and management problems are one of the problems attaining actuality at modern development stages. Some results appeared while analyzing this at matter

Implementation of duties in the direction of development of the country economy

in the present stage demand the strengthening of the improvement of regions, increase the role of ownership in the solution of the social-economic problems, enlarge of the state care and realize of the existed potential in the field of development of ownership. It should be noted that, improvement of the financial situation of regions and strengthening the regional improvement of ownership are problems attaining special importance today.

Mainly socio-economic development state program of regions being the important document in the direction of implementation of the mentioned duties, create fertile case to the improvement of regional economy and more intensive development of ownership. It positively affects to the increase of the portion in general admission of tax payments in regions [5, 7].

3. The role of tax regulation in regional development

Regulative affect of tax to economic activity is multiply the main point of tax regulation consists of expedient and basic of any interference to repeated productive process. The following could be related to tax methods used in regulation in different states: delay of tax payments, tax strikes, tax investment credit, tax amnesty, chose and definition of tax degrees, decrease of tax base and liquidation of double taxation in international economic relation.

Tax investment credit consisting of modification of the payment terms of tax repayment, is considered more perspective tax method. Lead of Scientific-research and test-constructor affairs (*SRTCA*), innovation activity, execution of important orders in connection with the socio-economic improvement of the country and other kind of activities are considered the maintenance for the supply of tax investment credit. Only expenses on *SRTCA* is related to expenses deducted to profits during account of return tax from bases mentioned in Tax Code of the Republic of Azerbaijan means, only *SRTCA* expenses of economic subjects is considered tax investment credit in our country. Construction of it cannot be considered suitable for stimulate of the investment activity of the small and medium companies.

Chose and define of tax degree is the method, demanding the special attention of tax regulation. Tax degree is the main factors defining the amount being paid by economic subject to budget together with budget base. Optimal level Tax degree has to be in such condition that implement both finance steady of subjects, payment abilities, and profits and provide fiscal interest of state.

Tax regulations are implemented according to tax allowance and tax sanctions. Apply of these factors in mutual and proportionate form promises the success of tax society. The followings could be related to tax allowance system: liquidation of advance repayment, delay of repayment on appeal, exemption of different taxpayers from tax, decrease of tax degree, etc. One the reasons of optimal of tax regulation

are decrease of individual allowance. Geographical, social, natural-environmental and other factors defining the reasons and rules of enter of good producer to market is accepted as economic base for this tax allowance. State tax society has the right to use the implementation of possibilities of free use of existed economic potential together with the tax allowance in equalization of such society.

Tax allowance system is mutually connected with tax allowance system. Financial (*penalty, fine, payment of unpaid tax*) and legislative sanction. Financial sanction is applied to economic subjects and legislative sanction to responsible entities of economic subjects.

Apply of tax regulation with allowance and sanctions arose out of social economic and social-public modifications. The whole measures on tax regulation provide imply of such modifications and issue of corresponding reaction to it.

The aim of tax regulation consists of providing of interest of taxpayer together with the interest of state in budget - tax fields and creation of necessary case for improvement of general welfare in the country. As complex notion regulation of taxation, includes the followings [9]:

1. Activity of tax bodies employee on form of money - finance funds on tax account;
2. Supervision of taxation and tax bodies activity;

Tax regulation undergoes certain improvement by the modification of economic case in the country. The following are related to main duties of tax regulation:

- ❖ Form of budget and funds aside budgets by mobilization of tax admission;
- ❖ Apply of short and long-term programs on taxation;
- ❖ use of form of taxation base and account principles;
- ❖ corrects definition of taxation base on tax account;
- ❖ Supervision of the legal and physical entity to taxation, clear of deviation from tax and to call to account.

In the case of market economy, taxes turned into the following radical public modifications [9]:

- ❖ Finance source of budget profits and local administration;
- ❖ Balance means of interest of state, ownership and population.

Tax regulation stimulates ownership and economic activity of the population. This duty finds its solution by definition of tax degrees. In the case taxation is not enough for repayment of state expenses, budget shortage increase, that cause inflation. At the result of purchase ability of money, decrease cash means of population and economy loses its costs. In the case, mobilized means used successfully and cause economic growth in the period of finance of the budget shortage, the inflation process became short-term. Otherwise, finance of the budget shortage creates economic disbalance and deepen inflation process. Tax allowance system is used together with the tax degree in tax regulation. Allowance stimulates the following activity type being important for the society [4, 6]:

- ❑ Investment to social fields;
- ❑ Expenses to the care of the nature and charity;
- ❑ Manufacture of new harvests;

Tax allowance realized inside limits based from economical point of view. Tax allowance prevent appear of net rationality of thrift [3, 8].

Affect of tax investment activity theoretically proved by A. Laffer, one of representative of modern economy. There exists dependence between taxation progressive and budget profits. In accordance with the increase of tax degrees to certain limit bring to the improve of taxation, then the improvements cease and severe decrease of the budget profits began. In accordance with this theory, by the aim of stimulate of economy and increase of investment activity, the notions of decrease of tax charge put forward.

In accordance with the Laffer instructions, parts of profits of owners and people paid to the budget are not more than 30%. In the case, tax charge is more than 40-50%, investment activity of owners and people decreased. At the result, the decrease of turnover and profit happen and it brings the decrease of taxation. Tax regulation is connected with complex management measures on the formation and use of state. Allowances to territories and main field of the economy stimulate improvement of material welfare of people. Following articles are related to tax regulation management [6]:

- Provide of proportionality of interest of state and society;
- Increase of ownership and investment;
- Prepare of special measures on strategic field of economy;
- Supervision to expedient use of financial means and maintenance to legislation;

According to the practice, results for taxation companies depend on the repayment ability, level expenses, turnover rate of capital, together with the tax charger. Together with the possessing (*retailed trade, service sphere*) of possibility to avoid from tax on account of cash turnover, owners taking part in field that expenses are low, but turnover rate is high possess more suitable scale in comparison to other fields.

Correcting tax regulation means direct ownership activity, investment and employers to the prior field of economy, give opportunity to decrease economical improvement differences and differences on returns of peoples. The followings are related to the tax regulation mechanisms in the regions of the country [8, 10]:

- ❖ Definition of strategic aims and duties to achieve them;
- ❖ Importance of aim in the solution of social-economic problems and line up according to achievement term;
- ❖ Choose of optimal variant of tax regulation;
- ❖ Achieving aims by stages.

Implementation of the important measures in the direction of the solution of socio-economic problems on regions caused realizing of successful results in regional development. Agriculture producers are exempted from taxes, 2% tax defined on simplified system on regions, except Baku city (*TC, article 220*), decision (*January 25, dated 2011, number 17*) accepted on exemption from ACA and customs of imported goods and equipment implement suitable case for the strength of state support to development of the other oil sector, agitation of technological investment saving turnover means in the companies, pass to production of the manufacture of harvest constant to rivalry, development of regions by stimulating production of agriculture harvests and enlarge of export in the other oil sector [1].

4. Provision of rationality of tax regulation of regions

By the development of the society, integration amongst countries, increase of mutual relation and dependence, interference of state to the regional economy enlarge and improve. Interference to the economy is implemented by the use of different methods in the scale of the territory (*economic, legislative, social, spiritual-psychological*) and field.

Tax regulation function directed to the implementation of this and other duties of the state by the help of the tax mechanism. Tax regulation function show itself in concrete several directions: contrary agitated (*stimulated*) and repeated production.

Tax agitated lower function directed to the support of this or other economic process. Allowance and exceptions implemented by tax system. Implementation mechanism of tax regulation function is following [4]:

1. Definition and modification of taxation system;
2. Definition of tax degrees and their differentiation;
3. Issue of Tax exception and allowances - free of one part of the profit and capital by the term of purposely use of it, according to economic improvement strategy.

The following methods are used by the aim of accept the decision on prevention of conflict:

1. Resource base enlarge method. Increase of taxation base and at the result, finance resources of the state by the aim to gain balance of economy and economic growth.
2. Present of important earnings for problem regions (*by the term of few loses of other region*). The method implemented by the creation of the local free economic zones, offshore centers, scientific establishments and ownership zones. The practice of the foreign countries displays the rationality of such decision.
3. Decrease and liquidation method of the source of the conflict. Economic development of regions bear enlarge of tax base.

4. Definition of important aims compared to previous real aims.

Optimal decision revealed methods in tax regulation are divided into groups on the following factors:

- According to term of achieving the aim;
- According to the division of the conflict source;
- Interest of the healthy and improved regions or protect of interest on the stability of the state;

Basing to the investigation, the following related to the methodological terms of tax regulation:

- Definition of organizational-legal form and methods of tax affects, at the same time tax regulation model;
- Form of the agile tax mechanism giving possibility to make modification in tax relation corresponding necessity of society in certain period of economic cycle;
- Conform of tax regulation with budget and credit systems by including exchange-finance regulation;
- In modern state, large scale tax allowances are applied to small companies, invalid organizations, agriculture producers, companies investing production and lagged regions.

Complex analysis of socio-economic development in regions prove that:

- Posses the development strategy marked to near and future, at the same time based from scientific point of view;
- Process happened in globalize world economy and their affect to Azerbaijan objectively valued, rational executive mechanism defined in the country created;
- Legislative base serving the improvement of the new economic system, duration of the development and diversification of the economy implemented;
- Mutually implementation of the economic, social, legal and generally democratic reforms and provide of pass to the new qualitative stages with international finance organization in the case of increase of economic power and finance possibilities of the country;

Optimal of regulation mechanism and apply of management technology on aims could increase the rationality of the tax regulation in the socio-economic development of the country [9].

5. Prior to optimal tax regulation of the regions

Management of regional regulation consists of statement of strategic aims and direction of all regulative means to this aim. For the reason, means as tax regulation, credit system, budget and industrial society are implemented in relative and com-

pared rule. Taxation rationality principles in relation with the differentiation on the level of the profit of people and differences on development level of regions stay in prior position.

Other-compared of productive force amongst regions severely differed in the economic development level. So, gathering economic, specially major part of the infrastructure fields in Absheron economic district causes the disparity of socio-economic case in districts together with the rapid development of it, in comparison to other districts.

Collection of taxes in tax society stays as an intensive duty. Taxation increases not for the account of complete repayment of taxes, but mainly on account of enlarger of tax base.

Additionally, by the aim of increase of rationality of tax regulation, it is necessary to create forecasting system implying socio-economic development programs of the country.

In tax forecasting positive practices of other countries have been use by implying national peculiarities of the economy.

Taking into consideration the results of the middle statistic taxpayers and future payer are quietly different. Micro imitation models of the budget taxation in developed countries are applied more.

The preference of such models consists of the fact, that real information of real taxpayers is used during their are applying. The same methods used only by the state bodies as they preserved as confidential.

Micro imitation gives opportunity previously defines the impact of modification of legislation on people and companies. The existed information extrapolates by implying future modifications, future taxations and affects of taxes to macroeconomic indicators accounted. The same models are applied on all tax types by implying different factors [9].

In quantity, transition to the new tax regulation depends on rationality of management system of taxation.

The followings are demanded for management of tax regulation, provision of strategic tax forecastings and current supervision:

- Expert on corresponding of taxation issues to Constitution and Tax Code;
- Control of disputes arisen amongst taxpayer and tax bodies in specialized law-court;
- Creation of vertical organizational structure (*creation of analytic-information division in territorial tax bodies*) of forecasting the impact of taxation and modification in this field to macroeconomic indicators.
- Creation of the unit information base on taxpayers (*give opportunity to provide the reality of forecastings and supervision to taxpayers*)

It is known that, tax-budget balance has a great role on regulation of regions by

taxes. State budget is the necessary resource of regulation and management of the economy. Taxes have important role on form of the budget return of the country. The regulation of economy is implemented by taxes. That's way budget system, the role of taxes in regulation of improvement of districts and their increase possibilities Republic of Azerbaijan have obtained important investigated theoretical and practical results.

Naturally, the modification of tax degrees has to convey concrete aims. In the case of compare to 6-7 years, it could be seen that, numbers of taxes decreased from 14 to 9, profit tax, level ACA, high degree of the profit tax decreased and except Baku, the tax degree ldecreased by apply of different tax degree on simplified system. It means the process of lower of tax degree implemented. Tax charge problem do not attain severe actuality in Azerbaijan. According to international practice, level of economic activity lowered in the case, taxes deducted from taxpayer is more than 30-40 percent and the capacity of investment decreased [4, 6]. In the case of attention to tax charge in Azerbaijan on the last years, it can be seen that, it does not pass the 20 percent of this indicator.

6. Conclusion

By rationally using the existing opportunities, of the regions of the Republic of Azerbaijan, tax regulation takes graeat role on the development of different fields of the economic, enlarges the activity of the production establishment, stimulating of exported harvest production.

Socio-economic modification implemented in the country requires the rapid tax system according to demands of market economy. Tax reform in the country bases the following primary principles:

- more moderate of tax reform;
- clear of any modification done by tax legislation to every taxpayer;
- decrease of tax degree in last limit because of it causing the result with decrease of deviation cases, creation of suitable cases being important for investment and legal of profits;
- conform of it with other socio-economic society measures (*credit and foreign economic relation*) during tax deviation;
- accurately define the rationality of it for the near future, before commencing the next tax modification;
- Implementation of tax reform according to conceptual bases of tax system, imply and provide the rational development of the economy, at the same time socio-economic interest of all economic subjects and people.

So, choosing of the principles of implementation of tax deviation exists not only from the aim of optimal of taxation, but only socio economic reforms in the country

and regions, at the same time tax collection carried out civil factors. Tax reforms have to provide the rationality of the economy of districts and general development of the country.

State has to be interested not only implementation of the fiscal function but also increase of business activity by the aim of provide of sustainable economic growth. In general, state regulation system constantly improves according to the modification economic and social situations.

The following directions have to be specially attended:

1. Solidity of liberation of producers of agriculture from taxes and apply of the lower percent degree on the simplified system in regions;
2. Liberation of the legal entity implementing conversion activity basing national raw material and natural resources from repayment of profit tax;
3. Strategic importance of the products during definition of the capacity of means divided to agrarian sector has to be taken into consideration and legislative base in the direction of the tax allowance to farms by the aim of stimulating of implementation of their production is improved.

Together with all these, government follows policy in the direction of preserve of tax charge in optimal charge and liberalizing of tax system, at the same time to be attentive on made of corresponding modifications to legislation with the lower of tax degrees in perspective. Optimal of tax society on all parameters could be defined at the result of effective investigation and empiric investigation. That's way there are great need for strengthening of economic investigative base on budget-tax society.

There exist certain problems in this field, have been done though major works in the direction of the improvement of tax-budget system. By accepting some economic law for solution of these problems, state has to implement effective base on conduct of budget-tax society. National-regional principles are taken into consideration by basing unit budget-tax society and experiment of developing countries.

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