

The Structure of Tax Revenues and Tax Burden in Azerbaijan

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In Azerbaijan, the analysis of state budget tax revenues traditionally focuses only on the collection of conventional payment types (profit tax, VAT, income tax on wages, etc.). For example, the [budget summary](#) published by the Ministry of Finance for 2024 does not provide any information on the overall volume of consolidated budget tax revenues. The figures presented under tax revenues only cover the taxes and duties collected by the State Tax Service and the State Customs Committee.

A similar approach is observed in the budget [reviews](#) prepared by the Chamber of Accounts. Since the Chamber's reports focus on separate components of the consolidated budget (state budget, State Social Protection Fund, etc.), they do not contain generalized information on the total tax burden of the Azerbaijani economy. The Chamber of Accounts even excludes customs duties imposed by customs authorities from its concept of tax revenues. However, customs duties, as typical indirect taxes (VAT, excise duties), are applied based on the value or volume of goods and are essentially taxes. In the Chamber's [report](#) on the execution of the 2023 state budget, tax revenues were reported as 20.262 billion manats. This amount corresponds to the sum of the State Tax Service's tax collections (15.552 billion manats) and the total taxes collected by the Customs Committee (4.710 billion manats), excluding import duties.

OECD Approach to Tax Revenues

Including social contributions (pension, unemployment, and health insurance payments) in the tax revenue structure is crucial, as a comprehensive view of all tax-like payments allows for a reliable assessment of the economy's actual tax

burden. The OECD follows this methodological approach in its annual global tax revenue [reports](#). According to the latest report for 2022, the composition of total tax revenues in OECD countries was as follows:

- Social contributions: 25%
- Personal income tax: 24%
- VAT: 21%
- Corporate profit tax: 12%
- Other indirect taxes on goods and services (excluding VAT, such as excise duties): 11%
- Other taxes (e.g., property taxes): 8%

As seen, about one-third (33%) of tax revenues in OECD countries come from indirect taxes, which are ultimately paid by consumers. The share of tax revenues from social contributions and personal income tax combined is 49%, indicating that almost half of total tax revenues are derived from wage-based employment. The direct tax burden on businesses appears relatively low, as even with social contributions (which are generally split equally between employees and employers), profit taxes, and property taxes included, the total business tax payments account for only around 30% of total tax revenues.

Applying the OECD methodology to Azerbaijan, the total tax revenues of the consolidated budget in 2023 amounted to 28.374 billion manats. This calculation is based on the Ministry of Finance's [annual data](#) for different budget segments. The composition of tax revenues in Azerbaijan was as follows:

- VAT – 8.128 billion manats (28.6%)
- Profit tax – 8.027 billion manats (28.3%)
- Social contributions – 6.485 billion manats

(22.9%)

- Personal income tax – 1.657 billion manats (5.8%)
- Customs duties – 1.627 billion manats (5.7%)
- Excise taxes – 1.452 billion manats (5.1%)
- Other taxes – 998 million manats (3.6%)

It should be noted that social contributions include pension, unemployment, and health insurance payments deducted from salaried employees and individual entrepreneurs. In 2023, payments for pension insurance amounted to 5.085 billion manats, health insurance contributions were 973.1 million manats, and unemployment insurance payments totaled 241 million manats.

The share of indirect taxes (VAT, excise duties, and customs duties combined) in total tax revenues was approximately 40%, significantly higher than the OECD average of 33%. Meanwhile, the share of tax revenues from income-related taxes was 57%, slightly lower than the OECD average of 61%.

How Heavy Is the Tax Burden in Azerbaijan?

A key indicator for comparing tax burdens across countries is the tax revenue-to-GDP ratio. Based on [official statistics](#), Azerbaijan's GDP in 2023 was 123 billion manats, resulting in a tax burden of 23% (calculated by dividing total tax revenues of 28.374 billion manats by GDP).

According to the OECD's latest global [report](#), the average tax burden in 2022 was:

- OECD countries: 34%
- Latin America: 21.5%
- Asia-Pacific region: 19.3%

- Africa: 16%

Thus, Azerbaijan's tax burden is lower than that of developed OECD countries but higher than in many other regions. However, even within the OECD, tax burdens vary significantly. For example, France has the highest tax burden at 45%, while Mexico has the lowest at 22%. Turkey, with a tax burden of 26%, ranks among the bottom five OECD countries in terms of tax burden.

Comparison of Tax Rates in Azerbaijan and Other Countries

The tax burden of a country also depends on individual tax rates. According to Azerbaijan's Tax Code:

- Corporate profit tax: 20%
- VAT: 18%
- Personal income tax: [14% on average](#)

For comparison, France, which has the highest tax burden, has the following tax rates:

- Corporate income tax: [25%^{\[1\]}](#)
- Personal income tax: [0-45%](#), depending on income level (progressive tax system)
- VAT: The standard rate is 20%, but there are [reduced rates](#):
 - 10% on some medicines and passenger transport
 - 5.5% on food, gas, electricity, book sales, and services for disabled persons
 - 2.1% on specialized pharmaceuticals and media publications
- Additionally, many goods and services are VAT-exempt

As seen, despite France having the highest tax burden, its tax rates are not dramatically higher than those in Azerbaijan. If the difference in tax burden is greater than the difference in tax rates, this can be attributed to several factors. One possible reason is that countries with lower tax burdens offer more extensive tax exemptions and incentives to businesses and individuals. If tax incentives in both countries are similar, then a key explanation remains: tax evasion is more prevalent in countries with lower effective tax burdens. Determining the exact scale of tax evasion and the real tax potential in Azerbaijan would require a separate, detailed investigation.

References:

[\[i\]](#)

<https://taxsummaries.pwc.com/france/corporate/taxes-on-corporate-income>