

Mechanism for Regulating Business Relations

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Abstract. In a market economy, the socio-economic development of the country largely depends on the functioning of effectively functioning business relations. Stimulation of entities operating in the business sphere is the basis for their development. In this regard, the tax system plays an exceptional role. The serious changes in the tax system in recent years are also related to the scientific view of what is happening. This gives reason to say that research in the field of taxation lags behind practice to some extent and is not influential enough to influence the formation of policy in this area. Such a situation in the field of tax studies is associated with the historical features of the formation of the tax system. The dynamics of the tax system lags behind the experience of developed countries. In the early years of the formation of a market economy, direct tax relations between the economy and the budget were replaced by irregular distribution of profits, and indirect taxes became an element of the planned distribution of prices. The business environment is related to the external environment in which the modern tax system operates. Therefore, it is impossible to get a complete picture in this area without touching on the issues of the interaction of the tax system with the business environment. Therefore, the interaction of the tax system with the business environment is not only relevant, but also complex and important from both theoretical and methodological points of view.

Keywords: *competition, budget, income, investment, organization, production*

Introduction

In the conditions of a market economy, business entities perform important tasks aimed at eliminating differences in various areas of activity in the economy of any country, creating jobs, and reducing unemployment. Business areas are characterized by flexibility, dynamism, and quick adaptation to changes, taking into account the regional characteristics of the market. It must be admitted that at the current stage of development of our country, the level of business activity of local businesses lags behind its level in foreign countries in terms of the following factors (Salimova, 2014):

- formation of a competitive environment;

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- attraction of economically active population to business and corresponding increase in income;
- increase in local budget revenues;
- increase in economic potential.

At the same time, business plays an important social role:

- meeting the needs of the population at the local level;
- increasing the number of jobs;
- reducing unemployment;
- implementing creative activities of employees.

Factors that hinder business development include:

- reduced investment in business;
- poor development of cooperation between large and small organizations on various schemes;
- significant tax burden on business.

At the current stage of development of our country, the level of entrepreneurial activity lags behind that of foreign countries. This is due to a number of reasons (Velichko, Lavrova, Kravchenko 2016):

- strong competition in the market, the introduction of innovative technologies is practically inaccessible to small business entities;
- difficulties in obtaining loans and other sources of finance, since most business entities do not have a credit history and property that can act as collateral;
- lack of sufficient state financial support;
- problems in the microfinance system;
- limited application of typical leasing schemes in the business sphere.

Methodology

Assessment of the current situation that determines the business activity of a business can be carried out on the basis of SWOT analysis: strengths; weaknesses; opportunities; threats.

External and internal environmental factors allow to strengthen the business activity of most business entities. Based on the analysis of various possible combinations of strengths and weaknesses, taking into account possible threats and opportunities, it is possible to identify the problems they face: lack of financial resources, low level of financial stability, insufficient provision of personal working capital, significant tax burden, difficulties in obtaining state support (Sakkaraeva, Abdurashitov 2024).

The following measures have a positive effect on the development of business entities:

- providing financial support to businesses;
- organizing events aimed at increasing the share of purchases of goods, works, and services from business entities of certain types of legal entities;
- implementing marketing support for businesses;
- implementing property support for businesses;
- ensuring interaction with state bodies, local authorities, other bodies and organizations;
- organizing and monitoring support events for most business entities;
- implementing information support for businesses.

The following issues can seriously affect the increase in business activity:

- formation of a favorable environment for business activity (stimulation of the creation and development of small science-intensive enterprises, small forms in the scientific and technical field);
- development of science and formation of a national innovation system (including on the basis of providing conditions for the active involvement of intellectual activity objects in civil circulation; development of a state support system);
- involvement of young people in innovation activity.

Access to external financing for these business entities is of great importance for business development. In this regard, the production and innovation activities of business entities require the necessary financial resources. A stimulating factor in business development is state support for entrepreneurship through the creation of regional small business support centers on the basis of existing structures to provide a wide range of services, including security, financial, information and other services (Pinkovetskaya, 2015).

Results

In terms of creating efficiency, financial, credit and investment mechanisms based on the optimal combination of state support, investment resources of private capital and own savings of small organizations, primarily for self-financing, are necessary issues. Municipal business support funds can provide preferential loans, interest-free loans, short-term loans, act as collateral, guarantor, and guarantor in order to develop competition and saturate the commodity market (Churkina, Sukhova 2016).

Business stimulation also includes the construction and development of technoparks, a kind of business incubator, where all the necessary conditions for business development are created. Financial and credit support to a business entity can be carried out in the following directions (Mirzazada, 2025):

- encouraging banks and other financial institutions to lend to small organizations by exempting funds allocated for business development from taxes and providing state guarantees for loan repayment;

- activating conditions for the creation of non-state guarantee and insurance companies that will serve business entities.

Tax incentives may include lowering tax rates. Tax incentives for small organizations developing on the basis of innovative technologies, as well as tax incentives for the renewal of fixed assets of the organization, can increase the business activity of small business entities by directing the released funds to other investment projects. Many factors affect the business activity of business entities. As a result of the study, it was determined that internal factors that negatively affect the business activity of business entities include low property status, lack of financial resources, instability of the capital structure, and insufficient provision of working capital. At the same time, factors limiting business activity are unstable (Guseva, Kudryashova, 2013).

Despite a number of measures implemented at the state level to stimulate business entities, the business activities of business entities are developing slowly due to the insufficient level of an efficient financing, lending and taxation system (Amrahov, Huseinov, 2015).

State programs do not cover many types of activities of business entities. Credit programs have significant shortcomings: the lack of a flexible approach to the needs of potential customers - small organizations, preference for short- and medium-term lending. Inconsistent measures to support business in the tax sphere lead to a slowdown in its development (Amrahov, Mahmudov, Aliyev, Hajiyeva, 2022).

Business entities can apply special tax regimes in the form of both a general taxation regime and a simplified taxation system. The Tax Code provides for the establishment of a simplified system of preferential tax rates for individual entrepreneurs who are registered for the first time and are engaged in entrepreneurial activities in the production, social or scientific sphere. Regardless of the form of business organization, business entities can be under the general taxation regime or apply special tax regimes, adhering to the principle of the same approach to taxation of business entities (Mirzazadeh, Zeynalli, 2024).

The Tax Code does not clearly define the general taxation regime, but according to the meaning of its application, the general taxation regime provides for the calculation and payment of corporate profit tax and corporate property tax for organizations, and personal income tax for individual entrepreneurs. Special tax regimes may provide for a special procedure for determining taxation elements, as well as exemption from the obligation to pay certain taxes and payments (Amrahov, 2014).

Thus, the composition of taxes paid by a taxpayer may act as a conditional sign of the application or non-application of a special tax regime. Regardless of the form of business organization, it is possible to apply the same principle of approach to taxation of business entities to newly created organizations operating in the field of industrial, social, scientific and consumer services (Udalov, 2018).

Discussion

Studies show that the modern tax system, being the most important mechanism for regulating the economy, in some cases does not fully correspond to the conditions of market relations. It is complex and confusing both in terms of calculating and documenting taxes, filing reports, and computerizing them. Numerous exemptions on types of taxes for different groups of tax subjects, additions, changes and amendments to the legislation complicate the processing of huge flows of tax information, complicate the process of collecting and storing data, and require an increase in staff (Amrahov, Narimanov, Hajiyeve, Mirzazadeh, Ismayilova, Osmanova, 2025).

A large number of regulatory structures, an increase in the costs of their maintenance, the purchase and maintenance of equipment make the tax system uneconomical. Along with the low level of social responsibility, a large tax burden is the main motive for business entities to refrain from paying taxes and fees. The concentration of the main amounts of tax payments in the budget and extra-budgetary funds, the redistribution of the budget and tax system do not encourage authorities to pursue an active economic policy aimed at development (Amrahov, Rahimli, Mirzazadeh, Ibrahimli, Valizadeh, 2023).

A number of problematic issues can be highlighted in the tax system:

- reassessment of the role of income tax, which can be evaded, knowing the features of taxation, the conditions and mechanism of its calculation and payment;
- maintaining targeted allocations to extra-budgetary funds, the formation of funds, as well as budgets, is carried out at the expense of certain types of taxes and non-tax revenues, and their formation is carried out, in principle, from the same funds;
- reducing the role of property tax on individuals and legal entities;
- high sanctions for tax violations;
- a large number of taxes and fees - although many taxes are similar in their purpose and can be grouped according to similar criteria or ultimately replaced by a single tax on income, a tax rate is set that will not reduce taxes and payments;
- the simultaneous collection of several types of taxes from one tax object;
- the unreasonableness of sufficiently high tax rates on individual types of taxes and payments;
- unsystematic changes, additions, introduction or abolition of new types of taxes and payments characterize taxation.

An unstable system that makes budgets unpredictable has a negative impact on investment in the economy and, as a result, on the development of the socio-economic sector and the stability of society. The instability of tax legislation has a negative impact on the motivation of potential investors, especially foreign investors. In addition, there is a discrepancy between tax and other types of legislation. In this regard, the norms established in tax legislation have an unconditional priority over the norms that touch on tax issues in other civil legislative acts (Amrahov, Mirzazadeh, Taghiyev, Muradov, Hamidov, Karimova, 2023).

The large number of taxes collected, the complex methodology for determining the tax base, the presence of numerous privileges require not only the cost of accounting labor at enterprises, but also an increasing number of tax authorities, additional costs for computerizing their activities. In addition, complex and constantly changing tax legislation creates a certain form of discrimination against the rights of taxpayers, since the application of various sanctions for violation of tax legislation does not take into account the intention of a specific violation of the law (i.e., it makes no distinction).

It is also important to pay attention to a number of issues in the tax system (Amrahov, Mirzazadeh, Guliyeva, Gazanfarova, 2024):

- the state does not provide a favorable tax regime for individuals, especially investors, to invest in the economy;
- does not exempt capital invested in production and reinvested profits from taxation;
- stimulates tax subjects to move away from the tax burden, which leads to a decrease in social payments and replenishment of extra-budgetary funds;
- since the incomes of the majority of the population are low, the middle class of taxpayers is not formed, which leads to the transfer of taxes to the production sector and does not contribute to its development;
- illegal and unequal distribution of the tax burden between individual tax subjects who are subject to the law and those who evade taxes;
- the system of monthly and quarterly payment of taxes and fees for most types of payments leads to the "laundering" of their own working capital of enterprises, especially small ones, and hinders their development;
- the inconsistency, complexity and confusion of numerous instructions and explanations of tax and customs services complicate the work of financial and accounting services of enterprises;
- the lack of methods, programs and algorithms for calculating taxes complicates the processes of automating the planning, collection, processing and storage of tax information;
- the lack of a clearly defined tax policy at all levels of state bodies, the lack of complete and sufficient consideration of tax reform and tax legislation lead to problems in the objective planning of tax revenues at all levels of the budget system.

A number of provisions of the legislation contradict the methodology for determining the tax base applied in countries with developed market economies. The main differences are as follows (Yashin, 2012):

- incomplete attribution of interest payments on bank loans, as well as attribution of business trips, hospitality and some other expenses to the cost of production within the limits established by the state;

- use of depreciation rates limited by the state and not corresponding to the economic life of fixed assets (i.e. taking into account not only physical, but also moral depreciation), which does not allow for timely restoration of fixed assets;

- failure to take into account the inflation factor when valuing inventories and fixed assets for calculating taxable profit;

- lack of a basic concept according to which the profit earned during the entire period of existence of a legal entity is subject to taxation, which allows for compensation of losses not only from the profits of subsequent, but also from previous years.

Particular attention should be paid to the problem of tax administration. The government is considering a draft law that provides for precise regulation of the powers and actions of tax authorities, including the procedure for conducting all types of tax audits, pre-trial resolution of tax disputes, the requirement for documents, and the establishment of a maximum period for conducting audits. The adoption of such a law would be in the interests of economic development and reducing operating costs for all economic entities, since the predictability of tax authorities' actions significantly affects the formation of business risks in the field of economic activity.

One of the main problems of reforms in the domestic tax system is its lack of complexity, its failure to take into account the specifics of the economy. When changes are made to tax legislation, the expected results in other areas of the economy are not predictable. The shortcomings inherent in the modern tax system with the development of market relations lead to a mismatch between the changes taking place in society and the state, tax subjects' failure to pay or reduce tax payments, late payments or evasion of payments. All this requires continuous improvements in the tax system (Amrakhov, 2022).

Conclusion

Tax regulation acts as a key component of the success of a business entity's financial activities. Its main purpose includes issues such as using tax breaks and advantages, minimizing tax payments by legal methods based on the correct selection of tax regimes and objects of taxation, and literacy in the formation and use of accounting policy elements. The ideal model of tax regulation highlights the following features (Amrakhov, Karimov, Karimova, 2022):

- the tax regulation mechanism should be strictly linked to the strategic goals of the country's development and adapted to them;
- the tax regulation mechanism should be transparent and strictly regulated;
- in tax regulation, special attention should be paid to the financial and economic analysis of its efficiency.

The conducted research allows us to draw the following conclusions and propose a number of measures to improve the tax system. Compared to the traditional system, the use of a simplified tax system is the most profitable system, which was revealed on the basis of a comparison of tax rates and

the amount of taxes paid under different taxation regimes (Robetino, Kohtamäki, Federico, 2021). The cost criteria for calculating the amount of tax on the property of organizations using various depreciation methods and the application of a simplified tax system, in our opinion, will significantly reduce the tax burden on domestic business, thereby contributing to its development and strengthening the financial position in domestic markets (Amrahov, 2015).

Research on the determination of the regulatory role of the tax system in the business sphere and the study of its features, as well as the development of tax relations, allows us to summarize the following conclusions:

- the study of taxation based on determining the composition, functions and objectives of the tax system is supplemented with modern theoretical approaches. The place of the tax system in the state financial system is clarified. The functional characteristics and properties of the subsystems of the tax system are determined. The necessity of studying the tax mechanism as the main direction of tax reforms is substantiated;

- on the basis of systematized scientific ideas about the tax mechanism, the essence of the tax mechanism is determined from the point of view of studying the interaction of the tax system with the external environment. The importance and role of the business environment in relation to the tax system are revealed. A proposition is formulated about the complex and multifaceted interaction of the tax system and the business environment. The essence, levels and forms of this interaction are revealed;

- a methodology for studying taxation costs is determined based on the generalization of the experience of foreign countries. A study of the effectiveness of tax administration costs was conducted based on a comparison of the additional costs incurred and changes in the level of tax collection. Methodologies for measuring and assessing tax costs were generalized;

- the characteristics of tax evasion were explained and substantiated. The methodology for measuring tax evasion using assessments was used. The characteristics of tax evasion were revealed depending on the type of activity, income level and other characteristics of the taxpayer;

- the efficiency indicators of the work of tax authorities are specified. On their basis, the work of the authorities is assessed. New indicators for assessing efficiency are substantiated. The nature of the influence of various groups of factors on the dynamics of the efficiency of the work of tax authorities is revealed. The necessity of forming a rational structure of tax authorities, changing the methods of working with taxpayers and solving personnel issues to improve the quality of their work is substantiated;

- the classification of the business environment from the point of view of taxation and depending on the characteristics and external signs of the internal structure of business entities is generalized in two directions. Current trends in the development of the structure of taxpayers are revealed. The influence of various characteristics of taxpayers on the functioning of the tax system is revealed;

- the possibilities of the existing tax collection system for tax control over the activities of taxpayers with different classification characteristics are identified. Differences in legal regulation and tax control strategies for different segments of taxpayers are substantiated. Taking into account the identified discrepancies between the tax system and the characteristics of the external and internal structure of business entities, directions for the transformation of the tax system are proposed.

The transformation of the tax system in accordance with modern trends in the development of the business environment is scientifically justified. These can be summarized as follows:

- it is necessary to scientifically understand the essence of the tax system as a whole, including various links of tax relations and the system of tax authorities. It is possible to distinguish three subsystems as components of the tax system: tax law, taxes and tax collection;

- the tax mechanism is given as a set of ways of organizing the interaction of the tax system with the external environment;

- the content of the interaction between the tax system and the business environment at two levels is disclosed: the first level is the collection of taxes; the second level is the interdependent change of the characteristics of the tax system and the business environment;

- the justified division of the business environment in terms of the impact of its characteristics on the tax system is distinguished on two grounds: organizational structure, including the form and complexity of the organization; constituent structure, taking into account the scale of taxpayers' activities;

- the impact of the characteristics of the business environment on the tax system is proven. The impact of the organizational structure, industry characteristics, demographic characteristics and the scale of taxpayers' activities on the functioning of the tax system is revealed;

- a position is formed on the organizational problems of the tax system, expressed in the discrepancy between the characteristics of the tax system and modern trends in the development of the business environment.

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