

Forecasts for Azerbaijan's 2024 Budget Revenues

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The parliament has concluded the 2024 state budget bill debates. According to the [data](#) provided by the Ministry of Finance, the forecasted budget revenue for 2024 is 283 million AZN, or 0.8%, higher than this year's forecast figures, with total budget revenues being projected at 34 173.0 million (33 890.0 million AZN in the 2023 budget).

Tax burden on oil and non-oil sectors

The government expects that 2024 will see a decline in crude oil and natural gas prices on the world market. The government's estimates for next year are for \$60 a barrel for budget calculations. At the same time, budget [documents](#) show that next year's domestic crude oil output is projected to decrease by 1.1 million tons.

Taking into account both factors, forecasts for tax (fiscal) revenue generating from the oil sector appear understated. If tax payments from the oil sector to the 2023 state budget are approved in the amount of 6 billion AZN, this figure for 2024 is estimated to show a decline – 4 383.0 million AZN, meaning a drop of about 2 billion AZN compared to the previous year. However, transfer from the State Oil Fund of Azerbaijan (SOFAZ) is projected to increase by 1 billion AZN to 12.8 billion AZN. As a result, the oil sector will account for 50.2%, or 17 164.0 million AZN, of next year's budget revenues.

The State Oil Company of the Republic of Azerbaijan (SOCAR) will provide more than half of the total amount of budget payments of oil companies. SOCAR shall transfer a total of 2 408.0 million to the state budget, including 2 billion in taxes and 408 million AZN in dividends. SOCAR's budgetary

commitment for the coming year goes higher by about 10% (208 million AZN) compared to 2023. In addition, tax liabilities of foreign oil and gas production companies are projected at 1 975.0 million (2 billion AZN less compared to 2023). Of this total, 370 million AZN and 1.605 billion AZN, accordingly, will be paid under the Azeri-Chirag-Deepwater Guneshli (ACG) and Shah Deniz fields development projects.

49.8%, or 17 billion AZN, of budget revenues for 2024 will be provided by the non-oil sector. Incidentally, the highest share in the non-oil budget in the last 10 years was recorded in 2017 (52.3%) and in 2022 (50%). The 2024 non-oil revenue budget is projected to grow by 850 million AZN, or 5%. Of these, 172 million AZN and slightly over 500 million AZN, respectively, will be provided by customs and tax authorities (in turn, revenues from other sources are projected to amount 190 million AZN).

It is projected that 9.890.0 million AZN of 2024 non-oil budget revenues will be provided by the State Tax Service and 5.9 billion AZN by the State Customs Committee. In addition, 831 million AZN and 388 million AZN, accordingly, will be provided through paid services of budgetary organizations and other types of revenues (mainly state duties).

As can be seen from these figures, the state budget's reliance on oil and gas revenues is quite high, and 1 manat out of every 2 manats of budget revenue is generated through the sale of natural resources. But this indicator is higher than in reality. For example, the government does not consider under the oil and gas sector revenues from employment-related income tax levied on the income of employees of SOCAR as well as contractors and subcontractors acting under PSAs. Taking into account that the analysis of the documents^[1] included in the budget envelope, which the government does not make public, submitting only to members of parliament, as well as information on the structure of paid taxes in the annual and financial [statements](#) released by SOCAR shows that at least

\$500 million come the budget from this source. If this amount is also taken into account, the direct contribution of the oil and gas sector amounts to at least 52% the budget.

The contribution of the public and private sectors to the budget

The current budget documents do not disclose specific figures for the public and private sectors' structure of budget revenues. However, expert analysis of the budget documents submitted to parliament allows to calculate such an indicator, albeit approximate. Thus, these documents reflect data on tax liabilities of budget organizations and state-owned enterprises for certain types of payments, and by collecting these figures, and taking into account transfers from SOFAZ, which is a direct obligation of the state, it is possible to see the scale of public and private sectors' contribution to the budget. The table below reflects the projected figures for payments by type of next year's budget revenue provided by public and private sectors:

Distribution of projected 2024 budget revenues by public and private sectors' structure

Budget revenue sources	Total amount paid, mln. AZN	Public sector payments		Private sector payments	
		Amount, mln. AZN	Share, %	Amount, mln. AZN	Share, %
Personal income tax	1895000.0	1103.5	58.2	791.5	41.8
Profit tax	5675600.0	847.1	15.0	4828.5	85.0
Land tax	47.4	29.3	62.0	18.1	38.0
Property tax	336.0	331.0	98.5	5.0	1.5
VAT	7591000.0	1202.5	15.8	6388.5	84.2
Simplified tax	333.3	5.8	1.7	327.5	98.3
Excise	1531000.0	698.0	45.6	833.0	54.4
Road Tax	127.4	90.4	71.0	37.0	29.0
Extraction tax	158.3	141.0	89.0	173.3	11.0
Budget payments for exported goods with regulated prices	209.0	209.0	100.0	-	-
Dividends	558.2	558.2	100.0	-	-
SOFAZ transfers	12781000.0	12781000.0	100.0	-	-
Other	2563.8	1570.4	61.3	993.4	38.7
TOTAL:	34173.0	19567.2	57.3	14605.8	42.7

As can be seen from the data presented in the table, 19.567.0 million AZN, or 57.3%, of the next year's projected state budget revenues – \$34.173.0 million will be provided by the public sector. Although, according to official [data](#), the share of the public sector in Azerbaijan's GDP is even less than 14%. Apparently, the level of budget's reliance on the public sector is more critical than that on oil and gas revenues.

Finally, out of 14 606.0 million projected to be provided to the state budget by the private sector, 2.8 billion AZN (19.2%) will come from enterprises with foreign investment as obligations. The bulk of foreign investors' tax liabilities will be generated from personal income tax, profit tax of legal entities and VAT. Enterprises with foreign investment and domestic businesses, respectively, are projected to account for 8.1% and 34.6% of next year's total budget revenues, meaning that the latter can provide 1 out of every 3 manats coming into the budget.

Reference:

[\[1\]](#) “Budget Envelope of the Republic of Azerbaijan for 2024”,
Book 5.