

**THE REPUBLIC OF AZERBAIJAN**

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**ABSTRACT**

of the dissertation for the degree of Doctor of Philisopy

**INTERNATIONAL LEGAL ASPECTS OF THE  
AVOIDANCE OF DOUBLE TAXATION  
(IN THE CASE OF THE REPUBLIC OF AZERBAIJAN)**

Specialization: 5603.01 – International law; human rights

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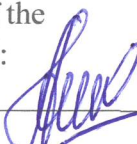
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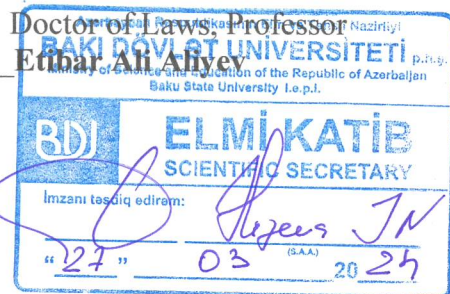
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## GENERAL CHARACTERIZATION OF THE DISSERTATION

**Relevance of the topic and degree of research.** The emergence and development of international legal norms in various directions require continuous attention to the national legislation of states. National legislation in the field of tax relations, ways of defining or improving procedures for the taxation of activities conducted by subjects of foreign law in the territory of a country and those by the country's own subjects in the territory of foreign states in accordance with international law, etc. are of particular importance.

Although the problem of double taxation assumed its initial official and legal form in the second half of the 19<sup>th</sup> century, it gained international relevance in the latter half of the 20<sup>th</sup> century. The problem is encountered not only by companies doing business, but also by individuals whose income was taxed in another state. Since tax systems and procedures of states significantly differ from each other, the issue of double taxation is still on the agenda, which requires legal regulation of the avoidance of double taxation.

The main reasons for the emergence of double taxation are the differences in the tax jurisdictions of states. It goes without saying that any state would want to protect its tax sovereignty, which is why it is impossible to eliminate problems associated with double taxation unilaterally. In particular, as is the case in other directions (economic, customs, etc.), tax sovereignty is also based on the provisions derived from the principle of sovereign equality of states, which acts as one of the main, universally recognized principles of international law. It is considered the basis of the international legal order and legality, has the nature of jus cogens and should be viewed as a completely legal process.

From this point of view, addressing the problems of double taxation, preventing tax evasion, implementing joint initiatives and scientific research are of utmost importance going forward because this is where the directions and characteristics of legal regulation are defined.

At present, international experience shows that there are two ways of avoidance of double taxation or reducing its burden: first, unilateral improvement of domestic legislation by states and introduction of necessary additions and changes in this direction; and second, addressing the problem of double taxation by concluding international agreements in this area. The second method, i.e. the conclusion of international agreements, is believed to be a more efficient means. In relation to the elimination of the problem of double taxation, more importance is attached to bilateral international agreements. In this context, it is considered appropriate to follow model (or exemplary) conventions in order to avoid misinterpretations, terminology, content, application and interpretation differences. It is for this reason that model conventions, which provide ways of effectively fighting the problem of double taxation, as well as their comparative analysis and research in this direction, are extremely important and relevant.

There are two authoritative model tax conventions: the United Nations (UN) Model Convention and the Organization for Economic Cooperation and Development Model Convention. In addition, some countries have their own model tax conventions, which are usually not published but they are made available to other countries in tax agreement negotiations.

Provisions of the Organization for Economic Cooperation and Development Model Convention were extensively used during the drafting of the UN Model Convention. It can therefore be considered that the Organization for Economic Cooperation and Development Model has been instrumental in improving both international tax policies and national tax policies and legislations. In recent years, this Model Convention has been widely used in conclusion of tax agreements covering issues such as avoidance of double taxation, exchange of tax information, interpretation of the already concluded tax agreements between states, resolution of tax disputes, etc.<sup>1</sup>

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<sup>1</sup> Model Tax Convention on Income and on Capital: Condensed Version 2010. OECD Publishing, - 2021. - p. 7-8.

We believe that the comparative analysis of the Organization for Economic Cooperation and Development and UN model conventions is particularly relevant both in terms of a deeper understanding of the content and essence of these documents, and in terms of effectively addressing the problem of avoidance of double taxation.

In addition, the relevance of the topic may also be determined by changes in the system of interstate tax relations. Currently, the network of bilateral international agreements on the prevention of double taxation of income and tax evasion, or more than 3,000 agreements, is being widely criticized for failing to fully achieve its goals. The work to be done includes, *inter alia*, the creation of a multilateral regulatory instrument (document) to replace the system of bilateral agreements. All this requires an objective scientific assessment of the regulatory potential of states in the context of interaction between national and international tax law.

Therefore, in any civilized state that has chosen the path of international integration, including the Republic of Azerbaijan, it is both necessary and relevant to refer to international legal norms in eliminating problems related to double taxation.

Thus, the economic reforms underway in the country and the active participation of the Republic of Azerbaijan in international integration processes have strongly necessitated effective legal regulation of these processes and the development of new regulatory mechanisms. The application of international legal norms, including the extensive use of international experience in general and the consideration of this experience in domestic legislation, are of particular importance in addressing these issues.

The adaptation of international legal norms in the field of taxation to domestic legislation is of particular importance in developing the modern tax system of the Republic of Azerbaijan, improving the domestic tax legislation and developing the national economy as a whole. Therefore, it is expedient to investigate related issues in a comprehensive and comparative manner.

It has to be emphasized in this connection that the existence of a legal framework and organizational mechanisms meeting modern requirements is an absolute prerequisite for a modern tax system and legal regulation of its activity.

The above calls for a comprehensive analysis of issues related to the prevention of double taxation. It is true that certain studies in this field have been conducted in the Republic of Azerbaijan. In particular, these and related issues have been generally analyzed in textbooks on international economic law<sup>2</sup>, including national tax law textbooks<sup>3</sup>, and finally dissertations related to this field<sup>4</sup>. In addition, although there are certain foreign researches on this issue<sup>5</sup>, they mainly focus on the practices of these countries. In Azerbaijan, studies specific studies on the avoidance of direct double taxation in the legal sphere have not been carried out at the level of dissertation.

<sup>2</sup> Sadıqov Ə.İ. Beynəlxalq iqtisadi hüquq. Dərslik. Bakı, Bakı Universiteti Nəşriyyatı, 2008, 396 s.; Əliyev E.Ə. Beynəlxalq iqtisadi hüquq. Dərslik. Bakı, "UniPrint" MMC, 2012, 650 s.

<sup>3</sup> Mirzəyeva A.Q., Əliyeva Ə.Ə., Cabbarlı F.A. Vergi hüququ. Dərslik. Bakı, ADMİU, 2023, 560 s.; Nəbili F.N. Vergi hüququ. Azərbaycan vergi hüququ müqayisəli və beynəlxalq vergitutma kontekstində. İstanbul, 2023, 545 s.

<sup>4</sup> Abbasov G.M. Vergi münasibətlərinin tənzimlənməsində Azərbaycan Respublikasının vergi qanunvericiliyi və beynəlxalq hüquq. Hüquq elmləri namizədi alimlik dərəcəsi almaq üçün təqdim edilmiş dissertasiyanın avtoreferatı. Bakı, 2009, 24 s.; Mirzəliyev E.V. Beynəlxalq-hüquqi əməkdaşlığın Azərbaycan Respublikasının vergi sisteminin formalaşması və təkmilləşdirilməsində rolu. Hüquq üzrə fəlsəfə doktoru elmi dərəcəsi almaq üçün təqdim edilmiş dissertasiyanın avtoreferatı. Bakı, 2017, 30 s.

<sup>5</sup> Кастанова Е.Д. Правовые основы международного сотрудничества в области избежания двойного налогообложения и предотвращения уклонения от уплаты налогов. Автореф. дисс. канд. юр. наук. Москва, 2015, 31 с.; Подчуфарова, И.В. Международно-правовое регулирование избежания двойного налогообложения в международном экономическом праве. Автореф. дисс. канд. юр. наук. Москва, 2017, 35 с.; Хаванова И.А. Избежание двойного налогообложения и предотвращение уклонения от налогообложения в условиях взаимодействия национального и международного права. Автореф. дисс. докт. юр. наук. Москва, 2016, 38 с.

**Theoretical foundations of research.** The dissertation extensively uses comparative studies by the following local researchers in the fields of tax law, international law, including economics: L. H. Huseynov, A. I. Aliyev, T. I. Huseynov, A. I. Sadıgov, E. A. Aliyev, R. F. Mammadov, V. G. Mammadov, Sh. T. Samadova, Z. A. Asgarov, H. D. Gambarov, A. G. Mirzayeva, A. A. Aliyeva, F. A. Jabbarlı, G. N. Novruzov, G. M. Abbasov, E. V. Mirzaliyev, Z. A. Samadzada, A. F. Musayev; foreign researchers in the fields of avoidance of double taxation, international cooperation in the field of tax relations, unification of tax systems: M. Lang, P. Hongler, Edwin R. A. Seligman, M. Kobetsky, V. Uckmar, Timothy J. Goodspeed, Ann D. Vitte, X. Oberson, T. Rixen, R. Martha, Christiana HJI Panayi, Y. Brauner, P. Pistone, P. Shome, D. Molenaar, S. Jogarajan, A. Binder, L. De Broe, Michael J. McIntyre, K. Spies, F. Alfredo García Prats, Brian J. Arnold, Roger H. Braun, A. Miller, Irma J. M. Valderrama, David S. Kerzner, A. A. Shaxmametyev, S. A. Bayev, S. G. Pepelyayev, A. I. Pogorletskiy, I. I. Kucherov and others.

**Object and subject of the research.** The object of the research is the relations that arise during the interaction of international and domestic legal norms regulating the sphere of avoidance of double taxation. The subject of the research is the norms that constitute the international tax law, especially the multilateral and bilateral international agreements on the avoidance of double taxation, and legal issues related to the application of international legal norms in tax law to the tax law system of the Republic of Azerbaijan.

**Goals and objectives.** The goals of the dissertation are to investigate the problems related to the avoidance of double taxation, propose potential solutions and assess the possibility of international legal norms influencing the development trend of the tax system of the Republic of Azerbaijan.

In order to achieve the mentioned goals, the following objectives have been defined:

- Investigate issues related to the concept of double taxation and its causes;

- Analyze international legal norms on the avoidance of double taxation;
- Study the main concepts used in international agreements on the avoidance of double taxation;
- Investigate important issues related to the need to eliminate double taxation;
- Deeply analyze issues related to the formation of international tax relations and international tax law;
- Study various concepts related to the legal nature of international tax law;
- Determine the sources of international tax law and identify the sphere of influence of international tax law norms;
- Study issues related to international tax treaties and their importance;
- Conduct a comparative study of models of the UN, the Organization for Economic Cooperation and Development, as well as developed countries (US, etc.) on avoidance of double taxation, study the experience of application of model treaties;
- Determine potential mechanisms of interstate cooperation in avoidance of double taxation;
- Analyze the problem of international cooperation in the regulation of tax relations and unification of tax systems,
- Determine main features of bilateral treaties in the issue of international legal regulation of tax relations in the Republic of Azerbaijan, including identifying the positive and negative aspects of such agreements and analyzing them based on international experience;
- Analyze the cooperation of the Republic of Azerbaijan with major international organizations in the field of tax relations, taking into account its multilateral cooperation in the regulation of tax relations at the global and regional level;
- Determine the role of international legal norms in the emergence and development of tax legislation in the Republic of Azerbaijan in the context of relationship between international and domestic law.

**Research methods.** The categories and principles of dialectics, as well as the theoretical and special methods used in legal science, are used in this research. The research is also based on the principles of historicity and objectivity. Attempt has been made to use formal-logical, comparative legal, historical legal, systematic analysis and other scientific methods in relevant specific directions of this dissertation.

**Main new scientific provisions being defended.** The following new scientific provisions reflecting scientific novelty of the research are being defended:

1. Historical documents show that the problem of double taxation has covered a long development path and is still on the agenda. Although the issue of double taxation, which started to take shape back in the Middle Ages, took on the initial regulatory form in the 19<sup>th</sup> century, it gained relevance at the international level in the second half of the 20<sup>th</sup> century. As each state tries to protect its tax sovereignty in accordance with the principle of sovereign equality of states, one of the key and universally recognized principles of international law, it is almost impossible to solve the mentioned problems unilaterally. For this reason, a comprehensive and systematic approach is required to address problems related to double taxation, eliminate tax evasion and avoid problems in the future.

2. Whereas double taxation is mainly brought about by economic factors, the factors preventing its avoidance are mainly legal in nature. A number of factors hinder the avoidance of double taxation, including the following: substantial differences of opinion at international and domestic levels; the states' invariable preference to tax sovereignty; existence of complex procedures for necessary decision-making; lack of alignment between financial and foreign economic interests of states; technical issues; and finally, important differences in economic development of states.

3. The rules of limitation of tax jurisdictions of states stipulated in international agreements on the prevention of double taxation do not restrict tax sovereignty. The norms of such agreements, which ensure the rights of residents of one or both of the contracting states, or

taxable persons, have both international and national legal content. In the absence of national legislative regulation in the field of such relations, taxes cannot be viewed as a material basis for taxation according to the constitutional principle determined only by law. In the way of their international legal aspect, the norms provide the boundaries of tax jurisdictions, the implementation and protection of the rights of taxation subjects recognized by persons for the purposes of treaties with national legal content.

4. The implementation of international cooperation on tax issues is based on a number of methods developed by joint efforts of national tax institutions of states and international organizations operating in this sphere. Along with combining their own characteristics and application features, these methods are based on a regulatory framework enabling control over the activity of taxpayers not only within a state, but also beyond them. For a complete study of the characteristics and factors of each specific method, the research suggests that classifying them according to certain criteria is necessary. The classification is performed in the following manner: first, not available in Azerbaijani sources; second, the need to differentiate the methods of international cooperation of tax administrations; third, the need to conduct a comparative analysis and identify weaknesses in each specific method.

5. An international treaty is the main source of international tax law. International agreements are mainly concluded in the sphere of avoidance of double taxation. International treaties on tax issues are the most representative set of sources of international tax law norms in terms of their total number, the list of issues covered and the level of legal detail. This includes all types of agreements, administrative and legal cooperation agreements regulating relationships between states in the field of taxation and determining the rules of taxation, calculation and payment of taxes by different categories of taxpayers (taxable objects associated with them). From this point of view, these sources can be divided into several more groups (types, subgroups). Continuing the mentioned classification, the following tax agreements can be distinguished: general

agreements, cooperation agreements, agreements on tax issues, limited tax agreements, customs payment agreements, etc. The determination of the legal power and main characteristics of such agreements based on the classification system is one of the important issues.

6. An analysis of modern forms of interaction between national and international law enables the drawing of conclusions about the tax and legal alignment trend implemented through model agreements. A special example of such documents is a model tax convention, which is a legal structure viewed as an ideal model of certain regulatory material reflecting the complex structure of relations between states based on their tax sovereignty in the following areas: limitation of tax jurisdictions; creation of tax and legal mechanisms of extraterritorial activity; registration of legal facts leading to predictable economic and legal consequences in the field of taxation; formation of tax and legal structures. The model tax convention is designed to enable coordination between legal systems of states and contribute to the achievement of regulatory goals (prevention of double taxation of income, fight against tax evasion, etc.).

7. It is more expedient to amend the interpretations of the Organization for Economic Cooperation and Development and UN Model Conventions on the avoidance of double taxation than to amend their texts. In particular, it is extremely difficult to amend the text of Model Conventions. The main reason for these difficulties is that the only way for countries to adapt the entire network of existing tax treaties to the revised text of the UN or Organization for Economic Cooperation and Development Model Conventions is to renegotiate all existing treaties. Changing the text of interpretations of the Model Convention is easier than changing the text of the Model Convention itself. If changes are made to the interpretations, tax authorities of countries can interpret the existing agreements according to the new interpretations, which eliminates the need to renegotiate these agreements and eventually contributes to the most efficient solution of encountered problems in the shortest possible time.

8. The Organization for Economic Cooperation and Development Model Conventions Model Convention gives preference to capital-exporting countries over capital-importing ones. The UN Model Convention seeks compromise between the principle of state of origin and the principle of residency. The UN Model Convention provides the tax authorities of various countries with a source of necessary information in solving specific tax problems. One of the specific features of the UN Model Convention is that since developing countries are mainly importers of capital, it serves the interests of developing countries more by applying fewer restrictions on taxation in the country of origin. The main difference between the UN Model Convention and the Organization for Economic Cooperation and Development Model Conventions Model Convention is that the former places fewer restrictions on the taxation rights of the source country; thus, countries where income is derived have broader tax rights here than under the Organization for Economic Cooperation and Development Model Conventions Model Convention.

9. In order for the authorities of foreign countries to exercise tax control over the activities of taxpayers engaged in commercial activities abroad or earning income outside their jurisdiction, a new concept of "international tax control" may be introduced, which aims to ensure compliance with tax legislation and prevention of tax evasion. The purpose of international tax control is to prevent tax evasion at the international level. This goal can be achieved more easily by taking the following actions: monitoring compliance with tax legislation at the international level; preventing violations of tax legislation at the international level; avoidance of double taxation; preventing tax evasion. In addition, international tax control is mainly exercised in the following ways: simultaneous tax audits, external tax audits, joint tax audits, exchange of tax information.

10. In tax relations where the principle of state sovereignty prevails, international legal norms prevail over domestic legal norms, which should be seen logical and legitimate. In general, the implementation of international law in the domestic sphere takes

place within the framework of the process of alignment with international legal norms. The implementation of international legal norms on taxation at the constitutional level is the main and initial way of domestic implementation of such norms, as well as a key indicator of the Republic of Azerbaijan's implementation of its international obligations. From this standpoint, Articles 10, 12 and 151 of the Constitution of the Republic of Azerbaijan, which define a recognition of the primacy of international law over domestic law, are highly important as they envisage both the process of norm-creation and law enforcement. The above-mentioned, in turn, fully defines the basis and main features of its application in tax relations and other areas.

**Scientific innovation value of the research.** The scientific innovation value of the research consists in the fact that issues related to the avoidance of double taxation, the analysis of international experience in this matter and its potential application to the Republic of Azerbaijan's legislation and practices have not yet been the subject of comprehensive research in the legal doctrine of the Republic Azerbaijan. The research also envisages a new approach to the causes of double taxation and methods of its avoidance, the place of international tax law in the domestic legal system, the further development of Azerbaijan's tax legislation and the application of international taxation norms to national legislation.

Taking into account the fact that the dissertation dwells upon the avoidance of double taxation and the scientific foundations of international tax law, as well as the fact that these issues have not been comprehensively investigated before, in particular, bilateral and multilateral cooperation in the avoidance of double taxation, the possibility of applying international experience to the national legislation and performing an extensive scientific, theoretical and practical analysis of these issues is highly important.

**Theoretical and practical significance of the research.** A number of key directions can be identified. First of all, the research demonstrates a fundamental international legal approach to the avoidance of double taxation. In addition, a detailed analysis of the

interrelationships of international and domestic legal norms is carried out, taking into account the specific features of double taxation. Scientific theoretical and practical provisions developed in the dissertation can be widely used for further research of international legal matters of cooperation on double taxation issues. Dissertation materials can be widely used in the process of teaching of international general law, international private law, economic law, financial law, tax law, customs law, etc., including international and national legal regulation of financial, trade and economic issues.

**Research validation and implementation.** Issues related to important aspects of the dissertation have been published in journals and international conference materials published by the author in the Republic of Azerbaijan and abroad.

**Name of the institution where the dissertation was completed.** The dissertation was completed at the Institute of Law and Human Rights.

**Structure of the dissertation.** The dissertation consists of an introduction, three chapters which include nine paragraphs, a conclusion and a list of literature used.

## MAIN CONTENT OF THE DISSERTATION

**The introductory part of the dissertation** provides a justification for the relevance of the topic, talks about the degree of scientific elaboration, the object and subject of the research, its goals and objectives, methodological and theoretical foundations, scientific innovation value, explains new scientific propositions and their practical significance, validation of research results and structure of the research.

**The first chapter is called “Causes of double taxation and its avoidance”** and consists of two paragraphs.

**The first paragraph** explores matters related to the causes and essence of double taxation. Although the problem of double taxation assumed its initial official and legal form in the second half of the 19<sup>th</sup> century, it gained international relevance in the latter half of the

20<sup>th</sup> century. The problem is encountered not only by companies doing business, but also by individuals whose income was taxed in another state. Since tax systems and procedures of states significantly differ from each other, the problem of double taxation is still on the agenda.

It is necessary to distinguish the following as the main indicators of relevance of double taxation in modern times and the fact that this issue is still on the agenda in general. First, the development of agreements on double taxation has a direct impact on the state of international trade, activates it and intensifies trade flows. Second, the adoption of one or another model of international taxation will definitely encourage foreign investments and increase the influence of the national institution in the international economic arena, which will be achieved due to the reduction of tax barriers. Third, taking into account the attraction of additional investors, the state will receive more in tax revenues, which will happen immediately if the quality and transparency of the applied international taxation model are improved<sup>6</sup>.

Therefore, since double taxation, a problematic issue for any state, is not something that can be solved by one state alone, it cannot be considered a domestic problem. For this reason, an integrated approach should be applied to eliminating the problem of double taxation and preventing it from recurring in the future. Currently, there is no precise definition of double taxation. The concept of double taxation is not specifically stipulated in the tax legislation or texts of international tax treaties. The concept of double taxation refers to cases of cross-border double taxation that can be eliminated through the application of international tax treaties.

**The second paragraph** explores issues related to the avoidance of double taxation in international and domestic law. The use of new mechanisms in the regulation of trade relations between states has had both negative and positive effects on the economy of countries. Under

<sup>6</sup> Тускаева, М.Р., Лакути, А.Л., Гасанова, З.А. Концептуальные основы международного налогообложения // - Москва: Образование. Наука. Научные кадры, - 2020. № 2, - с. 170.



such circumstances, maintaining the country's economic stability, domestic market, national production, and resilience to international competition are important matters.

Double taxation does not have easy solutions, therefore, since the initiatives of individual states to resolve this problem are not sufficient, there is always an objective need for international cooperation between states in this field. There are many obstacles hampering the avoidance of double taxation, including the following:

- Differences of opinion at international and national levels;
- Limited tax jurisdiction of the state;
- Complex procedures for the adoption of necessary solutions and rules;
- Balanced commercial and economic interests between states and agreements in this sphere;
- Differences in the economic development of states and technical problems.

At present, the difference of domestic tax jurisdictions is of primary importance in the issue of legal regulation of the issue of avoidance of double taxation.

Investment activity is stimulated by reducing the tax burden of individuals and legal entities exempted from double taxation by the state's international agreements on taxation and improving domestic legislation. In general, the legal regulation of the avoidance of double taxation can be achieved at two levels: domestic legislation and international bilateral and multilateral agreements.

In addressing the problem of double taxation, one of the most pressing economic problems of the modern world, priority should be given to cooperation between states and conclusion of international agreements as a result of this cooperation. It should be emphasized that bilateral cooperation may be considered more efficient.

**The second chapter is called "Development of interstate cooperation as the main mechanism for avoidance of double taxation"** and consists of four paragraphs.

**The first paragraph** examines the formation and development prospects of interstate cooperation on avoidance of double taxation.

One of the primary goals of international cooperation in the field of taxation has been the creation of legal mechanisms to prevent double taxation. Experience shows that unilateral measures implemented by a state are incapable of completely avoidance of double taxation or mitigating its consequences due to the differences between taxation systems arising from the legal and tax histories and the diversity of tax policies of states.

International efforts to address the problem of international double taxation were initiated by the League of Nations in 1919 and were continued by the Organization for Economic Cooperation and Development and various regional forums.

At present, the Model Conventions concluded on the basis and within the framework of general approaches to the avoidance of double taxation and agreements on the avoidance of double taxation are constantly developed and implemented. Double taxation treaties are beneficial for most countries because they enable individuals and legal entities involved in international business to conduct transactions with a certain degree of confidence. The settlement of disputes and disagreements is also an undoubted advantage of states concluding treaties on the avoidance of double taxation.

The analysis performed within the dissertation suggests that the main advantages of double taxation treaties are as follows:

- Clarification of tax collection rights for each state. The right to tax under the treaty applies exclusively to residents of a specific country and exclusively to the taxes specified in the treaty. If the treaty does not cover all matters, relevant national legislation becomes the point of reference;
- Prevention of double taxation;
- Prevention of tax evasion.

It can be concluded that the most efficient way of preventing double taxation and tax evasion is the development and implementation of tax treaties (conventions) that form the basis of

taxation procedures. At the same time, the mechanisms for combating tax evasion should be coordinated, elaborate the methods being used to prevent double taxation and define specific conditions.

Taxpayers are not the only beneficiaries of these treaties. Double taxation treaties protect the legitimate interests of states by facilitating the implementation of domestic tax laws and tax policies.

**The second paragraph** explores the issues related to international tax treaties as a legal consequence of interstate cooperation and their importance. International treaties on tax issues are the most representative set of sources of international tax law norms in terms of their total number, the list of issues covered and the level of legal detail. This includes all types of treaties, administrative and legal cooperation treaties regulating relationships between states in the field of taxation and determining the rules of taxation, calculation and payment of taxes by different categories of taxpayers (taxable objects associated with them). From this point of view, these sources can be divided into several more groups (types, subgroups).

Continuing the mentioned classification, the following tax agreements can be distinguished: general agreements, cooperation agreements, agreements on tax issues, limited tax agreements, customs payment agreements, etc.

The current system of tax treaties designed to dilute the tax rights of states with profits from bilateral trade and investments is under pressure from the global economic integration.

At present, special importance is attached to establishing international bilateral partnerships and signing bilateral treaties on the avoidance of double taxation, which forms the main problem of international tax law.

**The third paragraph** provides a comparative analysis of model conventions on the avoidance of double taxation. In general, the need for treaties on the avoidance of double taxation, especially the standard model, can be explained by the fact that, firstly, the avoidance of double taxation is necessary because it has a negative impact on the expansion of trade in goods and services and seriously complicates the expansion

of economic relations related. Secondly, it is desirable for taxpayers doing business in several countries to have a clear idea of their tax burden and be sure that this situation will be stable and predictable.

There are two authoritative model tax conventions: the United Nations (UN) Model Convention and the Organization for Economic Cooperation and Development Model Convention. In addition, some countries have their own model tax conventions, which are usually not published but they are made available to other countries in tax treaty negotiations. Provisions of the Organization for Economic Cooperation and Development Model Convention were extensively used during the drafting of the UN Model Convention.

The Organization for Economic Cooperation and Development Model Convention gives preference to capital-exporting countries over capital-importing ones. Quite often, provisions of the Convention stipulate the avoidance or reduction of double taxation by requiring the source country to partially or completely waive the right to tax certain categories of income earned by residents of another contracting country.

The UN Model Convention seeks compromise between the principle of state of origin and the principle of residency. This document provides the tax authorities of various countries with a source of necessary information in solving specific tax problems. Countries using the UN Model Convention should also consider the issue of coordination of national legislation and international legal norms.

The successes of the UN and Organization for Economic Cooperation and Development model conventions have been enormous. Today, almost all existing bilateral tax treaties are based on their provisions. Their widespread adoption and the resulting standardization of many international tax procedures have become important factors in reducing international double taxation.

**The fourth paragraph** examines issues related to the future mechanisms of interstate cooperation in avoidance of double taxation.

International cooperation on tax issues covers a number of methods defined and jointly developed by tax administrations of states and international organizations operating in the field of taxation<sup>7</sup>. There are the following methods of interstate cooperation in avoidance of double taxation: exchange of tax information; tax collection assistance; simultaneous tax audits; joint tax audits; and external tax audits<sup>8</sup>.

The said methods differ according to the degree of examination and application, amount and composition of expenses, but they have the common goal of avoidance of double taxation.

When studying issues related to future mechanisms of interstate cooperation in avoidance of double taxation, the application of the concept of "international tax control" is considered expedient. This concept can be defined as activities of competent authorities of countries to exercise tax control over the activities of taxpayers engaged in commercial activities outside their country, ensure compliance with tax legislation and prevent international tax evasion.

The purpose of international tax control is to prevent tax evasion in cross-border transactions at the international level.

States have and should develop their experience in conducting simultaneous tax audits abroad and joint audits, and jointly resolving cross-border issues arising in the field of taxation, especially double taxation and tax evasion, as all existing challenges in this area can be resolved through careful planning and open communication between states.

**The third chapter is called "Avoidance of double taxation in the Republic of Azerbaijan: problems related to the application of international experience"** and includes three paragraphs.

**The first paragraph** examines issues related to the international cooperation of the Republic of Azerbaijan in the field of tax relations.

<sup>7</sup> Brauner, Y. Research Handbook on International Taxation - Northampton: Edward Elgar Publishing, - 2020. - p. 30-31.

<sup>8</sup> Oberson X. International Exchange of Information in Tax Matters: Towards Global Transparency / X. Oberson. - Cheltenham: Edward Elgar Publishing, - 2015. - p. 18-19.

The Republic of Azerbaijan's international cooperation in the field of tax relations can be divided into different directions, including multilateral and bilateral cooperation, cooperation within the framework of global and regional organizations.

As the participation of international organizations in the system of international relations, their problem-solving capabilities and activities increase, so does the significance of such organizations. The Republic implements multilateral cooperation in the regulation of tax relations at the global and regional levels.

Improving the relations with specific international institutions dealing with the regulation of tax relations, specifically to develop them in accordance with international standards, is on the agenda. The analysis performed within the dissertation suggests that the participation of the State Tax Service of the Republic of Azerbaijan in various projects and programs enables us to suggest that a number of important measures are being implemented in the country in this direction. In the age of information society, especially in the conditions of electronic state building, more attention should be paid to the issue of using the possibilities of information and communication technologies and the application of state-of-the-art technologies to the work of the tax service.

**The second paragraph** examines issues related to the bilateral cooperation of the Republic of Azerbaijan with foreign countries on the avoidance of double taxation. A double taxation treaty is a type of public law treaty. International tax treaties or treaties for the avoidance of double taxation are very common in interstate relations.

A double taxation treaty determines how the taxation of various types of income is divided between the two member states, as well as the procedure for withholding tax (i.e. the tax charged by the party paying the income to the other party) during the payment of dividends, interest, royalty, lease payments, etc.

In some cases, the rate of such tax is significantly reduced, in others the income is fully exempt from tax. In order to avoid double

taxation, international agreements are usually concluded, with respect to taxes on profit, property and capital.

Issues such as prevention of discrimination between taxpayers and creation of an efficient legal and financial environment in which international operations can continue are important in tax double taxation treaties concluded on a bilateral basis. In particular, tax treaties should be of help in achieving goals in developing countries. At the same time, tax treaties are intended to develop cooperation between tax authorities.

Azerbaijan has concluded bilateral treaties on the avoidance of double taxation with 56 states, including Türkiye, Russia, Italy, China, Israel, Germany, etc. When analyzing these treaties, the Administrative Procedure of International Agreements on the avoidance of double taxation between the Republic of Azerbaijan and other states, an important document pertaining to this sphere, should be specifically mentioned.

The Republic of Azerbaijan's treaties on the avoidance of double taxation are bilateral international agreements concluded between the Republic of Azerbaijan and another state usually to promote economic cooperation between the two countries and allow residents of the contracting states to pay taxes on their income.

**The third paragraph** reviewed issues related to the application of international experience to the tax legislation of the Republic of Azerbaijan. The implementation of an effective tax policy requires, first of all, the existence of an advanced and efficient legislative system.

It is worth mentioning that international experience was widely used in the creation of the existing tax system in the Republic of Azerbaijan. The theoretical basis of the modernization of tax legislation in the Republic of Azerbaijan aims to change the legal status of taxpayers, apply tax benefits, prevent tax evasion and tax violations, and create favorable conditions for local and foreign businesses. In addition, the creation of equitable economic conditions for all legal and physical entities, the acceleration of entrepreneurship development in the country and the stimulation of

sound competition are the key components of the improvement of domestic tax legislation<sup>9</sup>.

It is important to emphasize that one of the primary issues to be considered during the improvement of tax legislation is the study of the relationship between international and domestic law in this matter. In order to improve the tax legislation of any state, especially in the sphere of avoidance of double taxation, it should be clarified whether there are opportunities available for applying international conventions and their interpretations to the national legal system.

The legal basis for the application of the Commentaries to the Organization for Economic Cooperation and Development Model Convention remains an important issue during the interpretation of international agreements of the Republic of Azerbaijan. It should be noted that provisions of the Organization for Economic Cooperation and Development Model Convention are reflected in the tax treaties concluded between the Republic of Azerbaijan and other countries.

Virtually all areas of the legal system of the Republic of Azerbaijan have benefited from the positive influence of international law. In the modern world, globalization, economic integration and the use of information technologies in all areas of society, including the field of law, require agility in legal regulation. Interstate cooperation, or rather, the creation and implementation of international legal norms, is an effective way to solve problems in this direction.

The improvement of tax legislation is one of the necessary directions of economic and state policy not only in the Republic of Azerbaijan, but also in all countries of the world, and it requires a consistent and step-by-step solution. In free market economies, including the Republic of Azerbaijan, the improvement of tax legislation is considered as an interesting tool in the hands of the government in the efficient regulation of the economy, increase of budget revenues, price stability and prevention of inflation.

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<sup>9</sup> Səmədzadə, Z.Ə. Azərbaycan Respublikası Vergilər Nazirliyi 10 il (2000-2010). - Bakı, 2011. - s. 50.

The conclusion part of the dissertation provides important proposals and results obtained in connection with the research, and expresses their theoretical and practical value for international and domestic law.

Key provisions of the dissertation are reflected in the following scientific works of the applicant:

1. "Contract of the Century" and formation of special taxation regime in the Republic of Azerbaijan // "Oil and Gas production and sustainable development of Azerbaijan" Materials of the competition of scientific-research works of young scientists and students, - Baku: 2001, - p. 9-11. (in Azerbaijani).

2. The foundations of double taxation and international agreements for avoidance of double taxation (in the case of the Republic of Azerbaijan) // Materials of scientific conference dedicated to the 10<sup>th</sup> anniversary of the Faculty of International Relations and International Law, - Baku: - 18 December, - 2001, - p. 70-73 (in Russian).

3. International taxation issues under the Production Sharing Agreements (in the case of the Republic of Azerbaijan) // Azərbaycan Respublikasında dövlət və hüquq quruculuğunun aktual problemləri, AMEA Fəlsəfə və Siyasi-Hüquqi Tədqiqatlar İnstitutunun elmi məqalələr məcmuəsi, № 6, - Baku:- 2003, - p. 452-456 (in Azerbaijani).

4. The codification of international taxation relations // Materials of scientific conference dedicated to the 80<sup>th</sup> anniversary of the President of the Republic of Azerbaijan Heydar Aliyev, - Baku: - 25 April, - 2003, - p. 56-59 (in Azerbaijani).

5. International taxation agreements // - Baku: Diplomatiya aləmi, - 2003. № 4, - p. 73-76 (in Azerbaijani).

6. The evolution of international taxation agreements // "Azerbaijan-Europe relations: current issues and main directions of cooperation" Materials of the scientific conference of the Faculty of International Relations and International Law of the Baku State University, - Baku: - 4 December, - 2004, - p. 35-38 (in Azerbaijani).

7. International taxation issues under the Production Sharing Agreements signed by the Republic of Azerbaijan // - Baku:

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9. The definition and reasons for double taxation: theoretical-practical analysis // - Baku: Qanun, - 2021. № 9, - p. 3-7 (in Azerbaijani).

10. The definition of international taxation law: doctrinal analysis // - Baku: Qanun, - 2022. № 04, - p. 30-34 (in Azerbaijani).

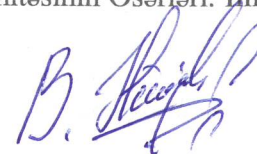
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13. The issue of avoidance of double taxation in international law and national law // - Baku: Dövlət idarəçiliyi: nəzəriyyə və təcrübə, - 2022. № 02, - p. 155-166 (in Azerbaijani).

14. Forms of cooperation among the states for achievement of avoidance of double taxation // - Moscow: Евразийский юридический журнал, - 2022. № 8, - p. 45-51 (in Russian).

15. Different aspects of interstate cooperation in the elimination of double taxation // Baku: "İnsan və Biosfer" (MaB, UNESCO) Azərbaycan Milli Komitəsinin Əsərləri. İllik nəşr. 2022. № 17, - p. 17-34.



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