Analysis of regional sustainable development: aspect of taxation mechanism

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Abstract.
The main suggestion of our study on development – taxation is that the objectives of taxation are similar in both developed and developing countries. This means that the financial resources required by public expenditures are created in the most possible, fair and effective way. The main differences between developing and developed countries are caused by the constraints faced by governments, not by differences in goals. Administrative inadequacies, insufficient accounting in taxation, insufficient monetization rate in the economy, the high level of importance of agriculture, the limited number of tax brackets compared to developed countries cause taxation in developing countries to differ from those in developed countries. In general, although the models used in accordance with these differences differ, similar methods and techniques are used for tax analysis in both developed and developing countries.

Keywords:
analysis
regional
sustainable
development
aspect
taxation
INTRODUCTION

One of the hottest topics on the world's agenda today is sustainability, and in this context, the environment-economy relationship. The word “economy” comes from ancient Greek and means the management of the house. The term ecology, on the other hand, can be translated as knowledge or understanding of eco in this context.

Perhaps the most striking of the reports published by the Club of Rome, which was established in 1968 in order to identify the problems facing humanity and the world, and to find solutions to them, is the "Limits to Growth" report. In this direction, five basic variables were determined as population growth, service and food production, industrial production, environmental pollution level, and non-renewable resource stock. The model created revealed that the existing economic-social system was highly unstable. In addition, it showed that the current resources in the world would not support after 2100, in other words, the limits of economic growth would be reached at that time, under the current conditions (if the current growth trend in world population, industrialization, environmental pollution, food production and consumption of natural resources continues). In such a case, the report stated that there would most likely be a very sudden and uncontrollable decrease in both population and production capacity, and it was pointed out that technological development alone would not be sufficient to get out of this vicious circle. The report, which reveals that existing resources cannot keep up with humanity under current conditions, still maintains its importance even after 50 years. On the other hand, the result from the study was striking. Solving the problem in one variable caused the problem to grow in another.

For example, population planning alone or limiting industrial production did not change the outcome much. However, if the measures that would affect all the variables at the same time were taken without delay, a relative stability and balance could be achieved in the system. The Limits to Growth report revealed that to change these unsustainable growth trends, a harmonious state of global economic, social and ecological balance (components of
sustainable development) must be achieved, and this requires a joint initiative that all benefits.

1. SUSTAINABILITY AND SUSTAINABLE DEVELOPMENT CONCEPTS

The most widely used definition of sustainability is the definition made by the United Nations World Commission on Environment and Development, which focuses on “sustainable development” [10, 657]. Here, the concept of sustainability is associated with development and defined as "to meet the needs of the present without compromising the ability of future generations to meet their own needs" [3].

Pitelis states that sustainability should not necessarily be associated with a goal such as “development”. Ideally, for him, the term should be defined on its own (common) and then applied to specific situations. In this context, it sees sustainability as the condition that the fulfillment of a certain purpose in the short run by economic agents does not create any obstacles to the fulfillment of the same goal in the long run. In other words, sustainability is that the fulfillment of an economic agent's purpose does not prevent other economic agents from achieving their goals [10, 657].

2. THE RELATIONSHIP WITH SUSTAINABLE DEVELOPMENT AND TAX

Tax revenues are critical to sustainable development because they provide governments with independent income to invest in development, reduce poverty and deliver public services, as well as increase government capacity, accountability and responsiveness to its citizens. The real question in most developing countries is whether they have the capacity to gradually expand the fiscal space over the long term. While it may seem relatively easy to create fiscal space in the short term, the real challenge lies in maintaining fiscal space to meet governments' long-term spending commitments and revenues. Therefore, countries need to mobilize sufficient revenues to increase their development spending in a sustainable way and increase their fiscal space to achieve policy goals. However, they also face the challenge of spending efficiently and effectively.

An effective tax administration is of great importance for at least two reasons. The first is that it leads to an increase in revenue collections and the second is that it increases the confidence in the government, which is critical
in achieving the Sustainable Development Goals of all sustainable development goals. Even if there is a well-structured tax system, income increase will not be achieved without an effective tax administration [14].

Although there is no explicit tax target in the Sustainable Development Goals, it is seen among the available tools to achieve the goals that frame the vision of the 'world we want' of taxation. While there is no unilateral agreement on the matching or measurement of success of taxation and the Sustainable Development Goals, the importance of this is recognized and the international community is working to prevent gaps in taxation [12].

3. ENVIRONMENTAL SUSTAINABILITY AND TAX

After the understanding of the importance of environmental protection for a sustainable economic development, the necessity of public authority intervention in the fight against environmental problems has come to the fore. The logic of "laissez-faire, laissez-passer (let them do it, let them pass)" existing in the market economy is explained with the idea that the dynamics of the mechanism can solve the problems existing in the market by itself. However, it is not possible to solve the external costs and market failures caused by environmental problems without any intervention. For this reason, the market economy is insufficient in solving environmental problems and the intervention of the public authority is required. In this context, legal regulations within the framework of the command-control approach in solving environmental problems are both more costly and have a rigid structure. On the contrary, the structure of environmental taxes is more flexible, in other words, it is easily adaptable to market conditions [6]. Therefore, it can be interpreted that the tendency to market-based instruments is higher in the process of combating environmental problems. It is also observed that mixed policies, in which taxes and legal regulations are applied together, are preferred over only legal regulations [1].

Economic instruments directly affect individuals on the basis of pricing the external costs caused by environmental problems. Among the economic instruments, the most preferred
instrument by public authorities is environmental taxes. The main reason for this is primarily to influence the decision mechanism of the individual through his monetary participation in the cost of using environmental resources. In addition, it is extremely important to be able to carry out the production or consumption processes of goods and services without harming the environment or with the least possible damage.

Environmental taxes are used to internalize the cost of pollution. In this context, environmental taxes impose an additional cost on individuals and organizations that carry out activities that cause environmental pollution or negative externality. On the other hand, the amount of tax to be determined is extremely important for the effectiveness of the policy. The additional cost caused by the environmental tax, which can be described as one of the application areas of the "Polluter Pays" principle, should be higher than the pollution prevention costs that the polluter is obliged to meet. Otherwise, individuals and/or organizations will prefer to pay the tax amount instead of preferring to turn to cleaner technologies.

Therefore, environmental pollution should be eliminated at the lowest possible cost and the optimum level of environmental quality should be ensured. The optimum level of environmental quality refers to the point where the marginal social cost of pollution and the marginal social benefit of eliminating pollution are equated. In order to ensure the optimum level of environmental quality, pollution must be taxed. After the issue of taxation of pollution was first proposed by the British economist Arthurt Cecil Pigou under the name of "externality tax", environmental taxes took their place in the literature as Pigou tax or Pigouvian taxes [11, 287].

In his book titled “Wealth Economics” published in 1920, Pigou states that a certain amount of subsidies should be given to industries where the marginal social product is greater than the marginal private product, in order to ensure the optimal level of output in an environment of imperfect competition; He argues that it is possible for the state to increase economic welfare by imposing a certain amount of tax
liability on industries where the marginal social product is smaller than the marginal private product, thus changing the output production to equalize both marginal values [11, 224]. The difference between marginal social product and marginal private product represents the externality.

Therefore, it is stated that it is possible for the public authority to minimize the said externality through subsidies or taxation. In case of negative externality caused by environmental pollution, the amount of tax to minimize pollution corresponds to the monetary value of the marginal costs of pollution. Such a tax will encourage individuals and organizations that cause environmental pollution to use existing resources more economically and to turn to less polluting technologies.

Thus, a decrease in the negative externality that negatively affects the society can be observed. In addition, if the firm is taxed as much as the cost of creating an additional unit of pollution, the firm's cost will increase by the amount of tax [6]. This increase in the firm's cost will prompt the firm to adjust its output levels. If companies can equate marginal social product and marginal private product, socially effective production can be achieved [1].

### 3.1. Characteristics and justifications

Although there is no generally accepted definition in the international sense, environmental taxes are "taxes based on physical (or similar) units with proven negative effects on the environment" in the text "Environmental Taxes: A Statistical Guide" published by the European Commission in 2013 is defined in the format [2, 9]. Environmental taxes, which aim to shape the preferences or behavior patterns of individuals or organizations throughout the production and consumption processes in a way that will positively affect environmental quality, are defined as "elimination, reduction or prevention of environmental pollution and related ecological deterioration, creation of a healthy and clean environment, “Taxes for the creation of environmentally friendly production and consumption preferences in order to protect the environment, balance the excessive demand on non-renewable resources, recycle waste, develop environmentally friendly technologies and production methods, and provide the
necessary resources for the elimination of environmental pollution” [5, 83].

Based on the definitions above, the characteristics and justifications of environmental taxes are as follows:

Features; Environmental taxes constitute a cost element for those engaged in activities that adversely affect environmental quality. It encourages individuals or organizations to turn to environmentally friendly technologies. It contributes to technological development by developing new environmentally friendly production techniques. Environmental taxes, which are a cost element for companies, are a source of income for the state.

Justifications:
It ensures that false price formations are prevented by reflecting 'externalities' (ie environmental costs) on prices and allocating environmental costs in a fair and balanced way;
It enables the integration (integration) of economic policies and environmental policies by applying the principle of “The Polluter Pays”;
With its stimulating effect, it directs both producers and consumers to use resources more effectively;
On the one hand, while eliminating economic externalities, on the other hand, it provides double dividend by reducing environmental tax revenues and other tax items, and this also positively affects social welfare.

In order for environmental taxes, which are an important policy tool in terms of sustainable development and environmental protection, to direct the taxpayer to cleaner technologies, the marginal cost of the determined tax amount should be higher than the marginal cost of pollution control. Finally, for the effectiveness of environmental taxes, revenues from taxes should be used primarily for investments to be made with the aim of reducing environmental pollution and improving environmental conditions. In this context, environmental taxes should be guiding at the point of environmental protection and controlling the behavior of taxpayers in this regard. The priority should not be to create financial resources for the state budget.

CONCLUSION

Due to the international tax competition experienced
today, while an efficiency-based approach is adopted in tax systems, it is seen that the aim of providing justice is gradually moving away. A tax system that emphasizes indirect taxes and payroll taxes taken from labor incomes among direct taxes will cause the tax burden to shift to low-income people. Therefore, a sustainable tax system should not only aim to increase tax revenues, but also aim at inclusiveness, broadening the tax base, minimizing tax loss, increasing efficiency in tax management and strengthening voluntary compliance with taxation. In order to ensure the acceptability and legitimacy of taxation, it should be as modern, transparent, accountable, participatory, efficient, fair, effective, simple, sensitive to gender equality and taxpayer-oriented as much as possible.

Justice in income distribution is extremely important in ensuring social peace and tranquility in a country. However, due to the existence of market failures, the market economy cannot realize the justice of income distribution by itself and income distribution inequalities arise. Therefore, a sustainable tax system should contribute to ensuring fairness in income distribution.

Tax incentives, when used correctly, can help to use limited resources efficiently and increase social welfare, and otherwise lead to unnecessary tax loss. Therefore, a sustainable tax system should ensure the rational use of tax incentives. In addition, in the current conjuncture where knowledge precedes capital, tax incentives should be utilized to increase the quality of labor in the fields of education and health and to increase global competitiveness.

Sustainable development approach requires that economic, social and environmental policies be handled together on a global basis at every stage of development. Environmental problems are very important because of their intense externality and causing damage that may affect future generations. International studies have shown that environmental taxes are a necessity for sustainable development. Therefore, a tax system that aims to contribute to sustainability should serve the goal of internalizing environmental externalities and see environmental taxes as a solution to environmental problems. It should also aim to increase and decrease, respectively, the consumption or
production of all kinds of goods and services that emit positive and negative external economy to the society.

A sustainable tax system should be able to respond to the requirements of the global economy, while playing a role in transforming unfair or harmful tax competition into legitimate or beneficial tax competition. On the other hand, the integration between financial liberalization and international markets in the globalization process has revealed the risk of global crises by spreading financial crises that started in one country or region to other countries and regions. Thus, the fact that the regulation of financial markets on a global scale has become important has led to the acceptance of financial stability as a global public good. A sustainable tax system should contribute to stabilizing the financial system.

References:


REGIONAL ECONOMY


