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ABBREVIATIONS

ATC	Azerbaijan Tax Code
ATS	Azerbaijan Tax System
DTT	Double Taxation Treaty
EEA	European Economic Area
EU	European Union
FDI	Foreign Direct Investment
IP	Intellectual Property
LDC	Least Developed Countries
PE	Permanent Establishment
R&D	Research and Development
SEZ	Special Economic Zone
SME	Small and medium-sized enterprises
VAT	Value Added Tax
WHT	Withholding Tax

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ABSTRACT

Since the tax is one of the most important sources of income in every country, the development of the tax system, the regulation of the relations between the taxpayers and the tax administration, the solution of the problems encountered, the essential objectives of the tax administration. The technological and economic developments experienced were the reasons for the changes in the tax systems according to these developments. The improvement of the tax system in Azerbaijan is one of the main objectives of the state. Some studies and incentive policies have to be done to improve today's economy. In Azerbaijan Tax System, research and development are not considered enough. The implementation of tax incentives in Azerbaijan such as Research and Development Tax Credit in the Irish tax system will contribute to the increase in tax revenues.

INTRODUCTION

The State provides the resources it needs to carry out its activity in a variety of ways. Tax is considered to be the most important source of income in a country. All countries collect taxes in order to finance public expenditures and to maintain their economic existence. In almost all countries, taxes are the sources with the highest revenue in public revenues. One of the countries in this category is Azerbaijan.

Today, the development of the tax system in the Republic of Azerbaijan is one of the main economic expectations. After the Soviet Union collapsed, the effects of socialism in Azerbaijan still continue. In this case, the tax system is the essential factor in the regulation of the economy, in the development of budget revenues, in limiting the price increase, in achieving justice and in the fulfillment of other state duties.

In the Soviet Union, which included Azerbaijan in the period of 1920-1991, the taxation of the state as a foreign element to the socialist state in the ideologically linguistic sense, and since the revenue generated in the public sector was entirely state-owned, there could be no tax relations between the state institutions and the state. These and other reasons not only resulted in the development of tax relations in all Soviet countries but also in Azerbaijan. The foundation of the modern tax system of the Republic of Azerbaijan was established in 1991-1992 after Azerbaijan gained its independence again.

The main objectives of our thesis are the analysis of the tax system of Azerbaijan, the implementation of the solutions for the determination and elimination of the problems, and what can be done for the development of the tax system. Another aim of our study is to increase the research and development in Azerbaijan. The fact that research and development are not considered as necessary in Azerbaijan.

For this reason, designing the right tax incentives for public and private entities will increase the tax revenue.

Our study consists of four parts. In the first part - issues such as a conceptual explanation of tax, objectives, and principles. In the second part; the development of the tax system in Azerbaijan, taxes applied in the system, tax system analysis and problems are included. In the third chapter; the development of the Irish tax system, the taxes applied in the system, the analysis of the tax system, tax incentives are included. In the fourth section; the applicability of the research and development tax applied in Ireland in Azerbaijan and its adaptation to Azerbaijan are discussed.

CHAPTER 1. DEFINITION OF TAX. PRINCIPLES OF TAXATION.

Tax is the obligatory payments made by individuals or entities, collected by government authorities in almost every nation of the world, fundamentally to raise revenue for government expenditures.

In current economies, tax is the essential wellspring of administrative income. Taxes vary from different wellsprings of revenue in that they are mandatory collects and are commonly not paid in return for some particular thing, for example, a specific public administration, the clearance of public property, or the issuance of general obligation. While taxing authorities collect taxes for the welfare of citizens overall, the individual citizen's responsibility is free of a particular advantage got. There are, nonetheless, critical individual cases: finance charges, for instance, are usually imposed on work pay to back retirement benefits, restorative installments, and other government disability programs—which are all prone to profit the citizen. The payments are ordinarily obligatory, and the connection to benefits is in some cases very frail.

1.1 Description of tax

Each country's tax collection is a significant revenue country. Professor As stated by Taylor, "Fees, direct return to citizens or determination of advantages are mandatory installments in some cities."

Prof. Bastable "characterized an expense is a necessary commitment of the abundance of an individual for the administration of open power." As per Taussing "the substance of duty as recognized from different charges by the government is the nonattendance of an immediate 'compensation' between the citizen and the open specialist."

Dr. Dalton opines that "an expense is a mandatory commitment forced by the open expert irrespective of the precise measure of administration to the citizen consequently and not forced as a punishment for any legitimate offense."

Prof. Adams gave a Comprehensive meaning of a duty focusing on the different parts of expense. "There is a perspective in terms of perspective, which means that an evaluation is a secondary source of income," he said. From the edge of the native an expense, it is a constrained installment. From the regulatory perspective, it is a demand for cash by the state in adjustment to build up principles from the perspective of hypothesis a duty is a commitment from people for regular consumption.

Prof. Seligman gave another adequate definition; "charge is a necessary commitment from the individual to the legislature, to settle the costs caused in the basic enthusiasm of all without reference to unique advantage presented."

A duty is a spillage from the round progression of pay into the open area. People and enterprises pay this charge. It speaks to an installment out of the pay of the general population.

1.2 Objectives of tax

Fulfilling the needs for financing is one of the primary purposes of taxation. Tax funds government expenditures. However, it has other objectives. Tax assessment arrangement has some non-income targets. In the modern world, the government uses taxation as an economic policy. It influences the complete volume of generation, utilization, speculation, decision of mechanical area and procedures, parity of installments, appropriation of salary, and so on.

Economic development

One of the vital targets of tax collection is monetary advancement. The development of capital arrangement generally adopts the financial improvement of any nation. The capital arrangement is the boss of economic progress. LDCs experience the ill effects of the deficiency of capital.

To beat the shortage of capital, administrations of these nations activate assets with the goal that a fast capital amassing happens. Governments put to use the revenue to level up both public and private investments. Through appropriate expense arranging, the proportion of funds to national pay will increase.

By raising the current rate of assessments or by forcing new charges, the procedure of capital development can be made smooth. One of the necessary components of financial improvement is the raising of reserve funds pay proportion which can viably increase through a tax assessment arrangement.

Taxing authorities should use tax policy so that speculation happens in the gainful divisions of the economy, including the infrastructural areas.

Full employment

The second goal is full employment. Since the dimension of business relies upon compelling interest, a nation covetous of accomplishing the objective of complete work must chop down the rate of expenses. Like this, discretionary cash flow will rise and, henceforth, interest for products and ventures will increase. The expanded investment will invigorate speculation prompting an ascent in pay and work through the multiplier system.

Price stability

Thirdly, tax assessment can be utilized to guarantee value dependability—a short run target of tax collection. Taxation is a powerful method for controlling expansion. By raising the rate of direct expenses, the government can control private spending. Usually, the weight on the product advertised will be less.

Be that as it may, aberrant duties forced on items fuel inflationary propensities. Huge ware costs, from one perspective, dishearten utilization and, then again, energize sparing. The inverse impact will happen when charges are let down amid flattening.

Cyclical fluctuations control

Control of patterned changes—times of boom and depression—is viewed as another target of tax collection. In order to tame the cyclical fluctuations, governments decrease taxes during the recession, while in the boom times they increase taxes.

Reduction of the difficulties of Balance of Payments

Charges like custom obligations are likewise used to control imports of specific merchandise to lessen the power of equalization of installments challenges and empower local creation of import substitutes.

Non-revenue objectives

Another additional income or non-income goal of tax assessment is the decrease of disparities in pay and riches. The reduction should be possible by exhausting

the rich at a higher rate than poor people or by presenting an arrangement of progressive tax assessment.

1.3 Classes of taxation. Direct and indirect taxes

In the writing of open account, tax authorities design charges in different ways as per who pays for them, who bears a definitive weight of them, the degree in which the weight can move, and different other criteria. Charges are most regularly named either immediate or aberrant, a case of the previous sort being the salary charge and of the last the business charge. There is much difference among financial experts with regards to the criteria for recognizing immediate and roundabout charges, and it is indistinct into which class specific assessments, for example, corporate pay duty or property charge, should fall. They generally say that an immediate duty is one that cannot be moved by the citizen to another person, though a circuitous assessment can be.

Direct taxes

Generally, it is the individuals who primarily pay direct taxes, and they are generally founded on the citizen's capacity to pay as estimated by pay, utilization, or net riches. What pursues is a depiction of the primary sorts of direct duties.

Individual income charges are ordinarily exacted on the total individual net gain of the citizen (which might be an individual, a couple, or a family) in abundance of some stipulated least. They are likewise regularly changed by considering the conditions impacting the capacity to pay, for example, family status, number and time of youngsters, and budgetary weights coming about because of disease. The expenses are frequently demanded at graduated rates, implying that the rates ascend as pay rises. Special exceptions for the citizen and family can make a scope of salary that is liable to an expense rate of zero.

Charges on total assets are required on the all-out total assets of an individual—that is, the estimation of his assets less his liabilities. Likewise, with the salary charge, the individual conditions of the citizen can be mulled over.

All income which is not channeled into reserve funds demands individual or direct charges on utilization (otherwise called expenditure duties or spending taxes). As opposed to roundabout duties on spending, for example, the business charge, an immediate utilization expense can be changed by a person's capacity to pay by taking into account marital status, age, number of wards, and so on. Albeit long appealing to scholars, this type of assessment has been utilized in just two nations, India and Sri Lanka; the two examples were brief and fruitless. Close to the finish of the twentieth century, the "flat tax"—which accomplishes economic impacts like those of the immediate utilization charge by exempting most salary from the capital—came to be seen positively by expense specialists. No nation has embraced a duty with the base of the flat tax, although many have pay charges with just a single rate.

Duties at death take two structures: the inheritance tax, where the assessable item is the endowment gotten by the individual acquiring, and the estate tax, where the article is the complete estate left by the expired. Inheritance taxes once in a while consider the individual conditions of the citizen, for example, the citizen's relationship to the benefactor and his total assets before accepting the inheritance. Estate taxes, be that as it may, are by and large graduated by the measure of the bequest, and in individual nations, they give charge absolved exchanges to the mate and offer leniency for the number of beneficiaries included. To keep the passing obligations from being dodged through a trade of property before death, charge frameworks may incorporate an expense on endowments over a specific limit made between living people. Expenses on exchanges do not usually yield much income, if merely because vast assessment installments can be effectively kept away from through estate planning.

Indirect taxes

Indirect taxes are required on the creation or utilization of products and ventures or exchanges, including imports and fares. Models incorporate general and specific sales charges, value-added tax (VAT), imposes on any part of assembling or generation, imposes on lawful exchanges, and customs or import obligations.

General sales charges are demands that are connected to an essential segment of shopper consumptions. A rate can be connected to all saddled things, or different things, (for example, nourishment or apparel) can be liable to various rates. Single-organize expenses can be gathered at the retail level, as the U.S. states do, or they can be gathered at a pre-retail (i.e., assembling or discount) level, as happens in some creating nations. Multistage charges are connected at each phase in the creation dissemination process. The VAT, which expanded in fame amid the second 50% of the twentieth century, is generally gathered by enabling the citizen to deduct credit for duty paid on buys from risk on sales. The VAT has to a great extent supplanted the turnover charge—an expense on each phase of the generation and dispersion chain, with no alleviation for duty paid at past stages. The combined impact of the turnover charge, generally known as assessment falling, mutilates financial choices.

Even though they are commonly connected to a broad scope of items, sales impose here and there excluded necessities to diminish the taxation rate of low-salary family units. By examination, excises are collected just on specific items or administrations. While a few nations force excises and customs obligations on nearly everything—from necessities, for example, bread, meat, and salt, to trivial items, for example, cigarettes, wine, alcohol, espresso, and tea, to extravagances, for example, gems and hides—assesses on a restricted gathering of items—mixed drinks, tobacco items, and engine fuel—yield the central part of excises incomes for generally nations. In prior hundreds of years, assesses on purchaser durables

were connected to extravagance products, for example, pianos, saddle horses, carriages, and billiard tables. Today an original extravagance charge object is the car, to a great extent since enlistment necessities encourage the organization of the duty. A few nations charge betting, and state-run lotteries have impacts like excises, with the administration's "take" being. As a result, an expense on betting. A few nations impose taxes on raw materials, middle of the road merchandise.

A few excises and customs obligations are explicit—i.e., they are collected based on the number, weight, length, volume, or other explicit attributes of the high or administration being saddled. Different excises, similar to sales charges, are promotion valorem—imposed on the estimation of the merchandise as estimated by the cost. Assessments on legitimate exchanges are collected on the issue of offers, on the sales (or exchange) of houses and land, and stock trade exchanges. For regulatory reasons, they much of the time appear as stamp obligations; that is, the legitimate or business archive is stepped to mean installment of the expense. Many duty experts view stamp imposes as nuisance charges; they are regularly found in less-developed nations and often stall the exchanges to which they are connected.

Proportional, progressive, and regressive taxes

Duties can be recognized by the impact they have on the dissemination of pay and riches. A proportional tax is one that forces a similar relative weight on all citizens—i.e., where charge obligation and pay develop an equivalent extent. A progressive tax is portrayed by a more than the corresponding ascent in the assessment risk concerning the expansion in salary, and a regressive tax is described by a not precisely corresponding ascent in the relative weight. Consequently, progressive expenses are viewed as diminishing imbalances in pay

dissemination, through regressive taxes can have the impact of expanding these disparities.

The expenses that are by and large viewed as progressive incorporate individual pay duties and domain charges. Pay imposes that are ostensibly progressive, notwithstanding, may turn out to be less so in the upper-salary classifications—particularly if a citizen is permitted to decrease his assessment base by pronouncing reasoning or by barring specific pay segments from his assessable pay. Proportional tax rates that are connected to bring down salary classifications will likewise be increasingly progressive if individual exceptions are announced.

Income estimated through the span of a given year does not give the best proportion of taxpaying capacity. For instance, passing increments in salary might be spared, and amid impermanent decreases in pay, a citizen may fund utilization by diminishing investment funds. In this manner, if tax assessment is contrasted and "permanent pay," it will be less regressive (or increasingly progressive) than if it is contrasted and yearly salary.

Sales taxes and duties (except those on extravagances) will, in general, be regressive, because the offer of individual salary expended or spent on particular decent decay as the dimension of individual pay rises. Poll charges imposed as a fixed sum for each capita, clearly are regressive.

It is hard to arrange corporate salary assesses and charges on business as progressive, regressive, or proportionate, as a result of vulnerability about the capacity of organizations to move their duty costs. This trouble of figuring out who bears the taxation rate depends critically on whether a national or a subnational (that is, commonplace or state) charge is being considered.

In thinking about the financial impacts of tax assessment, it is essential to recognize a few ideas of expense rates. The statutory rates are those predetermined in the law; usually these are peripheral rates; however once in a while, they are average rates. Negligible pay charge rates show the division of regular salary that is taken by tax assessment when pay ascends by one dollar. Along these lines, if charge obligation ascends by 45 pennies when salary ascends by one dollar, the negligible assessment rate is 45 percent. Salary charge rules usually contain graduated minor rates—i.e., rates that ascent as pay rises. Careful investigation of peripheral assessment rates must consider arrangements other than the formal statutory rate structure. On the off chance that, for instance, a specific expense credit (decrease in duty) falls by 20 pennies for every one-dollar ascend in pay, the minimum rate is 20 rate focuses higher than demonstrated by the statutory rates. Negligible rates demonstrate how after-charge pay changes in light of changes in before-charge salary; they are the pertinent ones for assessing motivator impacts of tax collection. It is significantly increasingly hard to realize the negligible robust expense rate connected to pay from business and capital since it might rely upon such contemplations as the structure of deterioration remittances, the deductibility of intrigue, and the arrangements for expansion modification. An essential monetary hypothesis holds that the minor compelling expense rate in salary from capital is zero under a utilization-based assessment.

Average income charge rates show the part of the all-out salary that is paid in the tax assessment. The example of average rates is the one that is significant for assessing the distributional value of tax assessment. Under a progressive salary charge, the average pay charge rate ascends with pay. Average income charge rates regularly ascend with salary, both because individual recompenses are accommodated the citizen and wards and because minimum assessment rates are graduated. Then again, particular treatment of pay got prevalently by high-pay family units may overwhelm these impacts, creating progressivity, as demonstrated by average income rates that fall as pay rises.

1.4 Principles of Tax System

A sound tax system must satisfy certain principles to raise sufficient income and satisfy specific social targets. Adam Smith had clarified four canons of taxation which he figured a sound tax system must satisfy. These four canons are equity, certainty, convenience, and economy. They are to advance financial development and improvement, particularly in the developing nations, the net just through urging private endeavor yet to attempt the errand of generation in some vital ventures. In this way, to devise a decent tax system, these targets and elements of the Government's financial strategy must be kept in view.

It might be noticed that Adam Smith was fundamentally worried about how the abundance of countries or, at the end of the day, creation limit of the economy can be expanded and he felt that private endeavor chipping away at the premise of free-market instrument would guarantee productive utilization of assets and, whenever left liberated would achieve fast monetary development.

His thoughts regarding open money were affected by his economic rationality of temperance of free private endeavor. In proposing the previously mentioned standards of tax collection, he was guided just by the single target that Government ought to have the capacity to raise adequate income to release its restricted elements of accommodating barrier, keeping up peace, and, open utility administrations.

Both the destinations and elements of present-day Governments have expanded requiring huge assets. In this manner, the advanced financial specialists have included different standards or attributes which tax collection arrangement of a nation must fulfill if the destinations of present-day Governments accomplished. In what tails we will explain the standards and attributes of a decent tax framework are beginning with the clarification of Smithies principles of taxation.

Canon of Equality

The first principle of a decent tax framework accentuated by Adam Smith is of equality. As indicated by the standard of equality, each should pay to the Government as per his capacity to pay that is in the extent of the payer income he has as the assurance of the State.

In this manner under the tax system dependent on equality rule, the more extravagant people in the general public will pay more than poor people. Based on this standard of equality or capacity to pay Adam Smith contended that charges ought to be proportional to salary, that is, everyone should pay the same rate or level of his pay from tax.

Nevertheless, modern financial experts decipher equality or capacity to pay uniquely in contrast to Adam Smith. In light of the supposition of decreasing the minimal utility of cash pay, they contend that the capacity to pay standard calls for progressive salary tax, that is, the rate of tax increments as pay rises. Presently, in the vast majority of the nations, the progressive arrangement of pay and other direct taxes have been received to guarantee equality in the tax system.

It might, in any case, be referenced here that there are two parts of capacity to pay standard. First is the idea of flat equity. As indicated by the idea of horizontal equity, the equal individuals, that is, comparatively arranged people should be dealt with equally.

The term infers the individuals who have the same salary should pay a similar measure of tax and there ought to be no segregation between them. Second is the idea of vertical equity. The idea of vertical equity is worried about how individuals with various capacities to pay ought to be treated for the motivations behind the division of tax trouble. At the end of the day, what different tax rates ought to be

demanding on individuals with various dimensions of pay, a significant tax system must be, for example, will guarantee the flat just as vertical equity.

Canon of certainty

Another important rule of a decent tax system on which Adam Smith laid a decent arrangement of stress is the group of certainty. To cite Adam Smith, 'the tax which every individual will undoubtedly pay should be certain and not self-assertive.

The time of installment, the way of installment, the amount to be paid should all things considered and plain to the donor and each other individual. The productive capacity of an economy necessitates that the general population, particularly business class, must be sure about the entirety of tax that they need to pay on their salary from work or speculation.

The tax system ought to be with the end goal that aggregate of tax ought not to be self-assertively fixed by the salary tax specialists. While taking a choice about the measure of work exertion that an individual should put in or how much speculation should he embrace under unsafe conditions, he should know with certainty the distinct measure of the tax payable by him on his salary. If the entirety of tax payable by him is liable to much attentiveness and assertion of the tax appraisal expert, this will debilitate his motivation to work and contribute more.

Besides, lack of certainty in the tax framework, as pointed out by Smith, supports defilement in the tax organization. In this manner in a decent tax framework, "people ought to be secure against flighty taxes imposed on their wages or different livelihoods. The law ought to be clear and explicit; tax authorities ought to have little watchfulness about the amount to evaluate taxpayers, for this is an exceptionally extraordinary power and subject to abuse."

Canon of convenience

As indicated by the third group of Adam Smith, the whole, time and way of installation of a tax ought not exclusively to be certain however the time and way of its installment ought to likewise be convenient to the supporter. On the off chance that land income is gathered at the season of collect, it will be convenient since as of now ranchers procure their harvest and acquire salary.

As of late endeavors have made to make the salary tax convenient to the taxpayers by accommodating its installments in portions as development installments at different occasions amid the year. Further, salary tax in India is demanded based on pay got as opposed to paying collected amid a year. It likewise makes the pay tax framework convenient. In any case, there is a great deal of badgering of the taxpayers as they are approached to go to the pay tax office a few times amid a year for elucidations of their pay tax returns.

Canon of Economy

The Government needs to burn through cash on gathering taxes imposed by it. Since accumulation expenses of taxes add nothing to the national item, they ought to be limited beyond what many would consider possible. On the off chance that the accumulation expenses of a tax are more than the total income yielded by it, it is not beneficial to require it.

Progressively confounded a tax system, increasingly expand managerial apparatus will be utilized to gather it and like this accumulation, costs will be generally more significant. In this way, notwithstanding for accomplishing economy in the tax gathering, the taxes ought to be straightforward and tax laws ought not to be liable to various translations.

CHAPTER 2. INVESTIGATION OF TAX SYSTEM OF AZERBAIJAN.

TAX INCENTIVES.

2.1 Azerbaijan Republic

Azerbaijan is located on the south-eastern borders of the European continent and serves as a connection between Europe and Central Asia; it is an economic and energy route from Northern Europe to the Middle East. Azerbaijan is limited with the Caspian Sea in the east, Russia in the north, Georgia in the northwest, Armenia in the west and Iran in the south. As the capital, there is a state of the presidency with Baku. The currency is AZN and Azerbaijani is the official language.

Azerbaijan, with over 100 years of modern advancement history, demonstrated to be a monetary power in the South Caucasus amid the strife of the Soviet Union in the mid-1990s. In the wake of picking up its autonomy in 1991, the Azerbaijan Republic passed an all-inclusive change period from a Soviet-style direction economy to a cutting edge; showcase situated economy concentrated on the creation and fare of hydrocarbon assets.

Azerbaijan, United Nations (UN), Organization for Security and Cooperation in Europe (OSCE), North Atlantic Treaty Organization (NATO) Partnership for Peace, Euro-Atlantic Partnership, (WHO), GUAM Organization for Democracy and Economic Development, European Bank for Reconstruction and Development (EBRD), Council of Europe, International Monetary Fund (IMF) and World Bank. Azerbaijan is a spectator of the Democratization Society and the World Trade Organization (WTO). Azerbaijan bolsters the demilitarization of the Caspian Sea bowl and security of the South Caucasus as an atomic district. In October 2011, Azerbaijan was chosen as an individual from the UN Security Council without precedent for the nation's history.

Azerbaijan is the primary exporter of oil and combustible gas. Oil age began in November 1997 under the first Production Sharing Agreements (PSAs) with Azerbaijan International Operating Company (AIOC).

Even though oil is a complete factor in the (GDP), the division is clogging in Azerbaijan. Therefore, non-oil improvement in 2018 was 11.1% stood out from 2017, primarily as a result of information advancement (IT) and media correspondences, non-oil industry age, agriculture, and transportation.

On 21 February 2015, AZN lost 33.5% of its value against the US Dollar and 30% against Euro.

Historical Developments of Azerbaijan Tax System

Under this heading, the developments in the period of post-independence and the period of the Soviet Union in Azerbaijan tax system will be discussed.

Tax system during the Soviet Union

Since Azerbaijan was under the control of the Soviet Union in 1920-1991, it had no independent tax system. Because of this reason, it is essential to review the tax laws of the USSR in order to analyze the taxes in force in Azerbaijan at that time.

The first tax reforms in the Soviet Union began at the time of “New Economic Policy.” In the Soviet era, the process of restructuring of the economy began after Lenin's speech on 15 March 1921 for the replacement of supplies as a substitute for distribution of supplies, and at the same time the basis of the tax system of the Soviet state. The first tax collected in the New Economic Policy period was the Mining Tax, which entered into force in July 1921. The first excise tax was introduced to the wine in November 1921 and to the tobacco products after a while.

If the income of real persons from 1922, labor and servants exceed the amount of the income they earn from the mercenary work, Income and Real Estate Tax are received from them. The income tax from the state and cooperative establishments was started in 1923. The tax rate was 8%, which was calculated based on corporate income. In the same year, the agricultural tax was introduced in the villages. In 1925, taxpayers were introduced into military taxes, men who were not called to the army between the ages of 21-40. The development of commodity-money relations in the country also demanded the inclusion of state rations. In this regard, the cost of the mortar, the booking fee, the notaries' fee, and the court tax are also included in the tax system. In 1923-1925, it was seen that taxes such as Agricultural Tax, Income Tax, Real Estate Tax, Production Tax, Rant Tax, Inheritance Tax, Sales and Customs Duty are applied in Azerbaijan.

Since 1930, the Soviet Union began to lose its importance in taxes and to remove tax purposes. As an example, we can say that taxes are used for political purposes against networks.

Based on the decision of the Soviet Union of the People's Commissars of September 2, 1930, all sales taxes were abolished as a result of the tax reforms of 1930-1932. For state enterprises, payment of two types of taxes determined by production funds and norms; Taxes on Revenue Tax and Operating Profit are accepted. With these reforms, the income of the state was provided not by taxes but by the price policy carried out by state enterprises. On 21 December 1931, the Council of Peoples' People's Committee of the USSR, on the issue of central national and local budgets, started to apply the principle of hard centralization of financial resources for the centralized management of economic interests. With this decision, local budgets were almost deprived of their income sources. In the new system where the property is wholly nationalized, centralization mechanism has prevented the development of the tax system.

The military tax that came into effect after the start of World War II was abolished in 1946 after the war ended. With the decree of the USSR dated November 21, 1941, to help mothers with many children, tax on single, single and childless families ere began to be applied. Except for Mongolia, history has never been the same in any country in the world. Nevertheless, this tax remained in practice until the USSR split. In the Soviet Union, which has a socialist organization, since 1959, some taxes have been abolished, or control over taxation has been restricted.

The tax system in the post-independence period

After the Republic of Azerbaijan regained its independence in 1991, it began to realize its independent fiscal-budget and tax policies. Within this time, many laws were adopted; types of taxes, rates, and state considerations were determined.

With the decision of the President of the Republic of Azerbaijan dated October 14, 1991, and numbered 369 to establish and develop the new tax system, the Republic of Azerbaijan was appointed as the General Tax Inspector of the Republic of Azerbaijan.

The transition to the modern tax system in Azerbaijan starts from 1991-1992, which is the transition period for the fundamental economic changes and the market economy. It is necessary to examine this transition process in three stages. In the first period of 1991-1992, laws on income and expenditure taxes were adopted. In December 1991, Value Added Tax and Expenditure; Corporate Tax and Income Tax in June 1992; In July 1992, the State Tax Administration Act was adopted, and since 1992 the tax administration of Azerbaijan has started to emerge.

The second period covers the years 1993-1996. During this period, many new tax laws were adopted in a way that would respond to market economy needs. "Land Tax" in February 1993, Real Estate Tax "and Mining Tax 1993 in March 1995; In

February 1996, Taxes on State Road Fund under laws were adopted, appointments and decrees related to the application of tax laws were issued.

In the third stage of the 1997-2000 period, changes and arrangements were made in the laws adopted in the previous stages due to changes in society and economy. In January 1999, the law was passed about “the elimination of barriers to the development of the State Supreme System and the development of the private sector to promote and develop the private sector. National Leader Heydar Aliyev's decree on the establishment of the Ministry of Taxes of the Republic of Azerbaijan dated 11 February 2000 has been abolished, and the State Tax Inspectorate of the Republic of Azerbaijan was canceled. The Ministry of Taxes, the central executive body performing state control, was created. As a result of this development, the Tax Law 2001 was adopted in July 2000 and was put into effect as of the beginning of January 2001.

Later, some amendments and additions were made to the Tax Code. Thus, the Tax Code of the Republic of Azerbaijan in 2002, 78 amendments, in 2003, the addition of 115 annexes and amendments, and in 2004, 127 annexes and amendments were made.

2.2 Principles in the Tax System of Azerbaijan

The principles of taxation in Azerbaijan are set out in Article 3 of the Tax Code and include the following principles:

- The law on taxes should be based on general, equal and fair taxation.
- Taxes should be economically clear.

- Taxes cannot be determined and discriminated based on political, ideological, ethnic, religious and other characteristics that exist between taxpayers.
- The taxes of the Republic of Azerbaijan are determined only by the Tax Law of Azerbaijan, the amendment or revocation of these laws shall be effected by amendment of this law.
- It is not allowed to determine the taxes which prevent the realization of the rights and freedoms of everyone in the Constitution.
- No duty can be imposed on anyone to pay taxes determined by law, and which are not determined by this law or determined by law.
- Legislation on taxes should be designed in such a way that everyone has clear information on which taxes, in what form, when and in what amount.
- All contradictions and unclear points of the legislation on taxes should be interpreted in favor of the taxpayer.
- It should be ensured that real and legal persons have free information about the normative legal decrees of taxes.
- Taxes which violate the integrity of the economic space of the Republic of Azerbaijan (in particular, directly or indirectly restrict the free movement of goods (services, services) and cash flow in the territory of the Republic of Azerbaijan, and in other ways restrict or prevent the legal activities of taxpayers) may not be allowed.

- No individual may be forced to pay more than the same type of tax for income (from income). The tax system should encourage entrepreneurship and investment activities.

Constitutional Provisions in Azerbaijan Tax System

In Azerbaijan, as in many other countries, constitutional provisions exist during the sources of the tax system. In the Constitution of Azerbaijan, there are the following items related to taxes:

According to Article 73 of the Constitution;

1. Everyone must pay the taxes and other payments to the state in full and on time.
2. No one may be compelled to make any other tax and other state payments than those provided for by law and by law.

Another item in the Constitution relating to tax is article 94. This article includes the general issues determined by the National Assembly of the Republic of Azerbaijan. According to Article 15 of the Article, the principles of financial activity, taxes, payments, customs and customs, related to the provisions and changes can be made by the National Assembly by the rule of the majority. At least 63 people must vote in favor of this amendment for the approval of tax-related changes. According to Article 119, the Council of Ministers ensures the realization of financial, credit and monetary policy. According to Article 138 of the Constitution, in the Nakhchivan Autonomous Republic, general authority for taxation was given to the Nakhchivan Autonomous Republic. These provisions must comply with ATC. Article 144 of the Constitution, which is also the subject of taxes, is under the title of Competencies of Municipalities. The authority to determine local taxes and payments according to paragraph 4 of the article belongs

to the municipalities. In municipalities, local taxes and payments and decisions are adopted by a two-thirds majority of the municipal members.

General Structure of Azerbaijan Tax System

According to Article 11 of the ATC, the tax is defined as a compulsory, personal and free of charge fee transferred from a part of the cash assets of the taxpayers to the state budget and local budgets for financial guarantee of the activities of the state and municipalities.

The general structure of the tax system in Azerbaijan is not a complex tax system because of the low taxes. The Azerbaijani tax system has not been developed much before. The reason for this is that until 1991, we can say that Azerbaijan was a socialist government in the Soviet Union. As the independence of Azerbaijan has lagged behind the economic developments, the tax system has remained far from the developments. However, after Heydar Aliyev became president, the economy of Azerbaijan began to overgrow, and the tax system improved.

At the very end of the ATS, we see the three main tax branches of the tax system. According to ATC, the following taxes are applied in Azerbaijan:

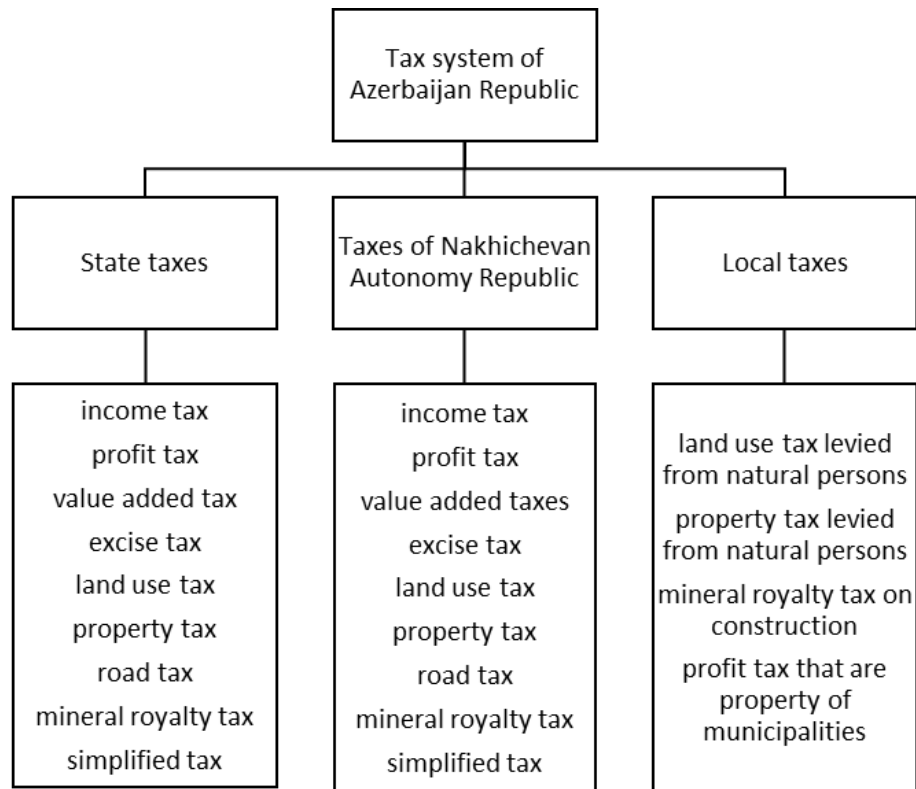


Figure 1. Tax System of Azerbaijan Republic

Note: the figure has been created by the author, based on the data from Azerbaijan Tax Code

In the case of state taxes, the taxes to be paid within the borders of the Republic of Azerbaijan are determined. In the case of autonomous republic taxes, the taxes of the Nakhichevan Autonomous Republic, which the laws of the Nakhichevan Autonomous Republic determine and in the Nakhichevan Autonomous Republic, are foreseen in the Nakhichevan Autonomous Republic.

In the case of local taxes (municipal taxes), this law stipulates the taxes to be imposed in the municipalities' districts, which are applied by the decisions of the municipalities. Other compulsory payments implemented by municipalities are determined by the relevant law. The rates of local taxes are determined within limits set by the tax laws. By the tax legislation, municipalities may decide to exempt, in whole or in part, the individual categories of taxpayers in their territory from the local taxes, to reduce the tax rate.

In the Republic of Azerbaijan, a special tax regime can be applied by the law. In the case of a special tax regime, the specific rule of calculating and paying taxes is envisaged over some time.

In the Tax System of Azerbaijan, the liability is divided into two areas: full and narrow.

According to the Tax Council of the Republic of Azerbaijan, full taxpayers are listed as follows:

- a) The more time truly the Republic of Azerbaijan, 182 days in the calendar year which is in the land, or
- b) within the calendar year, which is in the Republic of Azerbaijan on behalf of government services in a foreign country during a calendar year,
- c) in the Republic of Azerbaijan land and the residence time of a real person in any foreign country 182 If not more than one day, this real person shall be the full payer of the Republic of Azerbaijan in the following cases;
 - a. The permanent residence,
 - b. the center of vital interests,
 - c. the exact place of residence,
 - d. Be a citizen of the Republic of Azerbaijan.

According to article 13 of the Tax Code of the Republic of Azerbaijan, the narrow taxpayers are listed as follows:

- The person who has diplomatic or consular status in the territory of the Republic of Azerbaijan and his / her family members,
- The person who is officially registered in the framework of the rules determined in the territory of the Republic of Azerbaijan and the person working in the state service of the foreign country and his family in the territory of the Republic of Azerbaijan,
- The person whose purpose is only to pass from a foreign state to a foreign state through the land of the Republic of Azerbaijan,
- Diplomatic privileges, diplomatic representatives, international organizations and their representatives.

In Azerbaijan, if the foreign and domestic income for the full taxpayers is the subject of taxation, the income obtained from the limited taxpayers only within the borders of Azerbaijan falls within the subject of the tax.

According to Article 12 of the ATC, the necessary conditions of tax determination are as follows:

- a) In the presence of the following elements, it is possible to determine the tax:
 - a. The subject of taxation,

- b. Taxation base,
 - c. Tax period,
 - d. Tax degree,
 - e. Tax calculation rule,
 - f. Tax payment method and duration
-
- b) When tax is determined, tax deductions can be determined with the principles stipulated by this law.
 - c) The subject of taxation is the income, interest, land, underground wealth, the value of the goods (business or service), or any other tax collection determined by law.
 - d) Taxation base - is the numerical expression of the taxable part of the taxation issue.

Today, achieving the following objectives is one of the essential tasks of ATC.

- To ensure that tax revenues enter the budget in full and in time,
- Redistribution of revenues among the strata separated from each other according to the economic situation of the citizens.

2.3 Corporate taxes. Taxes on income.

In general, organizations based in Azerbaijan are liable to profit tax on their income all over the world. A non-resident enterprise operating in Azerbaijan through a permanent organization (PE) has to pay taxes on the gross income from Azerbaijan sources; there is no deduction attributable to the PE. The gross revenue of a non-resident business from Azerbaijan sources and not linked to a PE is taxed at payment without any deduction for expenses.

Local entities and non-resident PEs are subject to a fixed tax rate of 20%.

Taxable profits are defined as the difference between the tax revenues taxable income and the deductible expenses.

Gross income covers all income from all economic activities unless the taxpayer has received and the income is expressly exempt from the law.

The deductible expenses include all expenses incurred in the compensation of taxpayers' commercial activities, except as set out by the Tax Code.

Simplified tax system

The Tax Code accommodates a tax installment dependent on a simplified framework for ventures or single business people whose combined gross salary does not exceed 200,000 Azerbaijani manats (AZN) over a consecutive year time frame and not enrolled as a Value-included Tax (VAT) taxpayer. Except for enterprises that produce investment funds and professional participants in consumer goods, credit and insurance institutions and securities markets. During a consecutive 12-month period, businesses that offer trade and catering services

that exceed \$ 200,000 with taxable transactions may choose to be simplified taxpayers.

The Simplified Tax rate is 4% in Baku and 2% in different districts of Azerbaijan, while the Simplified Tax rate for exchange and providing food organizations with assessable exchanges surpassing 200.000 AZN is 6% and 8%, individually.

A simplified tax rate is determined:

- For taxpayers in the construction, multiplied by the applied common coefficients of a fixed AZN 45 per square meter, and
- Housing and non-residential buildings (except those of residents who have been residing for at least five years) are paid for taxpayers, with a fixed common coefficient, and AZN 15 fixed amount per square meter.

The above implementation coefficient is determined by the regional executive authorities.

For gambling games operators, a special simplified tax rate of 4% is determined from the gross commission paid by the operator for 6% of the gross revenue of the game participants and the sellers of these games.

Simplified tax is calculated as 1% for cash withdrawals made by legal entities and single investors.

2.4 Income determination

Capital Gains

There is no separate capital gain tax in Azerbaijan. Revenues from the disposal of capital assets are included in the normal taxable income.

Dividend income

Dividends distributed to residents and assistants are subject to 10% withholding tax (WHT). As a result, the dividend amount of legal entities and natural persons cannot be taxed for profit tax purposes.

Interest income

The interests of a resident or non-resident's PE or the source of Azerbaijan resources paid on behalf of such an organization are taxed at a 10% rate. Interest amounts received by local legal entities are obliged to profit tax paid.

Royalty income

A non-citizen citizen of Azerbaijan who is not resident in Azerbaijan is paid 14% of the PE. The royalty income received by the legal entity of Azerbaijan Tax Office is liable to profit tax.

Foreign income

If an Azerbaijani citizen holds exceeding 20% of the shareholders' equity, directly or indirectly, or has more than 20% of the votes of a foreign legal entity earning income from an appropriate taxed state, that income is concluded in the taxable

income of the resident. A state with favorable taxation is considered to be a country that allows for the confidentiality of information about a country or companies where the tax rate is two or more times lower than the one specified by the Azerbaijan Tax Code. Financial information, as well as the owner of the real property or revenue recipient, is kept).

2.5 Tax credits and incentives

Foreign tax credit

Azerbaijan is legally taxed to legal entities worldwide; however, any overseas tax, up to the tax amount calculated according to Azerbaijani law, will be allowed to offset the Azerbaijani profit tax. The tax credit cannot exceed the tax to be applied in Azerbaijan. This credit applies only to Azerbaijani citizens.

Incentives for agricultural producers

Taxpayers producing agricultural products are exempt from tax, VAT and real estate tax until the end of 2018. Only markets that are applied in retail sales of agricultural products produced in Azerbaijan are subject to VAT. The accompanying exchanges are not exposed to VAT for a long time from 1 January 2017:

- Import and sale of wheat, also the production and sale of flour and bread.
- Sale of non-performing assets as part of the restructuring and rehabilitation of non-performing banks.
- Sale of poultry meat.

Incentives for residents of industrial and technology parks

Organizations working in mechanical and innovation parks are qualified for certain benefits and exceptional cases. Benefits include:

- An exemption for seven years from the date of registration in these parks, exemption from profit/income, land and property tax for resident legal entities and private entrepreneurs.
- Depending on the nature of these activities, construction, scientific research work and VAT exemption for the importation of equipment for other activities in these parks for seven years or indefinitely.

The Special Economic Regime for Export-Oriented Oil and Gas Activities Law

Export-Related Oil and Gas Operations, The Law on Special Economic Regime, was adopted in April 2009 and will be valid for 15 years. This law applies the following tax incentives to contractors and subcontractors (except for non-PE subcontractors in Azerbaijan):

- Local companies are allowed to choose from 20% of the profit tax or 5% from the WHT.
- Foreign subcontractors can only be taxed at a rate of 5% WHT.
- 0% VAT rate.
- Exemption from dividend WHT and taxation in the net profit of the branch.

- Customs duties and exemption from taxes.
- Property tax and land tax exemptions.

To obtain these advantages, the taxpayer must receive a special certificate from the Ministry of Industry and Energy.

The Law on Special Economic Zones (SEZs)

Organizations working in SEZs will have the accompanying tax breaks:

- A 0.5% expense is collected on the total income created from the merchandise, administrations or works performed.
- 0% VAT rate.
- Customs exception.

A unique living arrangement testament is required to work in SEZ. Be that as it may, the accompanying organizations may not have any significant bearing to this testament:

- Companies who produce or processing oil and gas.
- Companies who produce alcoholic beverages and tobacco.
- Television or radio broadcasting companies.

As of March 2018, there is not any established SEZ in Azerbaijan.

An incentive for the employment of disabled persons

The profit tax rate applied to the production enterprises, which comprise at least 50% of people with disabilities, will be reduced by 50%.

In determining the compliance with these privileges, persons with disabilities who have replaced permanent employees, contractors (i.e., employees under civil contracting agreements, civil legal contracts) or persons with disabilities up to 18 years of age are not included in the average number of employees.

2.6 R&D expenditures

Research and Development (R&D) is a useful instrument for developing and improving a business. Research and development include inquiring about the market and client needs and growing as good as ever items and administrations to fit these requirements. Organizations that have an R&D procedure have a more noteworthy shot of progress than organizations that do not. An R&D procedure can prompt development and expanded efficiency and can support one`s business' upper hand.

Consumptions for research and development are present, and capital uses (both public and private) on creative work embraced deliberately to build learning, including information of humankind, culture, and society, and the utilization of information for new applications. Research and development cover essential research, connected research, and test improvement.

In 2017, R&D expenditure for Azerbaijan was 0.2 %. Although Azerbaijan R&D expenditure fluctuated substantially in recent years, it decreased through 1998 - 2017 period ending at 0.2 % in 2017.

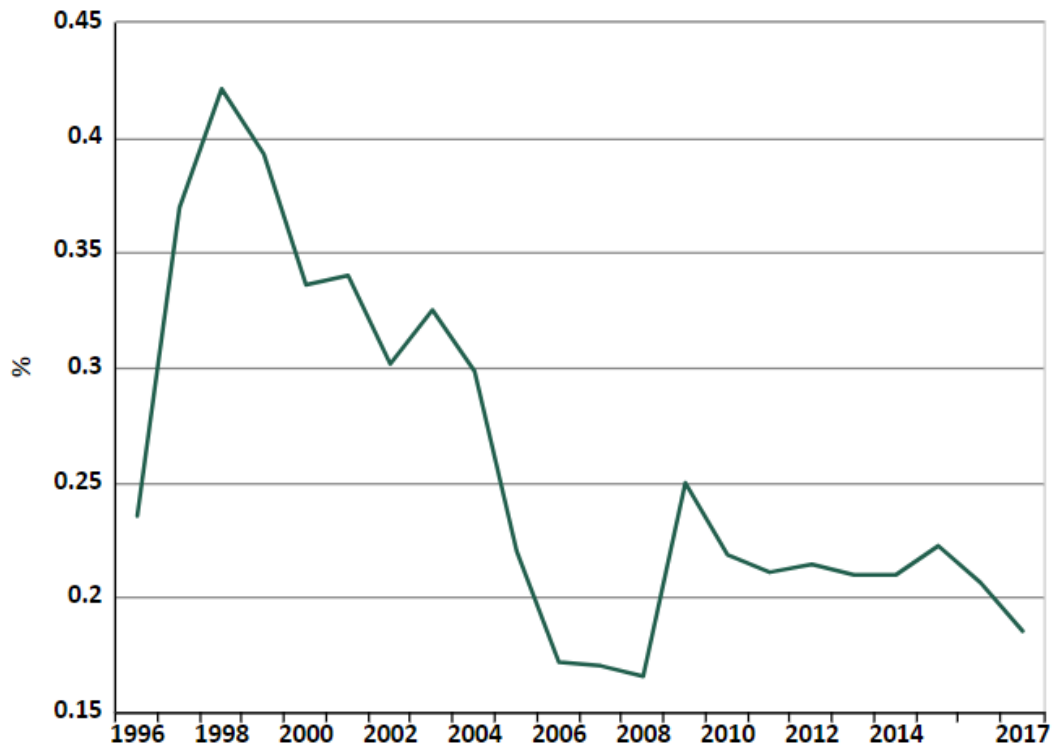


Figure 2. Research and Development Expenditure by the % of GPA in Azerbaijan

Source: www.oecd.org

It is clear that the main problem is to solve the problem and improve the R&D investments in both public and private enterprises and encourage those institutions to spend more to investigate new ideas.

CHAPTER 3. INVESTIGATION OF TAX SYSTEM OF IRELAND. TAX INCENTIVES.

Ireland Republic

Ireland Island is situated in northwestern Europe, and its closest point is about 20 kilometers from Great Britain. The whole island area is 84,421 square kilometers, and Northern Ireland (part of the United Kingdom) is 14,139 square kilometers, and the rest is an independent parliamentary democracy called Ireland. Ireland has a populace of around 4,635 million, and the unique focus is on the east and south drifts. Dublin is the capital of Ireland. The official dialects are Irish and English. Business English is done, and the money is Euro (EUR).

Ireland is a popular parliamentary government. The nation's fundamental law is incorporated into the Irish Constitution, which was received in 1937 and supplanted by an open submission a few times since. The Constitution decides the principal privileges of the native, the state of the legislature and the forces of the administration. It manages the arrangement of the legal executive as well. The national parliament includes the president and two houses: a position of agents and a Senate. The President is the President and has no official capacity. The official power is practiced by the Prime Minister (Taoiseach) and the bureau.

The political condition is steady and has been ruled by the conservative points of view of an inside or community for the most recent decades. Ireland is one of the individuals from the European Union (EU) and in the meantime is the start of most worldwide associations; however, stays unbiased in military issues.

The financial approaches of the state are gone for making a stable monetary condition that underpins business needs. In the 2018 Economic Freedom Index, Ireland positioned 6th on the planet and second in the European Union.

Additionally, the Globalization Index positioned as the thirteenth most globalized nation in Ireland in 2018. Worldwide Photo (World Bank, IFC, PwC).

In Ireland, Forbes 2018 positioned eighth in the rundown of Best Countries for Business. It is the leading nation in the primary 15% of all nationalities in Forbes' rankings. Ireland positioned top as far as money related opportunity, low taxation rate, financial specialist insurance, and individual flexibility.

Over the most recent forty years, Ireland has persistently contributed and re-contributed to address the issues of a developing and advanced global exchange industry. Today, Ireland is a standout amongst the most favored spots to put resources into Europe. Site Selection has picked Ireland as the main per capita in Western Europe in the 2018 Best Investment positioning. As per IBM's 2017 Global Position Trends Annual Report, Ireland has been the main focus for the additional estimation of remote direct speculation (FDI) ventures for six consecutive years. These insights demonstrate that organizations are taking a gander at fundamental factors, for example, a good business condition, aptitudes accessibility, and bunch/division powers when choosing where to contribute instead of recurrent occasions, for example, short-dated financial development prospects or money related deficiencies. It very well may be seen that more than 1000 organizations from around the globe have picked Ireland working together and that FDI in Ireland has been expanded fundamentally as of late notwithstanding common financial vulnerability. Ireland has invited speculations from a broad scope of business areas, including hardware and building, pharmaceutical and wellbeing items, PC programming, money related administrations and scope of global exchange administrations. Ireland has a standout amongst the complete lawful structures in Europe for the insurance of protected innovation (IP) rights. Ireland has a standout amongst the most far-reaching legal systems in Europe for the assurance of protected innovation (IP) rights. Ireland invited interests in a broad scope of business areas, hardware, and

building, pharmaceutical and wellbeing items, PC programming including monetary administrations and scope of worldwide exchange administrations. Ireland has a standout amongst the most extensive lawful structures in Europe to ensure licensed innovation (IP) rights.

Ireland's proceeded with progress as a speculation site depends on the positive methodology of the fruitful Irish governments to the improvement of organizations. This approach gave a fitting evaluation condition; aggressive working costs; a beneficial practiced and talented workforce; and an impelled system with world-class support organizations. Ireland positions 6th in the World Competitiveness Yearbook 2017, which ascends from 2016 to the degree of its general intensity. The IMD World Competitiveness Yearbook 2017 likewise positioned third in Ireland for the adaptability and flexibility of the workforce, demeanors towards globalization, and venture motivations out of the blue, and the genuine increment in gross fixed capital development.

3.1 Corporate expenses. Taxes on income.

Corporate duty is charged as pursues on pay and capital additions:

Standard rate on income ('trading rate')	Higher rate on income ('passive rate')	Capital gains rate
12,5%	25%	33%

Figure 3. Tax rates on income and capital gains.

Note: the table has been created by the author, based on the data from www.revenue.ie

Occupant organizations are exhausted in Ireland on their comprehensive benefits (counting benefits). Non-inhabitant organizations are liable to Irish corporate expense just on the exchanging benefits of the Irish branch or office and the Irish

pay charge (for the most part through retention) on an individual salary from Irish sources.

Non-tradable (detached) pay incorporates profits from organizations domiciled outside of Ireland (with certain exceptional cases), intrigue, rents, and eminences. The enactment gives that specific profit salary (e.g., pay from abroad) is burdened at 12.5%. The higher rate (i.e., 25%) moreover applies to pay from a business that works totally outside of Ireland, just as pay from land, mining and oil exploration. For specific oil exercises, an extra "proficient asset lease" will be charged. Contingent upon the arrival on the income of an area, the pertinent assessment rate might be somewhere in the range of 25% and 40%. For organizations, the individual corporate salary assessment might be demanded on undistributed venture pay (counting Irish profits) and undistributed pay from expert administrations. Instances of independent administrations incorporate callings, for example, legal advisor, bookkeeper, doctor, and designer.

3.2 Income determination

Irish trading profits are calculated by Irish GAAP or International Financial Reporting Standards (IFRS), subject to any statutory adjustments. Adjustments to the previous year may result from the first implementation of IFRS, which may result in income or expenses being counted twice or income from the tax burden falls. To avoid such a result, there are generally transitional adjustments that will identify amounts of revenue or expenditure that could be counted twice or that could be exempted from the tax burden, and which will be taxed or deducted over a certain amount.

Inventory valuation

Every asset is estimated at expense or market for duty purposes, whichever one is lower, and this normally is the bookkeeping treatment. The strategy for deciding the expense of procurement or the market estimation of the stock should by and large be predictable and not strife with duty law. The FIFO strategy is a satisfactory technique for computation for expense purposes. The base-stock technique was viewed as unseemly for duty purposes, similar to the LIFO strategy.

Capital gains

Companies are liable to withholding tax on profits from the sale of capital assets. The profit can be taxed determined by deducting the costs incurred on the acquisition of the asset from the sale proceeds. The resulting profit is taxable at 33%. Disposals of offshore and overseas life insurance shares eliminate the need for indexation relief. Non-shareholder shareholders are subject to a 33% tax rate on funds and strategies situated in EU/EEA/DTT nations, and a rate of 33% or 40% applies to assets or arrangements in all locales. For Irish corporate shareholders investing in Irish funds, a reduced tax rate of 25% applies. The profits (and losses) resulting from the divestment of developing country in Ireland have special rules.

Companies that are Irish taxpayers (i.e., not eligible to be exempt from Irish residency due to their domicile in a DTT area) are taxed on worldwide profits. Non-resident companies are liable to capital gains tax on the sale of Irish land, buildings, mining rights and the search rights in the Irish Continental Area, as well as the shares in companies of significantly high (unlisted) value, as well as the sale of Irish land, buildings, mining rights and search rights. More than 50% of these assets. Non-resident companies are also liable to capital gains tax on the sale of assets used for a company operating in Ireland.

Losses arose from the sale of capital assets may be offset with the capital gain obtained in the accounting period or deducted from the future capital gain provision. Capital losses are not allowed back. There is no possibility to balance capital losses in a tax group against operating income or to deliver a capital loss.

Ireland's capital gain tax legislation facilitates institutional arrangements on a tax-free basis when it is in the stock exchange. Assets can be earned in certain company groups without capital gains tax.

Participation exemption from capital gains

Companies that reside in Ireland shall be exempted from participation in the sale of their interests, if:

- Minimum 5% of the shares (including profits and assets during the period of expiration) are held directly or indirectly for 12 months.
- Shares were held for 12 months when the date of sale fell or for 12 months ended 24 months before the date of sale.
- The company, whose shares are sold, are located in an EU member state (including Ireland) or in a country where Ireland has DTT at the sale (this includes tax agreements that have not yet been signed but yet approved), and
- a transaction condition is met during the sale: the business of the disposed company is wholly or mainly of one or more transactions being carried out or the holding company of Ireland and, directly or indirectly, 5% or more of the ownership interest. All companies consist of one or more transactions, entirely or to a large extent.

In the event that the Irish holding organization can't meet the base holding necessity however is an individual from a gathering (i.e., a parent company and 51% subsidiary in the world), the gain obtained in the deal can be met by the inclusion of goods belonging to the other members of the group should be exempted. Consequently, the Irish organization might be exempted from expense pay charge for the clearance of offers, regardless of whether it doesn't have a critical offer legitimately. The exemption also applies to the sale of assets related to shares, such as options and convertible debt. However, a more significant portion (more than 50%) of its value does not apply to the sale of Irish properties, minerals, mining rights, and any shares or related assets obtained from search and use rights in a designated area. Shares that acquire their value from non-Irish goods, mines, and mining rights are eligible for an exemption if other conditions are met.

The capital losses arising from the sale of the shares to which the sale profit will be exempted in the scope of participation exemption cannot be deducted.

Capital gains tax entrepreneur relief

Capital gains tax allowance can reduce the capital gain rate to 10% in the sale of wage-earning assets, from 1 January 2017 to 1 million Euro. This benefit allows entrepreneurs to earn more capital for reinvestment and focuses on Ireland's focus on investing in new businesses.

Dividend income

Irish native organizations' profits are absolved from the corporate assessment. Benefit share paid by an organization occupant in an EU part state or Ireland in which the nation has a DTT (or Ireland where Ireland has confirmed the Charter of Mutual Assistance in Tax Issues) might be saddled at 12.5%. If not, the rate.

The corporate expense rate of 12.5% applies to a similar kind of profits got from organizations living in non-contract nations, gave that the organization that pays the profit is a recorded organization or whose shares are a piece of a gathering with 75% of the parent class. The Irish Stock Exchange is an entirely and consistently exchanged nation a perceived Stock Exchange or a nation wherein Ireland has a DTT or different trades affirmed by the Minister of Finance to abrogate twofold tax assessment.

As expressed over, the corporate expense rate of 12.5% likewise applies to outside benefit shares got from the business profit of an organization inhabitant in a nation that has endorsed the Mutual Aid Agreement in Tax Issues

Remote profits gotten by an Irish organization with 5% or less of the offer capital and the privilege to cast a ballot in that outside organization is absolved from the corporate duty to which the Irish organization will be assessable as income to that benefit share salary.

Profits from inhabitant organizations in Ireland are not subject for any extra expense payable, aside from extra charges to adjacent organization beneficiaries where the profit isn't redistributed. As a rule, a nearby organization is under the control of five or fewer members. Members are qualified for individual investors, corporate investors, credit loan bosses, people who reserve the privilege to get a conveyance from the organization, etc. It might contain. In the event that under 35% of an organization's offers (counting casting a ballot control) are recorded, an organization isn't viewed as a nearby organization.

If the salary isn't disseminated to the investors inside the year and a half of the monetary year where the pay was earned, an extra 20% of the organization's extra expense is payable in a specific pay other than the exchange (for instance, rental pay, explicit profit pay, premium pay). A nearby organization that disseminates

and the organization that is near the appropriation will mutually reserve the privilege to quit profit installment at an extra expense. This may enable close organizations to overhaul their 'exchange pay' to a holding organization at no extra expense. As a rule, close organizations abstain from paying extra charges with the installment of profits inside the predetermined period. On account of resettlement, the capital addition accumulated to a non-inhabitant organization might be ascribed to the occupant members of Ireland in specific conditions.

Stock dividends

Stock dividends received instead of money are taxed at an amount equal to the amount that can be obtained if the option to receive shareholder dividends has not been used. If the buyer receives a dividend from a listed Irish listed company in Ireland, the tax is not applicable. A dividend withholding tax (WHT) is applied to eligible companies listed on the dividend of dividends, with appropriate exceptions and exceptions. Other stock dividends (free of charge issues) are generally not taxable.

Interest income

Interest income earned by Irish companies may be taxed at the tax rate for a passive income of 25% (interest may be accepted as a voucher for the trading of some financial companies). It is possible to balance the current year transaction losses in the same year on a 'value basis.' Unless there is a commercial voucher for a particular company, it is not possible to compensate for the previous year's trade losses against interest income in the current year.

Income for Royalty

Sovereignty pay earned by Irish organizations might be burdened at an expense rate of 25% for easy revenue. In any case, if an Irish organization accept an IP exchange, its copyright and comparable incomes might be liable to Irish assessment at the rate of 12.5% of the corporate duty rate. Like the uninvolved intrigue pay, it is conceivable to make up for the present year exchange misfortunes against 'detached' salary around the same time. Except if the organization has a business buy receipt, it is beyond the realm of imagination to expect to adjust the earlier year's exchange misfortunes against the present year's sovereignty pay.

Emanations remittances

The Irish enactment characterizes the duty treatment of outflow gives under the EU Emissions Trading Program. The enactment recognizes the stipends got complimentary from the Environmental Protection Agency (EPA) and those obtained by the EU Program.

Discharges from the EPA for nothing out of pocket can't be exhausted. The allocations bought can be considered as business resources subject to corporate assessment treatment.

Foreign income

Inhabitant organizations are liable to Irish assessment on pay around the world. In like manner, on account of an Irish organization, remote income and capital additions are commonly subject to the corporate expense. This applies to the payment of a remote part of an Irish organization and profit pay from abroad.

3.3 Main tax incentives in Ireland:

- 12.5% corporate income tax on an active business.
- A 25% loan to qualify for R&D expenditures; 37.5% total effective tax reduction.
- Ability to use IP with appropriate tax rates.
- Accelerated tax amortization allowances for approved energy efficient equipment.
- To carry out investment management activities in Ireland for non-Irish investment funds without creating a taxable asset for such funds.
- A valid legal, regulatory and tax framework that allows effective reuse of investment funds from traditional offshore centers to Ireland.

Intellectual property (IP) regime

The legislation provides a tax deduction for capital expenditure made by a company engaged in trading related to the acquisition of qualified IP assets. The definition of IP assets is broadly prepared and includes the purchase or use license of the following:

- Patents and proprietary designs.
- Trademarks and brand names.

- Know-how (by the OECD model tax treaty).
- Space names, copyrights, administration checks and distributing titles.
- The authority to sell the drug, any design, formula, process or product of the invention (and the rights obtained from the same study).
- Legal protection practices (e.g., applications for the issuance or registration of trademarks, trademarks, patents, copyrights).
- Computer software expenditure for commercial exploitation.
- The customer has acquired from those acquired directly or indirectly in by the transfer of an entity as a processing concern.
- To the extent that goodwill is directly related to the assets above.

Capital allowances shall be provided at the same rate as the depreciation/amortization fee for financial accounting purposes. Alternatively, the company may choose to request an appropriation for 15 years.

A shorter return period of eight years was also retained for software rights acquired under the current capital assistance regime, where rights were not taken for commercial exploitation (e.g., taken for end-use by the company).

Capital expenditure for IP entitlements after or after October 11, 2017, may be used to offset the revenue generated by utilizing qualified IP assets, up to a maximum 80% reduction of IP profits. The remaining 20% can be taxed with a corporate tax rate of 12.5% according to the business of the company.

However, any IP amortization (i.e., an excess depreciation charge over 80% of the qualifying profit in one year) that is not claimed within one year may be carried forward in future years to be offset against a company's relevant commercial IP profits.

Grants

Capital consumptions in hardware and gear and modern offices, representative preparing, the formation of the business, appropriations, R&D, creation and fare items, giving administrations to clients abroad. Such money advantages can be made. Factor number and explicit to each extends. Costs rely upon the area of the new business.

Foreign tax credit

Remote expenses, which are paid legitimately or retaining by an Irish organization (or the Irish part of an EEA's occupant organization), can be credited in Ireland. The check of the credit depends upon the possibility of the compensation thing, however the credit for money sources other than the profits and financing costs of certain related gatherings is constrained to the Irish duty that can be given to a specific pay thing. An abundance charge credit amassing framework is connected ashore for-profits got from 5% or more offers of the organization and overabundance advances in the profit pool can be conveyed uncertainty. A comparable pooling framework applies to the enthusiasm of some related gatherings just as to remote branch salary.

A branch office or an Irish occupant with a branch outside Ireland might be exhausted in the remote branch benefits of outside duties, which are commonly paid in Ireland for this income. In Ireland, there is additionally a one-sided credit markdown for outside assessments paid by remote branches working in non-

charge nations. For whatever length of time that there are remote charges for good branch benefits in the important period (that is, if the outside expense credit surpasses the Irish assessment), these great advances might be conveyed inconclusively and paid in remote cash against corporate duty. The Branch has benefit later on bookkeeping periods.

While figuring the exchange salary of an exchange performed by the Company, on account of eminences pay, it might be pertinent to gather charge derivations identified with the outside expense on copyright.

An Irish Holdco has an extra expense credit for specific profits got from an EU/EEA partner that is liable to the Irish duty of 12.5% or 25%.

The extra duty credit will give a sound representative for the Irish expense sum when Ireland's ostensible rate is lower than the ostensible assessment rate for benefits situated in the nation where the benefits are started.

All in all, the salary of remote backups of Irish organizations isn't saddled until it is sent to Ireland, despite the fact that there are extraordinary standards that require non-inhabitant partnerships to charge their particular undiscounted capital increases.

Remote expenses, which are paid straightforwardly or retaining by an Irish organization (or the Irish part of an EEA's inhabitant organization), can be credited in Ireland.

3.4 R&D tax credit

A 25% duty credit is connected to everything of R&D uses made by an organization. This credit is a normal pay decrease of 12.5% for R&D consumption, bringing about an adequate corporate assessment addition of 37.5%.

There is a different R&D charge credit for the costs brought about in the development or redesign of a certified R&D building. 35% of the structure must be utilized to fit the bill for R&D exercises, and this limit is estimated more than four years. This is a one of a kind guide wherein R&D is kept up in a generation situation. The accessible credit is equivalent to 25% of the use for the development or redesign of a certified structure, and capability is constrained by R&D use. For the uses made on qualified R&D structures, full volume premise is connected to the R&D charge credit.

The R&D charge credit might be at first counterbalanced against the present year corporate expense obligation of the organization. Any surplus to be deducted from the earlier year's corporate assessment obligation for duty discount can be pulled back, and any surplus can be changed over into money for a three-year cycle. The sum that can be gotten the money for is restricted to the extent of the organization assessment to be paid by the organization in the past ten years (subject to a course of action subject to the past cases) or to the finance charge commitments of the organization for the two times of the R&D. Use and use for the earlier year (subject to rectification contingent upon the past cases).

Additionally, organizations can ascertain R&D charge credits through their benefit and misfortune record or pay explanation when they reach pre-charge benefit or misfortune. This immediately affects the R&D unit cost, which is the key measurement utilized by worldwide enterprises in surveying the areas of R&D ventures. Now and again, organizations that get R&D charge credits have the

choice of compensating representatives with elective utilization of this advance. The organization may convey some portion of the R&D credits (which can be utilized to diminish corporate assessment) to 'key workers' to lessen the pertinent expense rate to 23% (the normal compelling duty rate for such representatives). Regularly close to 40% without such R&D charge credit). To be qualified as a 'lock worker.' In qualifying the R&D contemplates, it needs to satisfy half or a greater amount of business obligations.

The R&D routine meets pre-exchange spending on qualified R&D exercises. In situations where an organization is presented to R&D consumption however has not yet begun to exchange, an R&D demand must be made inside a year after the finish of the bookkeeping time frame in which the organization initiated exchanging.

Legitimately restricting R&D costs of up to 15% of the in-house R&D utilization made by an association or EUR 100,000 (whichever is progressively unmistakable) may possess all the necessary qualities for an R&D charge credit. Installments to third-level establishments up to 5% of in-house R&D use by an organization or EUR 100,000 (whichever is more prominent) may meet all requirements for R&D charge credits.

It ought to be noticed that the consumption caused for the use of the immaterial resources that are qualified for capital help under IP routine and the application/application for legitimate security for the created elusive resources because of the R&D exercises are not reasonable for the R&D credit.

RECOMMENDATIONS AND CONCLUSION

In Ireland, Forbes 2018 positioned eighth in the rundown of Best Countries for Business. It is the leading nation in the primary 15% of all nationalities in Forbes' rankings. Ireland positioned top as far as money related opportunity, low taxation rate, financial specialist insurance, and individual flexibility. Tax credits of 25% and an additional 12, 5% were one of the best choices that the Irish government applied. This policy also made FDI come to the country and increased economic growth.

R&D methodology relies upon the measure of business. In private companies, R&D will continue in the global spotlight more on item improvement as a result of the spending plan and cost restrictions. More prominent organizations might probably devote additional time and assets to R&D to present new items to improve existing ones. The advantages of R&D are regularly long haul, so it is critical to recall that interest in it may not result in momentary benefits. Just as item advancement and improvement, R&D can enable firms to grow increasingly effective procedures and better approaches for conveying administrations.

Investing more energy and cash on R&D does not promise it will be useful. The way to effective R&D is broad statistical surveying to recognize the requirements and wants of the clients. One should return to this examination regularly as client inclinations every now and again change.

There are 4 different ways that plan advancement can qualify an organization for the innovative work charge credit.

1. Structuring a Business Component

As indicated by the guidelines, for a movement to be a certified research action, the reason for the exploration must be to make a new or improved item, procedure, method or equation. This examination results in expanded execution, capacity, dependability or quality. The structure procedure is the place this occurs and is centered continuously on upgrades in execution. For what other reason would a creator be enlisted, other than to make new usefulness or execution? New structures and notwithstanding existing retrofit ventures are required to be better and fit in with present-day norms in productivity, in this manner, intended for capacity.

2. Configuration to Eliminate Uncertainty

In the structure procedure, there is dependably a specialized vulnerability to be killed. The style won't qualify, yet the structure procedure is the place organizations endeavor to make sense of the specific parts of the new usefulness and additionally the new exhibition attempting to be accomplished with the last task. For example, will the outcome be accomplished with this structure? Or then again, in absolute terms, will this structure increase expected vitality efficiencies with this plan? Will this extension face required seismic assessments given the conditions?

3. Structure as Experimentation

Structuring is an iterative procedure naturally. A qualifier for the examination credit is to assess choices. At the end of the day, to show through displaying, re-enactment, orderly experimentation or different techniques that have been assessed options for accomplishing the ideal outcome. Along these lines, the structure procedure is the preliminary and testing of a theory, displaying servers

as the procedure of experimentation that the guidelines required for the exploration charge credit.

4. Planning with Economic Risk

When disappointments occur, what is the central question inquired? 'Who structured this?' Design firms hold financial hazard for their plans and can be considered responsible for redressing at their own cost. Many standard industry contracts will have a proviso with this impact. Most plan firms think it is a piece of working together and part of the activity, yet being on the snare for the aftereffect of the structure is precisely what is expected to meet all requirements for the examination credit.

The figuring of your R&D charge help advantage relies upon the organization's circumstance, regardless of whether it falls into the classification of:

- Beneficial SME
- Loss-making SME

The money related advantage to making an R&D charge help guarantee can be huge. No place else will you discover subsidizing for the tasks that you attempt at such a liberal rate.

Beneficial SME's. Beneficial SME organizations will profit all things considered by a sparing of 25%. In the event that the organization burned through £100,000 on R&D extends in a year, at that point, its enterprise charge obligation would lessen by up to £25,000.

Loss of Making SME's. A loss-making SME can likewise profit by a money infusion. The formulae for a loss-making organization is diverse to the productive organization, and the advantage got is an R&D Credit.

Basically, the loss-making organization gives a £1 of loss as an end-result of 14.5p. This should be a terrible arrangement however in the event that the loss was conveyed forward against future benefits at a 17% duty rate the organization inevitably, later on, would just be getting 17p for its £1 of loss. The arrangement doesn't appear to be so terrible when all things considered.

The loss-making formulae really work out that an advantage of 33% can be gotten. In the event that the organization burned through £100,000 on R&D extends in a year, at that point, its potential R&D Credit would be £33,350.

Azerbaijan Tax System is an effective tax system considering the canons of the excellent tax system. Low tax rates make it possible to pay for everyone. So, calculating it with an average of 10%. This means 10% of the R&D expenditure spent by entities is either refunded or reduced from the tax base. This tax incentive will encourage enterprises to invest in R&D. This will firstly affect the overall economic growth of the firm; then the profits will increase. Therefore it will increase the amount of taxes. This is the efficient result every country wants to achieve.

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