

CATCH THE WAVES WITH

UNIFIED TAX AND TECHNOLOGY BUSINESSES



Innovations in tax changes for 2025 and their impacts.

ABOUT

Due to the recent changes in local tax and accounting regulations, we fully understand that organizations like you are entering a new phase of working methodology. Having our new brand, as Unified Tax and Technology Businesses (UTB) team, we offer a wide array of essential services in Azerbaijan.

Our guarantee is the experience which comes over the years enabling us to present the best services to our clients. Using this experience, we, as the UTB Team, offer the following services:

- Tax
- Law
- Tax Technology
- Payroll Services
- HR Services
- Global Mobility Services



CONTENT

Changes Page Number

Changes in Article 13 - Key Terms Used in Tax Code.....	1-3
Changes in Article 16 - Taxpayer's obligations.....	4-9
Changes in Article 50 - Operational tax control.....	10-12
Changes in Article 57 - Financial sanctions for violations related to the submission of reports and other information.....	13-16
Changes in Article 58 - Financial sanctions for the reduction of taxes and other tax violations.....	17-18
Changes in Article 85 - Deadlines for the fulfillment of tax obligations and the modification of those deadlines.....	19-21
Changes in Article 96 - Taxable object.....	22-26
Changes in Article 101 - Income tax rate.....	27-29
Changes in Article 102 - Exemptions and deductions from income tax.....	30-37
Changes in Article 104 - Taxable object.....	38-40
Changes in Article 106 - Exemptions and deductions.....	41-44

CONTENT

Changes Page Number

Changes in Article 109 - Non-deductible expenses from income.....	45-49
Changes in Article 122 - Withholding tax on dividends at the source of payment.....	50
Changes in Article 124 - Withholding tax on rent payments and royalties at the source of payment.....	51-61
Changes in Article 126 - Withholding tax on the net profit of a non-resident's permanent establishment at the source of payment.....	62-63
Changes in Article 130 - Rules for the accounting of income and expenses.....	64-65
Changes in Article 150 - Timing and procedure for withholding tax at the source of payment.....	66-70
Changes in Article 153 - Concept of Value Added Tax.....	71
Changes in Article 157 - Registration (for Value Added Tax).....	72-74
Changes in Article 159 - Object of Taxation (for Value Added Tax).....	75
Changes in Article 164 - Exemptions and benefits from Value Added Tax.....	76-79

CONTENT

Changes Page Number

Changes in Article 165 - Application of the Zero (0) Tax Rate for Value Added Tax.....	80-83
Changes in Article 174 - Value Added Payable to the Budget from Taxable Turnover.....	84
Changes in Article 175 - Offset Value Added Tax when determining payments to the budget.....	85
Changes in Article 185 - Amount of the taxable transaction.....	86-92
Changes in Article 188 - Exemptions.....	93
Changes in Article 199 - Tax benefits and exemptions.....	94-97
Changes in Article 207 - Exemptions and benefits from Land Tax....	98-100
Changes in Article 211 - Rates of Road Tax.....	101-103
Changes in Article 212 - Collection of Road Tax.....	104-105
Changes in Article 217 - Tax benefits.....	106
Changes in Article 218 - Payers of Simplified Tax.....	107

CONTENT

Changes Page Number

Changes in Article 221- Rules for calculating Simplified Tax, payment period, and submission of the declaration.....108-112

Acknowledgements and Contact Information.....113

Article 13 lists key concepts used in Tax Code.

As per Article 13.2.11, which **previously** defined 'Service (work)' as an activity with tangible results that is not considered the provision of goods, a new addition has been made to specify exclusions.

According to the change, the clause now explicitly includes 'as well as the right to use land' among the exceptions for VAT purposes, alongside the transfer of ownership of cash and land, the leasing of land, and the provision of services to an employer as a salaried employee.

Full version of the changed Article 13.2.11: For VAT purposes, the transfer of ownership of cash and land, as well as the right to use land, the leasing of land, and the provision of services to an employer as a salaried employee are excluded.

Article 13 lists key concepts used in Tax Code.

Article 13.2.72 states: Electronic Cabinet – an individual electronic page created in the information system of the relevant authority designated by the executive authority, based on the application submitted during the registration of the taxpayer, which allows access through a strengthened electronic signature and/or a code-password issued by the tax authority (with respect to the taxpayers referred to in Articles 218.4.1 and 220.10 of this Code) and ensures mutual information exchange between the taxpayer and the tax authority.

The newly added part is: "(with respect to the taxpayers referred to in Articles 218.4.1 and 220.10 of this Code)."

Taxpayers mentioned in Article 218.4.1: Taking into account the provisions of Article 156 of this Code, individuals who carry out passenger transportation (including by taxi) within the territory of the Republic of Azerbaijan with vehicles owned or used by them (excluding international passenger transport)

Article 13 lists key concepts used in Tax Code.

Taxpayers mentioned in Article 220.10: Individuals engaged in the activities specified in this article on an individual basis (without employing salaried workers), as outlined in Article 218.4.4 of this Code, is determined as follows:

- Hosting, playing music, dancing, performing as a ashiklik, satire, and other similar activities at weddings, celebrations, and other events
- Activities in the field of individual photo, audio-video services (excluding photo studios)
- Shoemaker, cobbler
- Repair of watches, televisions, refrigerators, and other household appliances
- Personal services in private homes and apartments, including housekeepers, caregivers for patients, the elderly, and children, nannies, personal drivers, cleaning services, gardeners, chefs, security guards, and individuals providing customer service in catering establishments (e.g., waiters)
- Activities of carpentry workshops
- Individuals engaged in barbering as a personal profession
- Individuals engaged in tailoring as a personal profession
- Individuals practicing veterinary services individually.

AMENDMENTS TO ARTICLE 16

Changes in Article 16.1.4-1

Changes have been made to Article 16 of the Tax Code regarding the duties of taxpayers. We can present these changes as follows:

In **Article 16.1.4-1**, after the word "documents," the phrase "and information" is added, resulting in the following wording: "To submit the documents and information specified by the rules determined by the relevant authority defined in Article 14-1.9 of this Code upon the request of the tax authority."

We can explain this change as follows:

Let's look at the difference between the words "document" and "information." A document confirms specific information; its official nature and verification prove the accuracy of the information. Information, however, is not confirmed by any document and serves only as a kind of notification. Let's provide an example: Company A is a consulting firm, and Company B is its client. Company A provides consulting services to Company B and submits an invoice requesting payment for the services. Company B makes the payment based on this invoice. Here, the invoice serves as the document that verifies the information regarding the expenditure from Company B and the revenue to Company A. However, at a later stage, we may provide information as a notification, stating that we will continue this activity in the future. Considering that this article is related to transfer pricing, the information requested pertains to that matter.

AMENDMENTS TO ARTICLE 16

Changes in Article 16.1.11-11

In Article 16.1.11-11, the phrase "and manner" is added after the word "form," resulting in the following wording:

"Except for taxpayers engaged in the oil and gas sector, belonging to the state sector, or using the 'Green Corridor' clearance system, other taxpayers must provide the following information regarding the imported goods in the form **and manner** approved by the authority designated by the relevant executive body before the goods are cleared from customs control (within 1 business day from the time goods transported by air are cleared from customs control) to the tax authority where they are registered."

Article 16.1.11-11.1 is repealed, which stated:

"Regarding the location (or unloading site) where the goods are kept, based on ownership, lease, or other property rights, and (or) registered as a business entity (facility) with the tax authority."

We can explain this change as follows:

According to **Article 16.1.11-11 of the Tax Code**, taxpayers who are not involved in the oil and gas sector, are not part of the state sector, and do not use the 'Green Corridor' clearance system must provide information regarding goods in the form and manner (effective from 2025) approved under the sub-articles of this provision. This information must be submitted to the tax authority where they are registered before the goods are cleared from customs control.

The information regarding "the location (or unloading site) where the goods are kept, based on ownership, lease, or other property rights, and (or) registered as a business entity (facility) with the tax authority," is no longer required under the new amendments.

AMENDMENTS TO ARTICLE 16

Changes in Article 16.1.11-11

Neft-qaz sahəsində fəaliyyəti olan və ya dövlət sektoruna aid edilən, habelə "Yaşıl dəhliz" buraxılış sistemindən istifadə edən vergi ödəyiciləri istisna olmaqla, digər vergi ödəyiciləri tərəfindən idxal ediləcək mallar barədə ^[2] edilmişdir.

MƏLUMAT FORMASI

1. Məlumat formasının təqdim edildiyi vergi orqanı:

2. Vergi ödəyicisinin VÖEN-i:

3. Vergi ödəyicisinin adı:

4. Qısa idxal bəyannaməsinin (və ya gömrük bəyannaməsinin) nömrəsi:

5. İdxal ediləcək malların saxlanılacağı (boşaldılacağı) yer və ya malların sifarişçiləri barədə məlumat

5.1. Mülkiyyət, icarə və ya digər əşya hüquqları əsasında istifadə edilən və (və ya) vergi orqanlarında təsərrüfat subyekti (obyekti) kimi uçota alınmış malların saxlanılacağı (boşaldılacağı) yer barədə

S/S	Təsərrüfat subyektinin (obyektinin) adı	Təsərrüfat subyektinin (obyektinin) vergi orqanundakı uçot kodu	Təsərrüfat subyektinin (obyektinin) yerləşdiyi ünvan

5.2. Mallar digər şəxslərə məxsus yerlərdə məsuliyyətli mühafizəyə və ya saxlanma verildiyi halda tərəflər arasında bağlanmış müqavilə və malların saxlanma yeri barədə

S/S	Saxlama müqaviləsi barədə				Malların saxlanma yeri barədə		
	Saxlayıcının adı	Saxlayıcının VÖEN-i	Müqavilənin tarixi	Müqavilənin nömrəsi	Təsərrüfat subyektinin (obyektinin) adı	Təsərrüfat subyektinin (obyektinin) vergi orqanundakı uçot kodu	Təsərrüfat subyektinin (obyektinin) yerləşdiyi ünvan

<https://e-qanun.az/framework/49384> , You can review the form via this link. With the repeal of Article 16.1.11-11.1, Clause 5.1 of this form will no longer be filled out.

AMENDMENTS TO ARTICLE 16

Changes in Article 16.1.11-11.3

The following sentence is added to Article 16.1.11-11.3 (hereinafter referred to as the "Article" in this context):

The Article is as follows: In cases where goods are imported based on orders, information about the ordering persons (if the ordering party is a taxpayer, the TIN; if it is an individual, the first name, last name, patronymic, and PIN) and the order amount for each ordering person. The following sentence is added to this Article: The requirements of this Article do not apply to goods imported for non-commercial and personal use.

We can explain this change as follows:

Now, the form's **Clause 5.3** does not apply to goods imported for non-commercial and personal use within the framework of cases specified in Article 16.1.11-11. From now on, if a person imports goods for non-commercial purposes, they are not required to submit Clause 5.3 of the form regarding these goods. For example, a legal entity imports a vehicle from abroad and intends to lease it. The legal entity's business activity is consulting services. In this case, it is not mandatory to submit Clause 5.3 of the form regarding this vehicle since leasing the vehicle would constitute non-commercial activity for this legal entity.

You can review the form via this link: <https://e-qanun.az/framework/49384>. With the addition of the sentence to **Article 16.1.11-11.3, Clause 5.3** of this form will no longer be filled out in the cases mentioned.

AMENDMENTS TO ARTICLE 16

Changes in Article 16.1.11

16.1.11 Sub-clauses are supplemented with the following provisions:

16.1.11-15. Except for agricultural product markets and agricultural cooperative markets, the owners of markets (or operators in cases where markets are managed) must ensure that lessees of property can operate within those business units (facilities) only after the lessee is registered with the tax authorities.

16.1.11-16. Except for agricultural product markets and agricultural cooperative markets, in cases where immovable property within markets is used for entrepreneurial activities either by the property owners (or operators where markets are managed) or by lessees, information (certificate) indicating the registration of the business unit (facility) with the tax authority (including the taxpayer's name and TIN) must be displayed at the entrance of the business unit (facility).

16.1.11-17. Except for agricultural product markets and agricultural cooperative markets, market owners (or operators in cases where markets are managed) must provide information about taxpayers whose lease agreements have been terminated and who no longer operate in the relevant facility, as well as those who continue operations, to the tax authority where they are registered. This information must be submitted in a form approved by the relevant executive authority and provided quarterly, by the 20th of the month following the end of each quarter.

AMENDMENTS TO ARTICLE 16

Changes in Article 16.9

Amendment to the first sentence of Article 16.9:

The phrase "resident enterprises of the Republic" is replaced with "taxpayers registered for tax purposes in the Republic," and the word "statement" is followed by the addition of the phrase "and notification." Previously, the term "resident enterprises of the Republic" referred exclusively to resident enterprises registered with the tax authorities. However, the new term "taxpayers registered for tax purposes in the Republic" includes both resident and non-resident enterprises.

Article 16.11.4 has been repealed:

The article previously read as follows:

16.11.4. For advance payments – indicating in the purpose section that it is an advance payment, along with the date and number of the demand, or the contract concluded between the parties, or an addendum to that contract.

According to the requirements of Article 16, it was the taxpayer's responsibility to implement this. That is, when making a payment to another taxpayer, the payer was required to specify in the purpose section the basis for the payment (as stipulated in Article 16.11). However, with the recent amendments, this article will be repealed effective from 2025.

Additions To Article 50.1

Article 50 covers operational tax control. **Article 50.1** states that operational tax control is a form of tax supervision conducted in warehouses, commercial premises, and similar facilities (excluding residential buildings or areas) or vehicles (excluding personal vehicles not used for entrepreneurial purposes) used by legal and physical persons engaged in entrepreneurial activities for the purpose of generating income or storing taxable assets. The additional rules are written below:

There are two new rules added as 50.1.15 and 50.1.16.

Before the inclusion of these provisions, individuals renting premises (excluding agricultural product markets and agricultural cooperative markets) in marketplaces and engaging in activities within those premises without ensuring their registration with the tax authorities were not subject to tax oversight. Similarly, there was no requirement for placing or displaying information at the entrance of the business premises (excluding agricultural product markets and agricultural cooperative markets) used for entrepreneurial activities in marketplaces, indicating that the premises were registered with the tax authorities (including the taxpayer's name and TIN). Violations of these requirements did not result in any tax liability. However, under the newly added provisions, these situations now fall under formal operational tax control, and non-compliance will result in liability.

Change To Article 58

Amendment to article 58:

Change is applied to article 58.2-1.

Previously the article was like this:

For failure of a taxpayer to register a business entity (premises) with the tax authorities in accordance with Article 33.2 of this Code and/or for providing distorted information about the area of the business entity (premises), a financial penalty of 40 AZN is imposed on micro-entrepreneurship entities, non-commercial organizations, and individuals engaged in non-entrepreneurial activities, while a penalty of 400 AZN is imposed on other individuals or entities.

Amendment part:

The amendment introduces a requirement for business entities in marketplaces (excluding agricultural product markets and agricultural cooperative markets) to display information or a certificate at their entrance, confirming that they are registered with the tax authorities, including the taxpayer's name and TIN. This part was added as rule and failure to comply with this will also result in a penalty of mentioned amounts above.

Conclusion of the Changes

Potential Future Impact:

The introduction of new monitoring measures for marketplaces, excluding agricultural product markets and agricultural cooperative markets, could lead to the imposition of financial penalties. These penalties include 40 AZN for micro-entrepreneurship entities, non-commercial organizations, and individuals engaged in non-entrepreneurial activities, and 400 AZN for others. Additionally, if a business entity fails to display information at its entrance verifying its registration with the tax authorities (including the taxpayer's name and TIN), it may face similar penalties or even closure of the premises.

Changes in Article 57

Article 57 addresses the financial penalties associated with violations related to the submission of reports and other required information.

According to the old rules, Article 57.4 stated that financial penalty of 2000 AZN is imposed on the taxpayer who fails to submit the certificates specified in Articles 16.1.4 and 16.1.4-3 of this Code within the prescribed deadlines or provides incorrect information in the certificates, based on the decision of the head of the tax authority (or their deputy).

Article 16.1.4.

In cases specified by this Code, the taxpayer is required to submit the tax report to the tax authorities within the prescribed deadlines, and in cases where an audit is required, the audit opinion must be attached. Additionally, if the total value of transactions carried out, based on transfer prices for individuals listed in Articles 14-1.2.1 to 14-1.2.3 of this Code, exceeds 500,000 AZN, and in cases specified for individuals in Article 14-1.2.4 of this Code, the taxpayer must submit a certificate for the profit (income) tax declaration in the form determined by the authority designated by the relevant executive authority.

AMENDMENTS TO ARTICLE 57

Changes in Article 57

Articles from 14-1.2.1 to 14-1.2.4 related to the Article 16 stated above.

14-1.2.1. Between a resident of the Republic of Azerbaijan and non-resident individuals who are mutually dependent on that resident, as well as between the resident and any representative office, branch, or other division located in other countries (territories);

14-1.2.2. Between the permanent representative office of a non-resident in the Republic of Azerbaijan and the non-resident itself or any of its representative offices, branches, or other divisions located in other countries, as well as between the non-resident and any other person who is mutually dependent on it and located in another country;

14-1.2.3. Between a resident of the Republic of Azerbaijan and/or the permanent representative office of a non-resident in the Republic of Azerbaijan and entities established (registered) in countries with preferential tax rates;

14-1.2.4. Except for the cases specified in Articles 14-1.2.1 to 14-1.2.3 of this Code, between a resident of the Republic of Azerbaijan or a permanent representative office of a non-resident in the Republic of Azerbaijan and non-resident individuals, provided that:

14-1.2.4.1. The persons have conducted transactions involving products traded on international commodity exchanges and/or;

14-1.2.4.2. The total annual income of the resident of the Republic of Azerbaijan or the permanent representative office of the non-resident in the Republic of Azerbaijan exceeds 30 million AZN, and the proportion of the volume of transactions conducted with each non-resident individual in the total income (expenses) exceeds 30%.

Changes in Article 57

Article 16.1.4-3:

To submit the certificate specified in Article 14-2.2 of this Code to the tax authority within the deadline prescribed for the profit (income) tax declaration, in the format determined by the relevant authority designated by the executive authority.

Article 14-2.2 related to Article 16.1.4-3 stated above:

The procedure for including the profits of a controlled foreign entity in the taxable income of a person considered a resident of the Republic of Azerbaijan, as well as the form and procedure for submitting the certificate on the controlled foreign entity by resident individuals and legal entities to the tax authority, shall be approved by the relevant authority designated by the executive authority.

According to the Amendment to the article 57:

Firstly, the amount of financial penalty is increased from 2000 AZN to 6000 AZN.

Secondly, the sanction rule will also be applied to those who fail to submit the documents and information specified in Article 16.1.4-1 of this Code within 60 days upon the request of the tax authority.

Article 16.1.4-1

To submit the documents specified in Article 14-1.9 of this Code, in accordance with the procedures established by the relevant authority specified by the appropriate executive authority, upon the request of the tax authority.

Changes in Article 57

Article 14-1.9

The procedure for determining and applying transfer prices is established by the relevant executive authority.

Description and potential impact of the change:

If a taxpayer fails to submit the required documents and information regarding the determination and application of transfer prices as outlined in Article 14-1.9 of this Code, or fails to submit the certificates specified in Articles 16.1.4 and 16.1.4-3 of this Code, or submits incorrect information, a financial penalty of 6000 manats will be imposed based on the decision of the head of the tax authority (or their deputy). This penalty will be applied if the taxpayer does not submit the requested documents and information within 60 days at the request of the tax authority.

The potential future impact of this decision could be that taxpayers will pay more attention to the information they submit and feel a greater sense of responsibility, as the penalty has tripled from 2000 manats to 6000 manats. This, in turn, is expected to lead to increased transparency and better adherence to the law.

AMENDMENTS TO ARTICLE 58

Change to Article 58

Article 58 addresses financial penalties related to tax reductions and other tax violations.

Change is to 58.15 article of the Article 58.

Article 58.15:

This article stipulates that individuals who benefit from tax exemptions or reductions under this Code and fail to declare or reduce the exempt income will be subject to a financial penalty. The penalty amount is 6% of the undeclared or reduced income (not excluding expenses).

The new article 58.15-2 is added:

Article 58.15-2 states that in the event of violations of the requirements specified in Articles 16.1.11-15 of this Code, market owners (or managers when markets are handed over for management) will be subject to financial penalties. If such a violation is detected for the first time within a calendar year, the penalty will be 2000 manat; for the second occurrence, the penalty will be 4000 manat; and for three or more occurrences, the penalty will be 6000 manat. However, agricultural product markets and agricultural cooperative markets are exempt from this regulation.

Article 16.1.11-15

This article outlines that, excluding agricultural product markets and agricultural cooperative markets, when market owners (or managers, if markets are handed over for management) lease out property, they are required to ensure that the business entity (or property) leasing the premises is registered with the tax authorities. The business entity must be allowed to operate within the leased premises only after this registration is completed.

AMENDMENTS TO ARTICLE 58

Change to Article 58

Summary of the new additions and rules:

The owners (or managers) of markets, excluding agricultural product markets and agricultural cooperative markets, must ensure that the lessees (or users) of the properties they lease are registered with the tax authorities. Only after this registration can the lessees be allowed to operate within the premises.

If these requirements are violated:

- A fine of **2,000** AZN will be imposed when the violation is detected for the first time within a calendar year.
- A fine of **4,000** AZN will be imposed when the violation is detected for the second time.
- A fine of **6,000** AZN will be imposed if the violation is detected three or more times.

This decision is expected to increase the number of taxpayers, which will also raise the tax revenue.

AMENDMENTS TO ARTICLE 85.4

Changes in Article 85.4

What Does This Amendment Involve, and How Will It Affect Matters?

1st Part:

Article 85 generally defines issues related to “The timeframes for fulfilling tax obligations and amendments to these timeframes.”

2nd Part:

Under the amendment, the new version of Article 85.4 specifies that it shall apply independently of the other provisions of Article 85.

3rd Part:

Before the amendment: Where relevant information regarding income earned abroad is received from the competent authorities of foreign states.

After the amendment: Where requests or relevant information regarding income earned abroad are received from the competent authorities of foreign states.

From this, we see that the term "request" has been added. Information may refer to unsubstantiated information or other data related to taxes, provided by competent authorities of foreign states, which may require relevant tax audits to identify discrepancies. A "request," however, would pertain to an official document (with evidence and verification) necessitating tax audits.

AMENDMENTS TO ARTICLE 85.4

Changes in Article 85.4

4th Part:

In the previous version of Article 85.4, each type of tax audit (desk and field tax audits) covered the same timeframe, specifically the 5-year period preceding the date the tax authority adopted the decision to conduct the audit.

However, with the new amendment, the timeframes for tax audits have been differentiated as follows:

- **Desk Tax Audit** – Covers the 5-year period preceding the date the request or information was received.
- **Field Tax Audit** – Covers the 5-year period preceding the date the tax authority adopts the decision to conduct the audit.

5th Part:

In the previous version, mandatory state social insurance, unemployment insurance, and compulsory health insurance contributions were excluded. However, under the new amendment, Article 85.4 will now also apply to tax audits concerning these contributions.

AMENDMENTS TO ARTICLE 96

Changes in Article 96

Article 96 addresses the object of taxation.

One of the changes is to Article 96.5:

Prior to the change, this article stated that when a legal entity's share in the authorized capital or shares are transferred at a price higher than the proportionate value of the net assets, the difference between the actual transfer price and the nominal value of the share or stock in the authorized capital is considered taxable income. Conversely, if the share or shares are transferred at a price lower than the proportionate value of the net assets (at a discounted price), the difference between the net assets' proportionate value and the nominal value of the share in the authorized capital, on the date the sales agreement is concluded, is subject to taxation as income.

Additionally this article previously stated that, if the shares or participation rights are acquired at a price above the nominal value, any costs related to the transfer of these shares or participation rights are considered in relation to the actual purchase price of the assets. Furthermore, any other expenses related to generating the income from the sale of these shares or participation rights are deducted from the income earned from the transaction.

Newly added part of the Article 96.5:

New part of the article states that, there is exception for the presentation of shares that have been publicly offered and are traded in a regulated market within the territory of the Republic of Azerbaijan, as well as on a stock exchange outside the country. Meaning, the rule mentioned in the article 96.5 no longer applies to the presentation of shares that have been publicly offered and are traded in a regulated market within the territory of the Republic of Azerbaijan, as well as on a stock exchange outside the country

Changes in Article 96

BEFORE THE CHANGE: Explanation and Calculation

1. Sale of a Share or Stake Above Net Asset Value (NAV):

Condition: If a share or stake is sold at a price higher than its proportional value of the net assets (NAV).

Tax: Taxable income is the difference between the actual sale price and the nominal value of the share or stake.

Example:

- Proportional NAV: 100 AZN
- Nominal value of the share: 50 AZN
- Sale price: 120 AZN
- Taxable income = 120 AZN (sale price) - 50 AZN (nominal value) = 70 AZN.

2. Sale of a Share or Stake Below NAV (at a Discount):

Condition: If a share or stake is sold at a price lower than its proportional NAV.

Tax: Taxable income is the difference between the NAV and the nominal value of the share or stake.

Example:

- Proportional NAV: 100 AZN
- Nominal value of the share: 50 AZN
- Sale price: 40 AZN
- Taxable income = 100 AZN (NAV) - 50 AZN (nominal value) = 50 AZN.

Changes in Article 96

BEFORE THE CHANGE: Explanation and Calculation (Part 2)

3. Sale of Shares or Stakes Acquired Above Nominal Value:

If shares or stakes were purchased at a price above their nominal value, the deductible expense during resale is the actual purchase price.

Example:

- Purchase price: 70 AZN
- Sale price: 100 AZN
- Taxable income = 100 AZN (sale price) - 70 AZN (purchase price) = 30 AZN.

4. Consideration of Other Expenses:

Deductible expenses related to the sale of shares or stakes include only costs directly linked to obtaining that income, such as legal fees, documentation costs, and other relevant expenses.

Example:

- Sale price: 100 AZN
- Purchase price: 70 AZN
- Related costs: 10 AZN
- Taxable income = 100 AZN - (70 AZN + 10 AZN) = 20 AZN.

Summary:

These rules ensure accurate tax calculations for transactions involving shares or stakes. The goal is to determine the actual income from each transaction and levy the corresponding taxes.

AMENDMENTS TO ARTICLE 96

Changes in Article 96

AFTER THE CHANGE:

This amendment clarifies that transactions involving publicly offered shares traded on stock exchanges are exempt from these taxation rules.

Specifically, the following taxation rules no longer apply to such shares:

1. Taxation of the difference between the sale price and the nominal value.
2. Taxation of the difference between the net asset value (NAV) and the nominal value.

Why Is This Change Important?

1. Special Status of Stock Exchange-Traded Shares:
2. Publicly offered shares traded on stock exchanges generally have high transparency and are priced according to market principles. As a result, special taxation rules are not applied to such transactions.
3. Investor Protection:
4. This exemption is designed to reduce the tax burden on individuals trading shares on stock exchanges and to increase market liquidity.
5. Harmonization Between Domestic and International Markets:
6. The amendment covers shares offered on both Azerbaijani and foreign stock exchanges, ensuring compatibility with international trade standards.

Conclusion to the change of Article 96.5

With this change, shares traded on stock exchanges or publicly offered are distinguished from other equity participations and shares in terms of taxation. This makes transactions conducted on stock exchanges less bureaucratic and more advantageous.

Other equity participations or shares not traded on stock exchanges will continue to be taxed under the previous rules.

Changes in Article 96

Explanation of the newly added Article 96.6:

Taxable Object:

For shares that are publicly offered and traded in regulated markets, the taxable amount is the difference between the sale price and the purchase price.

Additionally, expenses incurred during the sale transaction are also taken into account. The taxable amount is calculated based on the net difference after deducting these expenses.

Simplified Explanation:

If a person buys a share on the stock exchange and later sells it, the taxable income is the remaining amount after subtracting the transaction-related expenses from the profit made.

Example:

- Purchase Price of Share: 100 AZN
- Sale Price of Share: 150 AZN
- Transaction Costs: 10 AZN
- Taxable Income: 150 AZN (sale price) - 100 AZN (purchase price) - 10 AZN (expenses) = 40 AZN.

AMENDMENTS TO ARTICLE 101

Changes in Article 101

Article 101 covers the topic of Income Tax Rates.

EXPLANATION:

Normally, for employees in the non-oil-gas and non-state sector, the tax amount deducted is 0% for salaries up to 8,000 AZN and 14% for the portion exceeding 8,000 AZN.

But, Article 101.7 introduces exceptions to this rule. Article 101.7, prior to change, stated that:

For physical persons working for taxpayers operating as technology park residents but performing system integration, software development, and improvement activities outside the technology park, the tax amount was different. For them, the tax deducted was 0% for salaries up to 8,000 AZN and 5% for the portion exceeding 8,000 AZN.

Change to the Article 101.7

According to the new amendment, the 0% tax for salaries up to 8,000 AZN remains unchanged. However, the 5% tax rule on the portion exceeding 8,000 AZN will no longer apply to all employees of such taxpayers but only to specialists working in these fields.

AMENDMENTS TO ARTICLE 101

Changes in Article 101

Example to understand the concept better:

If out of the 355 employees of such taxpayers, only 47 are specialists, the 5% tax will apply to the portion exceeding 8,000 AZN for those 47, while the remaining 308 employees will have the standard 14% rate applied to the portion exceeding 8,000 AZN (standard rate for the non-state and non-oil-gas sector).

This rule will be effective for three years, from January 1, 2023, until January 1, 2026.

From January 1, 2026, for a period of seven years until January 1, 2033, 5% tax will apply to the entire salary of specialists working in these fields.

For example, again we assume that the taxpayer has 355 employees and only 47 of them are specialists and their salary is 8250 AZN, then their tax will be calculated as 5% of their total salary (8250 AZN) and it will be 412,5 AZN. This tax rate will only be used from January 1, 2026 till January 1, 2033.

If we were to calculate it till January 1, 2026 then we would have to:
 $8250 - 8000 = 250$ (amount exceeding 8000 AZN), then $250 \times 5\% = 12,5$ AZN
(Tax calculated from income)

AMENDMENTS TO ARTICLE 101

Changes in Article 101

Impact:

In this case, the tax amount deducted from employee salaries for taxpayers operating as technology park residents but performing system integration, software development, and improvement activities outside the technology park will increase.

This is because employees will now be categorized into specialists and other workers when calculating monthly income taxes, which, in turn, will increase the total tax revenue entering the state budget.

AMENDMENTS TO ARTICLE 102

Changes in Article 102.1.8

This is the **previous version**, and it specifies that the following are exempted from income tax:

1. Payments made to the insured person (or beneficiary) as compensation for damages in the specified categories. These payments may be in cash or in kind;
2. All types of compulsory health insurance and voluntary health insurance premiums paid by the employer for the employee;
3. Payments made to insurers under life insurance and pension insurance contracts after three years following the contract's validity.

Additionally, the maximum amount for life and pension insurance premiums under this provision cannot exceed 50% of the employee's taxable income. In practice, this percentage is taken as 48.6%.

In the new version, the words “non-governmental sector” are added after the first occurrence of the word “regarding.”

How does the addition of these words change the context?

In the **previous version**, no specific type of employer was highlighted. This means the provision applied to all types of employers. However, with the new amendment, the rule now applies only to employers in the **non-governmental sector**. That is, the requirements of sub-article 102.1.8 apply solely to insurance premiums paid by non-governmental sector employers for the specified categories.

As a result, **insurance premiums for life and pension insurance paid by government sector employers on behalf of their employees will now be considered taxable income.**

AMENDMENTS TO ARTICLE 102

Changes in Article 102.1.11-1

The words "this field" are added after the word "individuals" in the second case of **Article 102.1.11-1**.

Article 102.1.11 specifies income that is directly exempt from income tax, including income from the production of agricultural products (including industrial methods), non-sales income of individuals engaged in agricultural production, and subsidies provided to individuals in relation to agricultural production from the state budget.

The following categories are exempt from income tax for individuals under this article:

- Income from the production of agricultural products (including industrial methods);
- Non-sales income of individuals engaged in agricultural production;
- Subsidies provided to individuals in relation to agricultural production from the state budget.

Article **102.1.11-1 states**: dividend income of individuals who are participants in resident legal entities engaged in agricultural production (including industrial methods) - for a period of 4 years starting from January 1, 2023.

AMENDMENTS TO ARTICLE 102

Changes in Article 102.1.11-1

Here, the words "this field" will be added after the word "individuals."

How will this change affect the article's content?

Let's consider a resident legal entity, a company established according to the laws of the Republic of Azerbaijan. In this case, the income of all the company's participants was exempt from income tax. However, with this amendment, only participants engaged in agricultural activities will benefit from this exemption.

This will have a positive impact on the state budget. However, it is possible that individuals who are unable to benefit from this exemption may face negative consequences.

This means that other participants in the company will have to pay taxes on the income generated from the company's activities, provided there are no other provisions affecting this matter. If there is another article regulating this issue or one is to be added, that article will be taken into account.

AMENDMENTS TO ARTICLE 102

Added these Article 102.1.21-1, 102.1.30-1, 102.9

The following articles 102.1.21-1, 102.1.30-1, and 102.9 should be added:

102.1.21-1. Dividend paid by individuals engaged in activities outside the technology park, such as system integration and software development, as residents of a technology park – for a period of 10 years starting from the year of obtaining the registration certificate of the technology park.

Article 102.1.21 is as follows:

Income obtained by individuals, who carry out entrepreneurial activities in the industry or technology parks created by a body (organization) established based on the decision of the relevant executive authority, without creating a legal entity, from activities in the industrial or technology park (except for income tax withheld from wages) – for a period of 10 years starting from the year they were registered in the industrial or technology park according to the legislation. The exemption provided in this article also applies to individuals engaged in activities outside the technology park as residents of the technology park, such as system integration, software development, and improvements, technical support, and training services provided to customers resulting from these activities.

The essence of this article is that individuals who engage in entrepreneurial activities without creating a legal entity in the mentioned parks and obtain income from their activities in the park are exempt from income tax for 10 years starting from the year of registration.

Moreover, resident individuals who use any external systems outside this park, prepare software, and continue (develop) these activities are also exempt from tax on the income derived from these activities under the same conditions.

There is one nuance here: by "resident," it refers to individual entrepreneurs with a tax identification number (TIN), as Article 102 concerns individuals.

AMENDMENTS TO ARTICLE 102

Added these Article 102.1.21-1, 102.1.30-1, 102.9

In the added article 102.1.21-1, the following is specified:

The exemption from income tax in this article will also apply to dividend payments in the same manner as a result of the changes. This dividend is paid by resident individuals. The definition of these resident individuals was explained above.

The addition of this article will reduce the tax liabilities of residents operating in such parks and positively affect their activities. It may appear that this change will reduce the amount of tax revenue to the state budget, but on the other hand, it will positively affect the state. It will contribute to technological advancement, as it is clearly evident how important technology is in today's world. Furthermore, this innovation shows that the government is interested in the development of technology and entrepreneurship.

102.1.30-1. For individuals engaged in the following types of activities and who earn up to 45,000 AZN in a calendar year (without considering expenses), 75% of the income derived from such activities will be exempt from income tax:

102.1.30-1.1. Services in the field of software development; 102.1.30-1.2. Project design and decoration services; 102.1.30-1.3. Translation services; 102.1.30-1.4. Advertising services; 102.1.30-1.5. Research and development activities; 102.1.30-1.6. Services in science, education, culture, and sports; 102.1.30-1.7. Consulting services in the field of law, independent auditing, accounting, and finance; 102.1.30-1.8. Activities of journalists; 102.1.30-1.9. Market research; 102.1.30-1.10. Valuation activities; 102.1.30-1.11. Delivery and courier services, excluding transportation of goods by road vehicles; 102.1.30-1.12. Tourism guidance; 102.1.30-1.13. Export of services.

AMENDMENTS TO ARTICLE 102

Added these Article 102.1.21-1, 102.1.30-1, 102.9

Article 102.1.30 refers to the following:

In the first paragraph of Article 102.1.30, the conditions specified are met, and 75% of the income obtained from entrepreneurial activities, i.e., the main business activity, will be exempt from income tax.

The final paragraph sets the condition that if the taxpayer earns income from non-commodity operations, the exemption does not apply to such income. Non-commodity operations refer to services because proving the delivery of a service in such operations is difficult. However, in commodity operations, the existence of goods allows physical verification of the transaction. Non-commodity operations have a higher potential to be misused for the embezzlement of funds.

In Article 102.1.30-1, individuals engaged in the above-mentioned activities will benefit from a 75% tax exemption on taxable income.

Examples:

- Suppose your income from the specified activities is 30,000 AZN and your expenses are 5,000 AZN. Will the 75% exemption apply?

Yes, it will. Because your income is below 45,000 AZN, and here, it is important to note that expenses are not deducted from income. So, $30,000 - (30,000 * 0.75) = 7,500$, and only 7,500 AZN of your income will be subject to tax. Provided that, as mentioned earlier, the income for the calendar year does not exceed 45,000 AZN.

- Suppose your income from the specified activities is 50,000 AZN and your expenses are 15,000 AZN. Will the 75% exemption apply?

No, it will not. Because your income, without considering expenses, exceeds 45,000 AZN.

AMENDMENTS TO ARTICLE 102

Added these Article 102.1.21-1, 102.1.30-1, 102.9

Additionally, there are two areas of activity in which we think there may be confusion, so we would like to provide clarifications:

Market research – Market research is similar to valuation activities. In this case, a company is producing a new product and hires a valuation company to study the market value, demand, and supply of the product. It is somewhat like a SWOT analysis.

Valuation activity – There are valuation companies that provide services through a special license. Those without a license cannot carry out this activity. Suppose a company is selling a property, and a valuation company is called to determine the value of the property. In this case, the company may be seeking a loan from the bank based on the value of the property.

However, the bank cannot proceed without a valuation, and the valuation company determines the market value of the property.

AMENDMENTS TO ARTICLE 102

Added these Article 102.1.21-1, 102.1.30-1, 102.9

Article 102.9:

102.9. If an individual working in one of the fields specified in Article 102.1.30-1 of this Code as an employee terminates their employment contract and engages in the same activity as an individual entrepreneur, the exemption provided in Article 102.1.30-1 of this Code shall not apply if they provide the same services, either fully or partially, to the previous employer within one year from the date they began their activity as an individual entrepreneur.

If an individual working in the fields specified in Article 102.1.30-1 of this Code is also engaged in other activities, they may benefit from the exemption specified in that article, provided that the annual income derived from the activities mentioned in Article 102.1.30-1 constitutes at least 50% of their total annual income.

Explanation of this:

In the first paragraph, an individual working in one of the fields specified in Article 102.1.30-1 as an employee, if they cease this activity and continue the same activity as an individual entrepreneur, the exemption from Article 102.1.30-1 will not apply to their income for one year from the date they begin as an individual entrepreneur. For example, consider a courier: an individual works as an employee for company A. However, after terminating the employment contract, they start their activity as a sole proprietor. In this case, the exemption will not apply to their income for one year from the date they start the new activity, regardless of the amount of income.

In the second paragraph, if the individual operates as a sole proprietor both as a courier and a makeup artist, the exemption will apply only if their income from courier services constitutes at least 50% of their total income during the year. In this case, the exemption can be applied.

AMENDMENTS TO ARTICLE 104

Changes in Article 104

Article 104 addresses the taxation object of Corporate Income Tax of legal persons (legal entities, companies etc.).

Article 104.6 before amendment is mentioned below:

When a legal entity's share in the charter capital or shares are sold at a price higher than the proportional value of net assets corresponding to the share or shares, the difference between the actual selling price and the nominal value of the share in the charter capital or shares constitutes taxable profit. Conversely, if the shares or participation interest are sold at a price lower than the proportional value of the net assets as of the date the sales agreement is concluded, the difference between the proportional value of the net assets and the nominal value of the share in the charter capital constitutes taxable profit.

If participation interests or shares were acquired at a price higher than their nominal value, the expenses deductible from income during their sale are based on the actual purchase price of these assets. Furthermore, any other expenses directly associated with the sale transaction that are incurred in generating the income are also deducted from the income obtained through the sale of these participation interests or shares.

AMENDMENTS TO ARTICLE 104

Changes in Article 104

Simplified version of the article before the amendment:

When a legal entity's share in the charter capital or shares is sold:

- At a price higher than the net asset value:
 - The difference between the selling price and the nominal value of the share is considered taxable profit.
- At a price lower than the net asset value:
 - The difference between the net asset value (as of the sale agreement date) and the nominal value of the share is considered taxable profit.
- If the shares were bought at a price higher than their nominal value:
 - The purchase price is considered as a deductible expense when calculating profit from their sale.

Additionally, any other expenses directly related to the sale (e.g., transaction fees) can also be deducted from the income earned from the sale.

AMENDMENTS TO ARTICLE 104

Changes in Article 104

New version of Article 104.6:

Except for shares that have been publicly offered and traded on regulated markets within the territory of the Republic of Azerbaijan, as well as stock exchanges operating outside the country, when a legal entity's share in the charter capital or shares are sold at a price higher than the proportional value of net assets corresponding to the share or shares, the difference between the actual selling price and the nominal value of the share in the charter capital or shares constitutes taxable profit.

If the share in the charter capital or shares are sold at a price lower than the proportional value of net assets (discounted price) as of the date the sales agreement is concluded, the difference between the proportional value of net assets and the nominal value of the share in the charter capital constitutes taxable profit.

If participation interests or shares have been purchased at a price higher than their nominal value, the expenses deductible from income during their sale are determined based on the actual purchase price of these assets. Furthermore, any other expenses directly related to the sale transaction that are incurred in generating the income are also deducted from the income obtained through the sale of these participation interests or shares.

Additional explanation:

We can see the different part from the old version is that the exception has been added. According to the newly introduced exception, shares that have been publicly offered and traded on regulated markets within the territory of the Republic of Azerbaijan, as well as stock exchanges operating outside the country, are not considered as a legal entity's share in the charter capital or shares for the purposes of determining taxable profit. Therefore, when a legal entity's share in the charter capital or shares are sold at a price higher than the proportional value of net assets corresponding to the share or shares, the difference between the actual selling price and the nominal value constitutes taxable profit.

AMENDMENTS TO ARTICLE 106

Changes in Article 106 and 106.1.13-1

The title of Article 106 shall be amended as follows:

“Article 106. Exemptions and concessions from profit tax”

The title of Article 106 is currently “Exemptions and concessions.” However, with the new amendment, this article will be titled “Exemptions and concessions from profit tax” starting in 2025.

In Chapter 8 of the Tax Code, titled “Personal Income Tax,” Article 102 already covers exemptions and concessions related to the income of individuals and is titled “Exemptions and concessions from income tax.” Beginning in 2025, Chapter 9 of the Tax Code, titled “Profit Tax of Legal Entities,” will also include Article 106 titled “Exemptions and concessions from profit tax.”

The following clause shall be added as Article 106.1.13-1:

“106.1.13-1. Dividends paid by persons carrying out system integration, software development, and improvement activities outside the technology park as residents of the technology park—exempt from tax for 10 years starting from the reporting year in which the technology park registration certificate is obtained.”

Under Article 106.1 of the Tax Code, categories exempt from tax are listed.

Specifically, Article 106.1.13 of the Tax Code provides that income derived by a resident legal entity from activities within the technology park is exempt from tax for 10 years, starting from the reporting year in which the registration certificate is obtained.

With the addition of the new sub-clause, **Article 106.1.13-1**, dividends paid by such legal entities for the same activity will also be exempt from tax for 10 years.

AMENDMENTS TO ARTICLE 106

Changes in Article 106 and 106.1.13-1

Article 122.5 has been repealed following the addition of Articles 106.1.13-1 and 102.1.21-1.

We have provided a detailed explanation regarding the repeal of Article 122.5.

In this context, the tax amount for dividend payments by a resident entity is calculated and applied at a rate of 5%. However, the exemption from dividend tax under this new clause encourages the development of technology parks and entrepreneurship. Additionally, it positively impacts the establishment of legal entities, which, in turn, contributes positively to state budget revenues.

Note: When a dividend is paid to the founder of an entity, the 5% tax is applied at the source. Afterward, this income becomes non-business income for the individual or legal entity receiving it. According to the principle of single taxation at the source, no further tax is imposed on such amounts.

AMENDMENTS TO ARTICLE 106

Changes in Article 106.1.33 and addition Article 106.1.35 and 106.1.36

Article 106.1.33 shall be amended as follows:

“106.1.33. 90% of the profit derived from activities of theaters, museums, symphonic orchestras, as well as film production and dubbing carried out by cinematography enterprises and film producers registered in the Republic of Azerbaijan in accordance with the law—for a period of **5 years** starting from January 1, 2025.”

Previous version:

106.1.33. 75% of the profit derived from entrepreneurial activities of cinematography enterprises that are not micro-business entities and are registered in the Republic of Azerbaijan in accordance with the law, engaged in film production and dubbing—for a period of 3 years starting from January 1, 2024.

In the previous version, “**theaters, museums, symphonic orchestras**” were not included; however, they have been added to the amendments for 2025. This means that legal entities operating in the newly added fields will also benefit from the exemption at the stated rate. Additionally, in the previous version, micro-business entities were not eligible for this benefit. Under the new amendment, businesses of all categories can now avail themselves of this exemption.

Providing this benefit to **micro-business** entities is expected to increase interest in these sectors, stimulate the creation of new enterprises, and positively impact their growth. Moreover, in the previous version, the benefit applied only to the profit of the enterprise. Under the new amendment, it also extends to the profit derived by film producers from such activities.

AMENDMENTS TO ARTICLE 106

Changes in Article 106.1.33 and addition Article 106.1.35 and 106.1.36

The increase in the exemption rate from 75% to 90% and the extension of the period demonstrate the government's strong interest in the development of the arts sector.

At the end of Article 106.1.34, the period shall be replaced with a semicolon, and Articles 106.1.35 and 106.1.36 shall be added as follows:

“106.1.35. Profit derived by legal entities that are private partners in public-private partnership projects or are producers under electricity production projects using renewable energy sources, implemented with the state's purchase obligation and meeting the minimum amount specified by the relevant body designated by the competent executive authority—exempt for the duration specified in the public-private partnership agreement under the Law of the Republic of Azerbaijan on Public-Private Partnerships or the electricity purchase agreement under the Law of the Republic of Azerbaijan on the Use of Renewable Energy Sources in Electricity Production, but not exceeding 30 years (including the construction period).

106.1.36. Income derived from the investment of free funds in accordance with the Laws of the Republic of Azerbaijan on Social Insurance and Unemployment Insurance.”

Replacing the period with a semicolon at the end of Article 106.1.34 indicates that the sub-articles under Article 106.1 do not end with 106.1.34, and Articles 106.1.35 and 106.1.36 are added.

These articles can be explained as follows:

For example, Company A engages in the construction of solar panels and the sale of solar energy. If Company A signs a contract with the government to sell energy to the state and the contract duration is up to 30 years, Company A's income from this activity will be exempt from tax.

AMENDMENTS TO ARTICLE 109

Changes in Article 109

Article 109 addresses Non-Deductible Expenses from both Corporate Income Tax of legal entities and Profit Income Tax of physical persons.

The change was made to Article 109.8.

Article 109.8 previously stated that except for goods specified in Article 3.5 of the Law of the Republic of Azerbaijan "On Cashless Settlements," as well as real estate, motor vehicles, and movable fixed assets, the maximum deductible expense for goods purchased from individuals who are not registered as taxpayers with the tax authorities based on a purchase act, or goods purchased from taxpayers based on a cash register receipt meeting the requirements of Article 50.8 of this Code, is limited to 2% of the taxpayer's highest annual income or expense for each case. Any amount exceeding this limit is not deductible from income.

Changes in Article 109

Simple deep dive into the Article 109.8 before the amendment:

Based on the previous rule, the maximum deductible expense for goods purchased from individuals who are not registered as taxpayers with the tax authorities based on a purchase act, or for goods purchased from taxpayers based on a cash register receipt meeting the requirements of Article 50.8 of this Code, is limited to 2% of the highest annual income or expense of the taxpayer for each case. Any amount exceeding this limit is not deductible from income. This does not apply to goods specified in Article 3.5 of the Law of the Republic of Azerbaijan "On Cashless Settlements," as well as real estate, motor vehicles, and movable fixed assets.

Article 3.5 of the Law of the Republic of Azerbaijan "On Cashless Settlements" is as follows: Taxpayers may purchase the following goods in cash from individuals who are not taxpayers:

- Acceptance of agricultural products from agricultural producers
- Acceptance of non-ferrous and ferrous metal scrap
- Acceptance of paper, glass, and plastic products for recycling and other purposes
- Acceptance of used tires for recycling purposes
- Procurement (purchase) of raw hides

AMENDMENTS TO ARTICLE 109

Changes in Article 109

According to the new rule, the mentioned exceptions have been expanded to include:

New exception: precious stones, precious metals, including products made from precious stones and precious metals.

This means that, in addition to the previous exceptions, the maximum deductible expense for goods purchased from individuals who are not registered as taxpayers with the tax authorities based on a purchase act, or for goods purchased from taxpayers based on a cash register receipt meeting the requirements of Article 50.8 of this Code, is limited to 2% of the taxpayer's highest annual income or expense for each case, and any amount exceeding this limit is not deductible from income. Now, the exemption from this rule also apply to precious stones, precious metals, and products made from them.

In every case, it is mandatory that the cash register receipt complies with the requirements of Article 50.8 of the Tax Code. Otherwise, legal and financial problems (compensation, proof issues, discrepancies in company reports, etc.) may arise in the future.

Article 50.8 is listed on next 2 pages and will help you understand the change to Article 109.8.

AMENDMENTS TO ARTICLE 109

Changes in Article 109

Tax Code, Article 50 - Operational Tax Control

50.8. The following information must be included on the receipts from the cash register system:

- 50.8.1. The name of the taxpayer;
- 50.8.2. The taxpayer's identification number (TIN);
- 50.8.3. The date and time of the receipt;
- 50.8.4. The name of the business entity (or object), its tax registration code, and its address;
- 50.8.5. The name of the goods or services (work), unit of measurement, quantity, unit price, and total amount (including VAT or simplified tax rate and amount);
- 50.8.6. The number of receipts issued during the current shift and the receipt number;
- 50.8.7. The model and serial number of the cash register system;
- 50.8.8. The fiscal regime indicator (mark) of the cash register system;
- 50.8.9. The Quick Response (QR) code for the product;
- 50.8.10. The amount paid;
- 50.8.10-1. The amount paid in advance (prepayment) on the receipt, if applicable;

AMENDMENTS TO ARTICLE 109

Changes in Article 109

Tax Code, Article 50 - Operational Tax Control

50.8. The following information must be included on the receipts from the cash register system (continuing):

50.8.11. The amount refunded to the customer (for overpayments on goods or services);

50.8.12. The amount to be paid for deferred sales (outstanding debt);

50.8.13. The form and method of payment (cash, non-cash, bonus, gift card);

50.8.14. The type of receipt (sales, refund, cancellation, advance payment, deferred payment);

50.8.15. The registration number of the control mechanism device;

50.8.16. For returns, cancellations, and sales (advance) receipts, the fiscal symbols described in the fiscal attributes of the relevant receipts (unique identifier);

50.8.17. For deferred payment receipts, the amount to be paid and the serial number of the payment, as well as the fiscal symbols described in the fiscal attributes of the sales (deferred) receipt (unique identifier);

50.8.18. For fuel sales at filling stations, the vehicle registration number of the purchaser, if the fuel is sold based on a fuel card (voucher).

AMENDMENTS TO ARTICLE 122

Article 122.5 shall be repealed.

122.5. Dividends paid by persons carrying out system integration, software development, and improvement activities outside the technology park as residents of the technology park are not subject to withholding tax for 10 years, starting from the reporting year in which the technology park registration certificate is obtained.

This article has been distributed into Articles 102.1.21-1 and 106.1.13-1, which were added to Articles 102 and 106 of the Tax Code, respectively.

It should be noted that Article 122 pertains to withholding tax.

This article applied to the dividend payments of both legal and individual persons. However, with the incorporation of the relevant rules into the appropriate articles in the chapters applicable to the respective person types, there is no longer a need for this rule to be presented as Article 122.5. Effectively, it has been relocated within the code and removed from Article 122.

AMENDMENTS TO ARTICLE 124

Changes in Article 124

Article 124 addresses Tax Deduction at Source for Rental Fees and Royalties.

Change is to the article 124.1.

Article 124.1(old version):

The rental income for movable and immovable property, as well as royalties paid or paid on behalf of a resident or non-resident's permanent establishment in the Republic of Azerbaijan, if the income is obtained from Azerbaijani sources in accordance with Article 13.2.16 of this Code, is subject to tax at the source at a rate of 14%.

When rental payments are made by a physical person who is not registered as a taxpayer, the lessor pays the tax at the rate of 14% in accordance with this article and is registered for tax purposes in accordance with Articles 33 and 149 of this Code and submits a declaration.

Article 124.1(new version):

The first part stays the same, whereas the second part is rewritten as:

When the rent is paid by a physical person who is not registered as a taxpayer, either the physical persons themselves or the tax agent they appoint will pay the tax at a 14% rate in accordance with this article. They will be registered for tax purposes and submit a declaration in accordance with Articles 33 and 149 of the Tax Code.

To be familiar with what the article is trying to say we also need to mention the articles mentioned in 124.1: **13.2.16, 33 and 49**

Changes in Article 124

Article 13.2.16 is a broad list that gives information on what can be considered as Azerbaijani sourced income.

13.2.16. Azerbaijani sourced income:

13.2.16.1. Income from employment in the Republic of Azerbaijan.

13.2.16.2. Income from the supply of goods produced in the Republic of Azerbaijan by the producer.

13.2.16.3. Income from the supply of goods, performance of work, or provision of services in the Republic of Azerbaijan.

13.2.16.4. Income from entrepreneurial activities attributed to a permanent establishment in the Republic of Azerbaijan, including income related to goods (works, services) provided through such permanent establishments or income derived from activities similar to or related to such activities.

13.2.16.5. Income related to entrepreneurial activities in the Republic of Azerbaijan from:

- Debt forgiveness by creditors of the taxpayer.
- Disposal of fixed assets included in income in accordance with Article 114.7 of this Code.
- Compensation of expenses in accordance with Article 141 of this Code or reduction of reserves.

13.2.16.6. Income received as dividends from resident legal entities and from the sale or transfer of shares in such entities.

13.2.16.7. Income received as interest from residents.

13.2.16.8. Pensions paid by residents.

13.2.16.9. Income from interest received from a person with a permanent establishment or property in the Republic of Azerbaijan, provided such interest is related to obligations associated with that establishment or property.

13.2.16.10. Royalties received for the use of or related to property located or used in the Republic of Azerbaijan, or income from the supply of such property as defined in Article 13.2.23 of this Code.

Changes in Article 124

13.2.16. Azerbaijani sourced income (continuing):

13.2.16.11. Income from the leasing of movable property used in the Republic of Azerbaijan.

13.2.16.12. Income from real estate in the Republic of Azerbaijan, including from the transfer of ownership interests in such property.

13.2.16.13. Income from the transfer of shares or ownership interests in entities whose assets are more than 50% directly or indirectly comprised of real estate in the Republic of Azerbaijan.

13.2.16.14. Other income derived from the disposal of property not related to entrepreneurial activities of a resident.

13.2.16.14-1. Payments made to persons or entities established (registered) in low-tax jurisdictions, including their branches or representatives elsewhere, or to bank accounts in such jurisdictions, by residents or non-residents with a permanent establishment in the Republic of Azerbaijan or by resident individuals not registered with the tax authority.

Changes in Article 124

13.2.16. Azerbaijani sourced income (continuing):

13.2.16.14-2. Payments to low-tax jurisdictions are not considered income from Azerbaijani sources for the purposes of Article 13.2.16.14-1 in the following cases:

1. Repayment of the principal of loans received (excluding interest).
2. Payments made to correspondent accounts opened by resident banks.
3. Funds returned to the payer's bank account within 1 year from the payment date.
4. Payments for services obtained in electronic commerce by individuals not registered with the tax authority.
5. Payments for personal consumption, including property purchases, by individuals not registered with the tax authority.
6. Payments related to the acquisition of debt securities.
7. Interest and dividend income from investments in Azerbaijan or deposits in Azerbaijani financial institutions.
8. Salaries and pensions paid to residents of low-tax jurisdictions.
9. Fees and payments made to competent government authorities or for obtaining permits and certificates.
10. Net profit of non-resident's permanent establishment transferred to the non-resident

Changes in Article 124

13.2.16. Azerbaijani sourced income (continuing):

13.2.16.15. Income from management or financial services if paid by a resident legal entity or the permanent establishment of a non-resident located in Azerbaijan, or obtained under a contract with such entities or establishments.

13.2.16.16. Income from contracts for insurance or reinsurance of risks in Azerbaijan.

13.2.16.17. Income from telecommunications or transportation services related to international communication or transportation between Azerbaijan and other states.

13.2.16.17-1. Payments related to cultural, artistic, theatrical, cinematic, radio, television, musical, artistic, sports, engineering, architectural, and scientific activities conducted in Azerbaijan.

13.2.16.18. Other income related to activities in Azerbaijan not covered in previous sections of this Code. When determining the source of income under this article, the location of payment and whether it is made directly or indirectly are considered irrelevant.

Changes in Article 124

Article 33 - Registration of Taxpayers

This article defines the procedure for registering taxpayers within the tax system of Azerbaijan and regulates this process for various categories. Below is a summary of the key points:

1. Requirements for Taxpayer Registration

- Legal entities and individual entrepreneurs are registered with tax authorities to ensure tax control.
- Legal entities are registered at the address of their legal registration.
- Individual entrepreneurs are registered at their place of residence.
- Private notaries are registered at the location of their activity.
- Commercial legal entities, public legal entities, and representative offices and branches of foreign commercial legal entities automatically receive a Taxpayer Identification Number (TIN) during state registration.

2. Registration of Branches and Other Economic Entities

- Branches and representative offices of a taxpayer are registered separately at their respective locations, in addition to the main entity.
- They are assigned TINs, and procedures for deregistration or re-registration are carried out as needed.

3. Application Submission

- Taxpayers must submit an application to the tax authority at their place of residence or business activity to be registered.
- For commercial legal entities, this application must be submitted within 30 days from the date of state registration.
- Individual entrepreneurs must complete this process before starting entrepreneurial activity.

Changes in Article 124

Article 33 - Registration of Taxpayers

4. Registration Initiated by Tax Authorities

- Individuals who do not submit an application are registered on the initiative of the tax authorities, with a notification sent to them within five days.

5. Centralized Registration

- Natural monopoly entities, special tax regime enterprises, and entities meeting certain criteria (e.g., over 251 employees, fixed assets valued at more than 5 million AZN) are registered centrally.
- These taxpayers retain their previous TIN, and re-registration is conducted accordingly.
- A decision on centralized registration is made annually, and the procedure for deregistration is carried out under specific regulations.

6. Special Cases

- The tax registration of legal entities and individual entrepreneurs is mandatory, regardless of whether they have tax liabilities.
- Diplomatic and consular missions of foreign countries, as well as representations of international organizations, can also be registered.
- Foreigners and stateless persons are registered for entrepreneurial activity based on the relevant certificate.

Changes in Article 124

Article 149 - Submission of Tax Declarations

This article regulates the obligation of taxpayers to submit tax declarations to the tax authorities within specified timeframes. Below is a summary of its key points:

1. Taxpayers Required to Submit Declarations

- **Resident Entities:** Legal entities operating in Azerbaijan.
- **Non-residents with Permanent Establishments in Azerbaijan:** Foreign legal entities representing their activities in Azerbaijan through permanent establishments.
- **Non-residents Earning Taxable Income from Azerbaijani Sources:** Foreign individuals or entities earning income from Azerbaijan, not subject to withholding tax at the payment source.
- **Tax Agents Appointed by Non-residents:** Tax agents designated by such individuals must also submit declarations.
- **Private Notaries and Other Individuals:** Resident individuals earning non-taxed income, particularly royalties.
- **Non-commercial Organizations:** Non-commercial entities earning income from entrepreneurial activities.

AMENDMENTS TO ARTICLE 124

Changes in Article 124

Article 149 - Submission of Tax Declarations (continuing):

2. Declaration Submission Deadlines

- General Taxpayers (Excluding Private Notaries): Must submit their tax declarations by March 31 following the reporting year.
- Private Notaries: Must submit declarations at the end of each quarter, by the 20th of the following month.

3. Temporary Suspension or Termination of Activity

- If a taxpayer temporarily suspends activity or an individual ceases their activity, a declaration must be submitted to the tax authority within 30 days.
- The declaration should cover the period from the beginning of the tax year until the day of suspension or termination.
- If the activity resumes, the declaration for that year must be submitted in accordance with Article 149.2.

4. Liquidation of Taxpayers

- If a legal entity or a permanent establishment of a non-resident is liquidated, a profit tax declaration must be submitted to the tax authority within 30 days.

Changes in Article 124

Article 149 - Submission of Tax Declarations (continuing):

5. Changes in VAT Registration

- For non-profit taxpayers with changes in VAT registration, a declaration must be submitted to the tax authority within 90 days from the date of the registration notice.

6. Exempt Individuals

- Individuals not considered taxpayers may submit special declarations to request tax recalculation or the return of funds.

7. Non-residents Without Permanent Establishments

- Non-resident taxpayers earning income subject to withholding tax at the payment source can submit declarations to the tax authority to claim a refund for overpaid taxes.

Changes in Article 124

Explanation:

Previously:

For income derived from rents for movable and immovable property, as well as royalties paid by a resident or a permanent establishment of a non-resident in Azerbaijan (generalized forms of these categories are noted), the tax withheld at the source was determined to be 14%.

If the rent was paid by an individual not registered as a taxpayer, under the old regulation, the property lessor was required to pay the tax at a 14% rate, in accordance with this article. Additionally, they had to be registered for tax purposes and submit a tax declaration as stipulated by Articles 33 and 149 of the Tax Code.

Now:

According to the new rule, when the rent is paid by an individual who is not registered as a taxpayer, either they or the tax agent designated by them shall pay the tax at a rate of 14% to the lessor in accordance with this provision.

As per the amendment, in such cases, the tax must be paid either by the unregistered individual themselves or by a tax agent they appoint. The 14% tax withheld at the source will still be paid, and registration for tax purposes, as well as the submission of declarations, will follow Articles 33 and 149 of the Tax Code.

Potential Impact:

The property lessor is no longer responsible for handling the tax payment processes when dealing with unregistered individuals. This change compels unregistered individuals to either manage these processes themselves or coordinate with a designated tax agent for compliance.

Changes in Article 126

The figure "10" in Article 126 shall be replaced with the figure "5."

Article 126. Withholding tax on the net profit of a non-resident's permanent establishment.

In addition to profit tax, any amount transferred (paid) from the net profit of a non-resident's permanent establishment to the non-resident is subject to withholding tax at a **rate of 10%**.

If a non-resident operates a branch (permanent establishment) in Azerbaijan, the branch pays profit tax on the income earned from its activities. After paying the profit tax, if the branch transfers any portion of its net profit to the parent company (non-resident), such a transfer—commonly referred to as branch tax—is subject to withholding tax at a rate of 10%. However, **starting in 2025**, this rate has been **reduced to 5%**.

This reduction in the tax rate encourages non-residents to commence and expand their operations in Azerbaijan. Lowering the tax rate serves as an incentive for attracting non-residents to the country, increasing investment, and supporting entrepreneurship. While this reduction might lead to a decrease in budget revenues from this specific tax, it could ultimately increase budget revenues from profit tax by incentivizing non-residents to establish permanent establishments. Consequently, both entrepreneurship growth and the state's budget revenue growth are ensured.

Example:

Company A is a permanent establishment of a non-resident in Azerbaijan. Suppose it earns \$250,000 in revenue. Company A pays 20% profit tax, which amounts to \$50,000. Out of the remaining \$200,000, Company A transfers \$100,000 to its parent company (the founder). This transfer, commonly referred to as branch tax, will be subject to a 5% withholding tax starting in 2025. Consequently, \$5,000 will be withheld as tax on the transferred amount.

Changes in Article 126

The figure "10" in Article 126 shall be replaced with the figure "5." Article 126.

Withholding tax on the net profit of a non-resident's permanent establishment.

In addition to profit tax, any amount transferred (paid) from the net profit of a non-resident's permanent establishment to the non-resident is subject to withholding tax at a rate of 10%.

If a non-resident operates a branch (permanent establishment) in Azerbaijan, the branch pays profit tax on the income earned from its activities. After paying the profit tax, if the branch transfers any portion of its net profit to the parent company (non-resident), such a transfer is subject to withholding tax at a rate of 10%. However, starting in 2025, this rate has been reduced to 5%.

This reduction in the tax rate encourages non-residents to commence and expand their operations in Azerbaijan. Lowering the tax rate serves as an incentive for attracting non-residents to the country, increasing investment, and supporting entrepreneurship. While this reduction might lead to a decrease in budget revenues from this specific tax, it could ultimately increase budget revenues from profit tax by incentivizing non-residents to establish permanent establishments. Consequently, both entrepreneurship growth and the state's budget revenue growth are ensured.

Example:

Company A is a permanent establishment of a non-resident in Azerbaijan. Suppose it earns \$250,000 in revenue. Company A pays 20% profit tax, which amounts to \$50,000. Out of the remaining \$200,000, Company A transfers \$100,000 to its parent company (the founder). This transfer will be subject to a 5% withholding tax starting in 2025. Consequently, \$5,000 will be withheld as tax on the transferred amount.

CHANGES TO ARTICLE 130

Changes in Article 130

There is a change and newly added articles to Article 130.

Article 130 addresses Rules for Recording Income and Expenses.

Previously Article 130 stated that:

Income from the provision of residential and non-residential premises by individuals engaged in building construction activities, as well as the expenses deductible from this income, are determined based on the VAT-exclusive amounts of the residential and non-residential premises delivered during the tax year according to the completed works (stages), and the costs incurred for the construction of these premises, including expenses related to the acquisition of land plots.

Newly added articles for Article 130.6 are:

130.6.1. The expenses incurred for each building under construction are compared with the total estimated expenses for that building, and the share of actual expenses in the total expenses is determined.

130.6.2. The sale value of the residential and non-residential premises delivered from that building is attributed to taxable income in proportion to the ratio determined under Article 130.6.1 of this Code.

130.6.3. The actual expenses incurred are attributed to deductible expenses.

Concept of newly added changes are:

The rules for determination and calculation of the portion of income and expenses deductible from income under long-term contracts attributable to each reporting year.

Changes in Article 130

Simple explanation and example:

For instance, an individual engaged in building construction activities for residential and non-residential purposes calculates certain income and the expenses deductible from that income. These income and deductible expenses are determined based on the amount (excluding VAT) of the residential and non-residential premises delivered according to the completed works (stages) during the tax year, as well as the construction-related expenses, including costs incurred for acquiring the land plots. Rules for determining the portion of income and expenses under long-term contracts attributable to each reporting year have been added to this article. As part of the new addition, Articles 130.6.1, 130.6.2, and 130.6.3 were included, explaining the determination procedure:

1. First, the expenses incurred for each building under construction are compared with the total estimated expenses for that building, and the share of actual expenses in the total expenses is determined (Article 130.6.1). Here, "total estimated expenses" refers to the costs projected for the construction before the start of the project, based on the building's plan, which outlines the anticipated costs upon completion of the building (or part of it). "Actual expenses" refer to the costs calculated after (or during) the construction of the building, which may be higher or lower than the estimated costs.

CHANGES TO ARTICLE 150

Changes in Article 150.3

Article 150.3: In the first paragraph, the words "private notaries" shall be replaced with the words "individuals earning income from non-entrepreneurial activities who are registered with the tax authority."

Article 150. Time and procedure for withholding tax at the source of payment

As indicated by its title, **Article 150 defines** the time and procedure for withholding taxes at the source of payment.

Article 150.3 is as follows: Legal entities, individual entrepreneurs, and private notaries who withhold tax at the source of payment in accordance with Article 150.1 of this Code.

Article 150.1 lists the categories of persons registered with the tax authority who are obligated to withhold tax at the source of payment.

In the subparagraphs of Article 150.1, three categories are generally emphasized: legal entities, individual entrepreneurs (individuals with a TIN), and individuals earning income from non-entrepreneurial activities. Based on this, and to avoid inconsistencies between the subparagraphs of Article 150, in previous amendments made to other subparagraphs of Article 150, the words "private notaries" were removed, and these subparagraphs were applied not to a specific part of non-entrepreneurial activities but generally to incomes derived from non-entrepreneurial activities.

CHANGES TO ARTICLE 150

Changes in Article 150.3

Article 150.3.1: The words "150.1.1, 150.1.2, 150.1.8, and 150.1.17" shall be replaced with the words "150.1.1, 150.1.2, 150.1.8, 150.1.17, and 150.1.18."

Article 150.3.1: To calculate the income tax on the monthly income of individuals in accordance with Articles 150.1.1, 150.1.2, 150.1.8, and 150.1.17 of this Code and to transfer the calculated tax to the budget no later than the 20th of the following month.

Article 150.3.1 is the article regulating the calculation and payment periods of tax amounts for individuals. Based on the articles currently referenced in the provision:

Salaries paid by legal entities

Salaries paid by entrepreneurs and individuals earning income from non-entrepreneurial activities

Insurance premiums paid by insurers

Payments made to lawyers by legal institutions for legal activities

CHANGES TO ARTICLE 150

Changes in Article 150.3

This article affects tax calculations for the above-mentioned categories. However, starting from 2025, Article 150.1.18 will also be added to these articles:

Payments made by a mediation organization to a mediator for mediation services.

It can be noted that the calculation and payment periods for Article 150.1.18 have not yet been determined. However, with this amendment, starting from 2025, the provisions of Article 150.3.1 will apply to this article as well.

Article 150.3.3: Persons who withhold tax at the source of payment in accordance with Articles **150.1.1 – 150.1.8 and 150.1.17** of this Code are obligated to submit a declaration regarding taxes withheld at the source of payment to the tax authority in the form prescribed by the body (institution) designated by the relevant executive authority no later than the 20th of the month following the end of the quarter.

This article regulates the declaration dates for the provisions mentioned.

CHANGES TO ARTICLE 150

Changes in Article 150.3

The payments emphasized in these provisions are as follows, with Article 150.1.18 being added as of 2025:

Salaries paid by legal entities
Salaries paid by entrepreneurs and individuals earning income from non-entrepreneurial activities
Pensions paid by legal entities, entrepreneurs, and individuals earning income from non-entrepreneurial activities
Dividends paid by resident legal entities
Interest paid by legal entities, entrepreneurs, and individuals earning income from non-entrepreneurial activities (to individuals and non-resident legal entities without a permanent establishment in the Republic of Azerbaijan)
Payments to individuals for services (works) provided by individuals who are not registered with the tax authority as taxpayers and do not present a TIN, as well as payments for material assistance, bonuses, and scholarships provided by legal entities, individual entrepreneurs, and individuals earning income from non-entrepreneurial activities to individuals who are not engaged as employees.
Insurance premiums paid by insurers
Payments made to lawyers by legal institutions for legal activities
Payments made by a mediation organization to a mediator for mediation services

CHANGES TO ARTICLE 150

Changes in Article 150.3

The bolded parts in these tables indicate the persons responsible for executing these provisions.

The inclusion of mediation organizations in these provisions aims to make it easier for the tax service to monitor payments made under civil-law contracts by mediation organizations to mediators and to ensure that the relevant taxes from these payments are regularly collected into the budget.

This amendment will address existing issues related to taxation of payments under these contracts.

If the mentioned persons fail to pay these taxes on time or in the correct amount, financial sanctions and interest will be applied to them accordingly. Therefore, it is crucial to adhere to the frameworks established by these provisions.

Changes in Article 153

Article 153: Concept of Value Added Tax

Article 153 provides a general understanding of what Value Added Tax (VAT) is.

Article 153.3 discusses the calculation of VAT for wholesale and retail sales of agricultural products, whether domestic or foreign. According to this clause, VAT is calculated based on the trade markup for agricultural products.

Change to Article 153.3:

Previously valid for three years starting from January 1, 2022, the rule has now been extended to five years. Consequently, this regulation will remain in effect until January 1, 2027.

The key term to understand this article is "trade markup." The trade markup refers to the difference between the sale price of a product without VAT and its purchase price.

For example:

A businessperson buys 115 kg of apples from a farmer at 1.2 AZN per kg. The businessperson adds 0.5 AZN to the purchase price per kg before calculating VAT. In this case, the trade markup for one kg of apples is 0.5 AZN. The taxable VAT amount is based on this trade markup.

Changes in Article 153.3.3

Article 157.3.3: The third paragraph of Article 157.3.3 is amended by adding the words "for the period before January 1, 2024" after the word "also."

157.3.3: This provision, in accordance with Article 85.4 of the Tax Code, shall apply on the date indicated in the taxpayer's registration application, provided the period does not exceed the 3 years specified in Article 85.4 of this Code.

After the 3-year period specified in Article 85.4 of this Code, VAT adjustment and reimbursement by the taxpayer are not allowed.

The provisions of this article do not apply to persons specified in Article 218.4.1 of this Code, as well as to persons engaged in cargo transportation within the territory of the Republic of Azerbaijan.

Article 85.4: Tax authorities have the right to recalculate and collect taxes, penalties, and financial sanctions for a period of 3 years after the end of the reporting period. They may reassess the calculated amount within 5 years after the reporting period, starting from the date of the decision on the results of the mobile tax audit.

The 3-year period specified in this article (excluding mandatory state social insurance, unemployment insurance, and compulsory health insurance fees) covers the 3-year period prior to the date of the decision by the tax authority to conduct the mobile tax audit. The taxes calculated by the tax authority based on the tax return provided by the taxpayer during this period are determined within the timeframe specified in Article 37.2 of this Code.

Changes in Article 153.3.3

In cases where relevant information is received from the competent authorities of foreign countries regarding income obtained abroad, tax audits (excluding mandatory state social insurance, unemployment insurance, and compulsory health insurance fees) cover the 5-year period before the decision by the tax authority to conduct the audit, and the period of criminal liability under the Criminal Procedure Code of the Republic of Azerbaijan applies, as determined by the Criminal Code of the Republic of Azerbaijan.

Article 157 refers to VAT registration.

Article 157.3 determines the rules regarding the date on which registration becomes effective. Three cases are specified, and the earlier one is selected:

- Mandatory Registration
- Voluntary Registration
- Article 85.4 of the Tax Code

In **Article 157.3.3**, which refers to Article 85.4 of the Tax Code, what does the date mentioned in the provision refer to?

That is, let's explain the sentence "on the date indicated in the taxpayer's registration application."

Changes in Article 153.3.3

Explanation:

Individuals whose transaction volume exceeds 200,000 AZN over a 12-month period are required to register with the state. However, such an individual may fail to register and, later, when performing another transaction, apply for registration. For example, if an individual was supposed to register on March 1, 2024, but actually registers on July 1, 2024, during a tax audit, when this is discovered, the registration date will be adjusted to the earlier date, i.e., March 1, 2024.

It shows that for tax periods before January 1, 2024, the relevant periods for VAT adjustments and reimbursements apply. That is, the provisions of this article do not apply to cases related to the period before January 1, 2024.

Changes in Article 159

Article 159: Taxable Object

Article 159 discusses the objects subject to taxation.

Clause 159.1 specifies that the taxable objects include the supply of goods, performance of work, provision of services, and trade markup applied to the retail sale of agricultural products produced in Azerbaijan. For agricultural products (both domestic and foreign), the taxable object is the trade markup applied during wholesale and retail sales.

Change to the Article 159.1:

The rule regarding agricultural products has been extended from three years to five years starting January 1, 2022, meaning it will remain in effect until January 1, 2027.

Explanation:

This ensures that individuals engaged in the sale of agricultural products only pay tax on the trade markup and not on the total amount.

"Trade markup" refers to the difference between the sale price of a product without VAT and its purchase price.

For example:

A businessperson operating in Azerbaijan buys 30 kg of bananas from a farmer in Belize at 6.1 AZN per kg. The businessperson adds 1.9 AZN per kg to the purchase price before calculating VAT. In this case, the trade markup for one kg of bananas is 1.9 AZN. The taxable VAT amount is based on this trade markup.

CHANGES TO ARTICLE 164

Changes in Article 164

Article 164 will no longer be referred to with the general title of "exemption from tax payments" but will now continue under the name "VAT exemptions and privileges."

Article 164.1 specifies which types of goods delivery, services provided, and imports (excluding goods exports) are not subject to VAT.

The category of VAT exemptions includes the import and sale of vehicles operating solely on electric motors (**164.1.41**).

Additionally, **a new subclause, 164.1.41-4, has been added**. According to this clause, the sale of buses produced in the Republic of Azerbaijan, as well as the import of spare parts for buses for production purposes by legal entities, falls under the VAT-exempt category. This rule is valid from January 1, 2025, to January 1, 2033.

This innovation can be considered one of Azerbaijan's steps towards environmental protection. Electric buses are currently imported mainly from China, and considering the global focus on addressing climate change and reducing environmental damage (to net-zero levels), the demand for such buses in public transport is expected to grow. Thus, it is unsurprising that the number of vehicles imported from China (or other countries) will increase. Locally produced buses could also reduce dependence on foreign imports.

The other part of the amendment can be viewed as a complement to the first part. Specifically, the import of spare parts for buses will also fall under VAT-exempt imports. However, this must be solely for the purpose of bus production, and legal entities engaged in this production must operate based on confirming documents. These confirming documents will be issued by an authority determined by the relevant executive power.

Changes in Article 164

Article 164.1 outlines the types of goods delivery, services provided, and imports (excluding goods exports) that are exempt from VAT.

According to the amendment to Article 164.1.52, the VAT exemption period for the import of equipment and materials within the framework of large oil refinery reconstruction projects has been further extended. This exemption will now remain in effect until January 1, 2026.

However, it is important to note that this VAT rule applies specifically to large oil refineries with an annual crude oil processing capacity of no less than 3 million tons. Such refineries must operate based on a confirming document issued by an authority determined by the relevant executive power.

Changes in Article 164

Article 164.1 specifies the types of goods delivery, services provided, and imports (excluding goods exports) that are exempt from VAT.

A second new subsection (**164.1.63**) has been added to this article, focusing on renewable energy sources. This amendment stipulates that the import of technological equipment and installations used for renewable energy purposes will be exempt from VAT, provided they meet specific conditions:

1. Under the Public-Private Partnership (PPP) Agreement:
 - A PPP involves joint activities of public and private partners based on a contract for the provision of public services or related infrastructure creation and management.
 - The PPP contract can be concluded with a private partner through competitive tendering or direct negotiation, adhering to Article 20.3 of the "Law on Public-Private Partnership of Azerbaijan."
 - In cases where creditors finance a PPP project, an additional agreement between the state, the private partner, and the creditors may be signed to ensure guarantees for the project.
2. Under the Law on Renewable Energy:
 - Contracts for purchasing electricity produced using renewable energy in designated areas will be VAT-exempt for the duration specified in the purchase agreement.
 - The agreement is concluded between the guaranteed buyer and the producer, selected through tenders or direct engagement.
 - It ensures that electricity produced in designated renewable energy areas will be purchased by the guaranteed buyer during the specified period.

Time Limit:

The VAT exemption for such contracts and rules will apply for up to **30** years, including the construction period.

Changes in Article 164

Additional Requirements for the subsection 164.1.63:

- The private partner in a PPP project must meet the criteria of being involved in renewable energy projects under the state's purchase commitments.
- The projects must be undertaken by individual entrepreneurs or legal entities producing electricity under approved capacity limits, as determined by the relevant executive authority.
- Such entities must hold a confirming document issued by the authority designated by the executive power.

CHANGES TO ARTICLE 165

Changes in Article 165.1

Article 165.1.10: The period at the end of Article 165.1.10 shall be replaced with a semicolon, and the following **Article 165.1.11** shall be added:

"165.1.11. Provision of services related to the repair of ships, other marine and water transport vehicles, and hydraulic structures by shipbuilding and ship repair enterprises based on the order of a non-resident."

Article 165 regulates the provisions regarding the application of the zero (0) VAT rate.

Article 165.1 lists the works, services, and operations subject to VAT at the zero (0) rate.

The addition of a semicolon indicates that Article 165.1.10 is not the final provision, and a new **Article 165.1.11** is added.

According to Article 165.1.11, if **ship repair enterprises** provide repair services for marine and water transport vehicles and structures, such as ships, hydraulic structures, etc., and the recipient of these services is a **non-resident**, then the amount for this operation shall be subject to VAT at the **zero rate**.

Example: Companies A and B are VAT taxpayers. Company A offers repair services, and Company B's ships need repair. They enter into a contract for the repair service. The cost of this service is determined to be \$25,000. If the VAT rate is 18%, Company B should pay Company A \$25,000 + VAT, i.e., $\$25,000 * 0.18 = \$4,500$. However, starting from 2025, this rate will be 0, and Company B will only need to pay \$25,000 under the same conditions.

This may primarily affect international oil and gas companies (contractors, subcontractors) operating in Azerbaijan. Of course, if any VAT conditions are specified in international agreements, those conditions will apply.

CHANGES TO ARTICLE 165

Changes in Article 165.5

Article 165.5:

- The following words shall be added before the word "also" in the **first** sentence: "services provided in the field of theatrical performances, film screenings, museum visits, and symphonic orchestra concerts,"
- The following words shall be added after the words "organizes" in the **second** sentence: "(except for the amount refunded for services provided in the field of theatrical performances, film screenings, museum visits, and symphonic orchestra concerts)."
- The third sentence shall become the **fourth** sentence, and the following **third** sentence shall be added: "The amount refunded for services provided in the field of theatrical performances, film screenings, museum visits, and symphonic orchestra concerts shall only constitute 50 percent of the VAT paid by non-cash methods."

Article 165.5: The procedure for the **refund of VAT** paid on goods (excluding petroleum and gas products, automobiles, alcoholic beverages, and tobacco products) purchased from persons engaged in retail trade or public catering activities in the territory of the Republic of Azerbaijan by individual consumers, **also** on medical services provided by medical institutions and individuals engaged in private medical practice, is determined by the relevant executive authority. The amount refunded in accordance with this article constitutes **17.5 percent** of VAT paid by non-cash methods and 5 percent of VAT paid in cash, (**second**). When refunding the portion of VAT determined by this article, the control-cash register receipt must meet the requirements of Article 50.8 of this Code.

CHANGES TO ARTICLE 165

Changes in Article 165.5

This article determines the VAT refund rate for the specified services and goods. These services and goods include:

Goods purchased from persons engaged in retail trade or public catering activities

Medical services provided by medical institutions and individuals engaged in private medical practice

Exception:

Petroleum and gas products, automobiles, alcoholic beverages, and tobacco products

Additionally, the following categories are included:

Services provided in the field of theatrical performances, film screenings, museum visits, and symphonic orchestra concerts

The percentage rates of VAT refunds on the amounts paid are specified here:

VAT amount refund percentage rate	
VAT paid in cash	VAT paid non-cash
5%	17.5%

Changes in Article 165.5

However, due to the addition of the new sentence and the part at the end of the second sentence, the services related to theatrical performances, film screenings, museum visits, and symphonic orchestra concerts should only apply to VAT paid non-cash, and the percentage rate should be **50%** of the VAT amount.

The inclusion of services like theatrical performances, film screenings, etc., for VAT refunds demonstrates the government's interest in developing this sector. The **50%** refund rate for this amount will positively impact the individuals and entities operating in this field. While there might be a temporary reduction in state tax revenues, this could provide long-term benefits for the sector's growth. This is especially advantageous for small and medium-sized cultural institutions, as they will have access to additional financial resources.

CHANGES TO ARTICLE 174

Changes in Article 174

Article 174: VAT Payable to the Budget from Taxable Turnover

Clause 174.4 states that if the purchase and sale of agricultural products (both domestic and foreign) are documented with electronic invoices, customs declarations, and other relevant documents, VAT is calculated on the trade markup. **However, if these documents are not used, VAT is calculated on the total turnover.**

Two scenarios are possible:

1. Documented sales:

If the purchase and sale of agricultural products are documented with electronic invoices, customs declarations, and related documents, VAT is calculated on the trade markup.

2. Undocumented sales:

If the purchase and sale of agricultural products are not documented with the necessary paperwork, VAT is calculated on the total turnover.

Change to Article 174.4:

The initial rule applied for three years starting January 1, 2022. Under the new regulation, this period has been extended to five years, meaning it will remain in effect until January 1, 2027.

"Trade markup" refers to the difference between the sale price of a product without VAT and its purchase price.

Example:

A businessperson buys 95 kg of pomegranates from a farmer at 1.7 AZN per kg. The businessperson adds 0.6 AZN to the purchase price per kg before calculating VAT. The trade markup for one kg of pomegranates is 0.6 AZN. The VAT is applied to the trade markup amount.

CHANGES TO ARTICLE 175

Changes in Article 175

Article 175: Refundable VAT for Payments to the Budget

Article 175 discusses refundable VAT when determining payments to the budget.

Clause 175.12 specifies that VAT amounts paid by taxpayers engaged in agricultural sales are non-refundable for three years starting January 1, 2022.

Change to Article 175.12

However, under the new regulation, this period has been extended to five years, meaning the rule will remain in effect until January 1, 2027.

Changes in Article 185

The phrase “(taxation base)” has been added to the title of Article 185, which now reads: Article 185. Taxable transaction amount (taxation base).

This change makes it clearer what the article is about (what is subject to taxation).

In Article 185.1, the phrase “(taxation base)” has been added for clarification purposes.

Now, the article specifies that for oil products produced in the Republic of Azerbaijan, the taxable transaction amount (taxation base) is the amount received or receivable by the taxpayer from the customer or any other person, including barter arrangements, which cannot be less than the wholesale market price (excluding excise duty, road tax, and VAT). For other excisable goods produced in the Republic of Azerbaijan, the taxable transaction amount (taxation base) is determined based on the quantity of goods produced.

This addition eliminates ambiguity that existed prior to the inclusion of the term “(taxation base)”, making the article more precise.

Changes in Article 185

Article 185.2 previously specified that for imported goods (buses, passenger cars, motorcycles, yachts for leisure or sports, and other floating vehicles intended for these purposes, as well as platinum, gold, jewelry made from gold, and other household items made from gold, excluding processed, sorted, framed, and mounted diamonds), the taxable transaction amount (tax base) is the customs value of the goods, as determined according to the Customs Code of the Republic of Azerbaijan, but not lower than the wholesale market price (excluding excise duty, road tax, and VAT).

For imported buses, passenger cars, motorcycles, yachts for leisure or sports, and other floating vehicles intended for these purposes, the taxable transaction amount is determined by their engine volume.

For imported platinum, the taxable transaction amount is determined by the gram of platinum; for gold, jewelry made from gold, and other household items made from gold, it is determined by the amount in one unit of weight of gold; for processed, sorted, framed, and mounted diamonds, the taxable transaction amount is determined by the carat of the diamond.

CHANGES TO ARTICLE 185

Changes in Article 185

ENew version of the Article is this:

For imported excise goods specified in Articles 190.1.1–190.1.6 of this Code, the taxable transaction amount (tax base) is determined by their quantity.

For imported excise goods specified in Articles 190.1.7–190.1.10 of this Code, the taxable transaction amount (tax base) is determined by the volume of their engine.

For imported platinum, the taxable transaction amount (tax base) is determined by the gram of platinum; for gold, jewelry made from gold, and other household items made from gold, it is determined by the amount in one unit of weight of gold; for processed, sorted, framed, and mounted diamonds, the taxable transaction amount (tax base) is determined by the carat of the diamond.

For imported fur and leather products, the taxable transaction amount (tax base) is determined by the customs value of the goods as defined by the Customs Code of the Republic of Azerbaijan, but cannot be lower than the wholesale market price (excluding excise duty and VAT).

Changes in Article 185

Explanation of the changes:

In Article 185.2, the changes are more significant. The previous version stated that the taxable transaction amount for imported goods, excluding excise duty, road tax, and VAT, was the customs value of goods as determined by the Customs Code of the Republic of Azerbaijan, but not lower than the wholesale market price. This included imports such as buses, passenger cars, motorcycles, yachts for leisure or sports, other floating vehicles intended for these purposes, as well as platinum, gold, jewelry made from gold, and other household items, excluding processed, sorted, framed, and mounted diamonds.

In the new version of this article, the imported goods are no longer referred to as general imported goods but are listed under the first six items of Article 190.1 of the Tax Code (190.1.1-190.1.6). Exceptions are now listed in separate paragraphs, just like in the old version. These include:

- Tobacco products and their substitutes;
- Single-use e-cigarettes, hookahs, and their substitutes;
- E-liquids for e-cigarettes;
- Alcoholic beverages, including spirits, beer (except non-alcoholic beer), and all types of alcoholic drinks;
- Energy drinks;
- Petroleum products.

The taxable base for these goods is no longer the customs value of the goods as determined by the Customs Code of the Republic of Azerbaijan, but their quantity.

CHANGES TO ARTICLE 185

Changes in Article 185

Explanation of the changes (continuing):

Although exceptions are written in separate paragraphs, as in the old version, they are now listed under the next four items of Article 190.1 (190.1.7-190.1.10) of the Tax Code. These include:

- Passenger cars (except for specially equipped vehicles with special signs and equipment);
- Buses (except buses running on compressed gas);
- Motorcycles to be registered with the state;
- Yachts for leisure or sports and other floating vehicles intended for these purposes.

The taxable base for these goods is determined by the engine volume.

CHANGES TO ARTICLE 185

Changes in Article 185

Other exceptions are listed in the new version as they were in the old version, including the addition of fur-leather goods as a separate category.

In the previous version, fur-leather goods were included with other imported goods in the first paragraph.

The new version specifies that for imported fur-leather goods, the taxable transaction amount (tax base) is the customs value of the goods, as determined by the Customs Code of the Republic of Azerbaijan, but not lower than the wholesale market price (excluding excise duty and VAT). **The main difference from the old version is that road tax will no longer be deducted when calculating the taxable base.**

For example:

If someone wants to import 3 items from the Russian Federation, each worth 3400 AZN, with excise duty of 239 AZN, VAT of 612 AZN, and road tax of 45 AZN, the taxable base under the old rule would be $3400 - 239 - 612 - 45 = 2504$ AZN. Under the new rule, the taxable base would be $3400 - 239 - 612 = 2549$ AZN.

The taxable base for platinum, gold, jewelry made from gold, other household items made from gold, and processed, sorted, framed, and mounted diamonds **remains the same:**

- Platinum: per gram of platinum;
- Gold and gold-made jewelry and other household items: per unit weight of gold;
- Processed, sorted, framed, and mounted diamonds: per carat of diamond.

CHANGES TO ARTICLE 185

Changes in Article 185

Other exceptions are listed in the new version as they were in the old version, including the addition of fur-leather goods as a separate category.

In the previous version, fur-leather goods were included with other imported goods in the first paragraph.

The new version specifies that for imported fur-leather goods, the taxable transaction amount (tax base) is the customs value of the goods, as determined by the Customs Code of the Republic of Azerbaijan, but not lower than the wholesale market price (excluding excise duty and VAT). **The main difference from the old version is that road tax will no longer be deducted when calculating the taxable base.**

For example:

If someone wants to import 3 items from the Russian Federation, each worth 3400 AZN, with excise duty of 239 AZN, VAT of 612 AZN, and road tax of 45 AZN, the taxable base under the old rule would be $3400 - 239 - 612 - 45 = 2504$ AZN. Under the new rule, the taxable base would be $3400 - 239 - 612 = 2549$ AZN.

The taxable base for platinum, gold, jewelry made from gold, other household items made from gold, and processed, sorted, framed, and mounted diamonds **remains the same:**

- Platinum: per gram of platinum;
- Gold and gold-made jewelry and other household items: per unit weight of gold;
- Processed, sorted, framed, and mounted diamonds: per carat of diamond.

CHANGES TO ARTICLE 188

Changes in Article 188

The title of Article 188 is revised as follows:

"Article 188. Exemptions and Discounts on Excise Tax"

Article 188 generally outlines the goods exempt from excise tax and regulates related matters. As seen in other changes, specific sections regarding tax exemptions and discounts are amended to reflect their representation in the respective articles.

The title of Article 188: **Article 188. Exemptions**

Starting from 2025, this title will be replaced with the one mentioned above.

Changes in Article 199

The change in the title of Article 199 to "Exemptions and Reductions from Property Tax" aims to make the article more understandable for readers, as the previous title was simply "Tax Exemptions and Reductions."

In Article 199.8, it is stated that the property management organization or operator of industrial or technological parks, as designated by the relevant executive authority, is exempt from property tax for the properties located in these parks. A new addition to this article is the term "industrial estates." The inclusion of industrial estates means that properties in estates within these parks are also added to the list of those exempt from property tax. This rule now exempts all properties in industrial and technology parks (including those in their estates) from property tax.

The newly added Article 199.22 refers to the following provisions:

"199.22. Individuals and legal entities who are private partners in public-private partnership projects, as well as producers of electricity using renewable energy sources, in accordance with the terms specified by the relevant executive authority, are exempt from property tax for the property used in these projects under the public-private partnership contract, in accordance with the Law of the Republic of Azerbaijan on Public-Private Partnerships and the Law of the Republic of Azerbaijan on the Use of Renewable Energy Sources in Electricity Generation. They are exempt from property tax for the property used in such projects for the duration specified in the relevant contracts, but for no more than 30 years (including the construction period)."

Changes in Article 199

Thus, they are exempt from paying property tax for the property used within the framework of these projects, in accordance with the following agreements using renewable energy sources:

1) In accordance with the Law of the Republic of Azerbaijan on "Public-Private Partnership":

1. Public-Private Partnership – a joint activity between a public partner and a private partner based on a contract concluded in accordance with this Law, aimed at providing public services and creating and managing the infrastructure related to these services.
2. Public-Private Partnership Agreement: A public-private partnership agreement is concluded with the winner of the public-private partnership competition or the private partner involved through direct negotiations, in accordance with Article 20.3 of the Law on Public-Private Partnership. (20.3. If the winner of the competition or, if stipulated in the terms of the competition, the project company created by the winner for project implementation, concludes the public-private partnership agreement within 60 (sixty) days, this period can be extended with the mutual consent of the parties.)

Changes in Article 199

If the public-private partnership project is financed by a creditor (creditors), a direct agreement may be signed between the public partner, private partner, and the creditor(s) to provide additional guarantees to the creditor(s). The agreement with the creditors may include terms based on business practices, specifying the exchange of information about the public-private partnership project, the creditor's (creditors') rights, and the conditions for exercising those rights.

If the private partner is a foreign physical or legal person, a branch of a foreign legal entity, or a legal entity in which the majority of shares (stocks) are owned by a foreign physical or legal person, or if the public-private partnership project is financed by a foreign or international credit institution, bank, or financial organization, the public-private partnership agreement and other project contracts are considered to have a foreign element in civil legal relations, and the parties can select the applicable law according to the Law of the Republic of Azerbaijan on "International Private Law."

Changes in Article 199

2) In accordance with the Law of the Republic of Azerbaijan on "Use of Renewable Energy Sources in Electricity Generation":

1. The Electricity Purchase Agreement – an agreement between the producer and the guaranteed buyer regarding the purchase and sale of electricity produced in renewable energy areas.
2. The electricity purchase agreement is concluded between the selected producer and the guaranteed buyer either through a tender or direct selection.
3. It is guaranteed that the electricity generated by producers selected for electricity generation in renewable energy areas is connected to the electricity grid and purchased by the guaranteed buyer for the period specified in the electricity purchase agreement.

In summary, based on the new rule:

In addition to the agreements mentioned above, the following requirements must also be met:

- Being a private partner in the public-private partnership project, as well as the use of renewable energy sources with the state's purchase obligation.
- The work is carried out by individual entrepreneurs and legal entities who are producers of electricity generation projects using renewable energy sources in accordance with the amount determined by the relevant executive authority.
- Individual entrepreneurs and legal entities meeting the above criteria must have a certification document from the institution designated by the relevant executive authority.

Changes in Article 207.4

The following words are added after the word "**parks**" in Article 207.4 (in both cases): "and industrial estates."

207.4. Based on the decision of the relevant executive authority, the managing organization or operator of industrial or technology parks created by the respective authority or organization is exempt from paying land tax for the land used in industrial or technology parks.

What is an industrial estate?

An industrial estate is an area with the necessary infrastructure for carrying out business activities, used by small and medium-sized entrepreneurs for product manufacturing and providing services. Industrial estates are of significant importance in terms of reducing infrastructure costs in organizing the production process, strengthening cooperative links, and developing small and medium-sized businesses, among other related issues.

Article 207 generally lists the categories exempt from land tax. The addition of industrial estates to Article 207.4 now exempts the managing organization or operator of these estates from land tax.

Addition in Article 207 (207.13 and 207.14)

The following **Articles 207.13 and 207.14** are added in the following content:

207.13. Private partners in public-private partnership projects, as well as individual entrepreneurs and legal entities engaged in electricity production projects using renewable energy sources, with the obligation to purchase electricity from the state, according to the amount set by the respective authority or organization determined by the relevant executive authority, are exempt from paying land tax for the land used in these projects for the term specified in the public-private partnership agreement concluded in accordance with the Law of the Republic of Azerbaijan on Public-Private Partnerships or in the electricity purchase agreement concluded in accordance with the Law of the Republic of Azerbaijan on the Use of Renewable Energy Sources in Electricity Production, but not exceeding 30 years (including the construction period).

In Article 207.13, individual entrepreneurs and legal entities engaged in energy production activities are exempt from land tax for the land used in these activities. However, there is a condition that these entities must have signed a contract with the state and sold electricity to the state. The duration of this contract cannot exceed 30 years.

Addition in Article 207 (207.13 and 207.14)

207.14. According to the procedures established by law, the enterprises registered in the Republic of Azerbaijan and engaged in theater, museum, symphonic orchestra, as well as film production and dubbing are exempt from paying land tax for the land used in their activities for 5 years, starting from **January 1, 2025**.

In Article 207.14, enterprises engaged in theater, museum, cinematography, etc., and film producers are exempt from land tax for the land used in these activities. This exemption will last for 5 years starting from January 1, 2025.

These changes will generally create a more favorable environment for the development of industrial estates, the renewable energy sector, and cultural industries, as well as reducing the financial burden on small and medium-sized entrepreneurs, facilitating their further development, and contributing to the economy.

Changes in Article 211

There is a change in Article 211.1.2. To understand this, it is important to first know what Articles 211 and 211.1 address. Article 211 deals with the rates of road tax, while Article 211.1 specifically discusses the inclusion of road tax for vehicles based on certain characteristics.

In the old version of Article 211.1.2, it was stated that the road tax on wholesale automobile gasoline, diesel fuel, and liquefied gas (produced within the territory of the Republic of Azerbaijan and directed to domestic consumption) is calculated by adding 0.02 AZN to the wholesale price per liter. The wholesale price must include VAT and excise tax.

For imported automobile gasoline, diesel fuel, and liquefied gas, the road tax is calculated by adding 0.02 AZN to the customs value. The rule here is that the customs value must be determined in accordance with the Customs Code of the Republic of Azerbaijan and should not be lower than the wholesale price, and VAT and excise tax must be included in the customs value.

According to the new change to Article 211.1.2, the road tax for wholesale automobile gasoline, diesel fuel, and liquefied gas is calculated by adding 0.02 AZN per liter to the wholesale price. The road tax for imported automobile gasoline, diesel fuel, and liquefied gas is calculated in the same way as before. However, the only difference is that, based on the new calculation method, the customs value should also include not only VAT and excise tax, but also the import duty.

CHANGES TO ARTICLE 211

Changes in Article 211

Calculation method:

Before the change: The total amount of gasoline sold is 70 liters (denoted as A). The wholesale price is 1.47 AZN (including VAT and excise tax) (denoted as B). When calculating, 0.02 AZN is added to the wholesale price per liter ($1.47 + 0.02 = 1.49$), and the amount is multiplied by the quantity of liters ($1.49 \times 70 = 104.3$ AZN). Formula: $(B + 0.02) \times A$

For imported goods: The only factor to consider is that the customs value should not be lower than the wholesale price, and VAT and excise taxes should be included in the customs value.

After the change: Let's look at the same scenario for comparison. The total amount of gasoline sold is 70 liters (A). The wholesale price is 1.47 AZN (including VAT and excise tax) (B). When calculating, 0.02 AZN is calculated per liter ($70 \times 0.02 = 1.4$), and the total wholesale price is determined ($70 \times 1.47 = 102.9$). They are then summed ($1.4 + 102.9 = 104.3$). Formula: $A \times 0.02 + A \times B = A \times (B + 0.02)$

For imported goods: The only difference is that the customs value should not be lower than the wholesale price, and the import duty must also be included in the customs value.

Changes in Article 211

As a result, the road tax for products produced within the Republic of Azerbaijan and directed to domestic consumption remains the same, but the calculation methods differ.

The difference is that in the old method, 0.02 AZN was added to the wholesale price, while in the new method, 0.02 AZN is multiplied by the quantity of liters.

For imported goods, the only difference is the inclusion of the import duty in the customs value in the above-mentioned calculations.

Conclusion:

This method of calculation will provide taxpayers with a more accurate understanding of the tax they pay. This step can also be considered a successful choice in terms of maintaining tax transparency.

CHANGES TO ARTICLE 212

Addition the Article 212-1.

The following Article 212-1 is added:

Article 212-1. Exemptions and Benefits from Road Tax

212-1.1. Foreign state's cargo vehicles, articulated and semi-articulated vehicles are exempt from road tax for a period of two years starting from January 1, 2025, in the following cases, according to the procedure defined by the relevant executive authority:

212-1.1.1. When goods transported by railway are transferred to foreign state's cargo vehicles, articulated, and semi-articulated vehicles at the final railway station determined by the relevant executive authority of the Republic of Azerbaijan, and are transported through the nearest customs border crossing point to another country;

212-1.1.2. When foreign state's cargo vehicles, articulated, and semi-articulated vehicles carry goods from another country to the nearest customs border crossing point and to the first railway station designated by the relevant executive authority in the territory of the Republic of Azerbaijan."

Article 212 generally regulates legal relations concerning road tax, including the tax rate, collection methods, etc.

With the addition of Article 212-1, Article 212 will now also cover exemptions and benefits from road tax.

CHANGES TO ARTICLE 212

Addition the Article 212-1.

According to Article 212-1.1, foreign: (Table 1)

Cargo vehicles
Articulated vehicles
Semi-articulated vehicles

Are exempt from road tax for two years starting from January 1, 2025.
However, certain conditions apply:

According to Article **212-1.1.1 and 212-1.1.2**, foreign:

The Same Table 1

These vehicles are exempt from road tax when transporting goods either from the nearest customs border crossing point to the first railway station or when goods are transferred to these vehicles at the final railway station and transported to another country through the nearest customs border crossing point.

Changes in Article 217

To understand the change, it is necessary to first look at the title and the topics addressed in Article 217. We can see that the title of Article 217 is "The Procedure for Tax Calculation, Payment Period, and Submission of the Declaration," and the topics it covers are specifically related to the mining tax. Therefore, **the change of the title of Article 217-1 from "Tax Benefits" to "Exemptions and Benefits from the Mining Tax"** is intended for clarification. This way, those who read this article will have a clearer understanding of what it addresses.

Changes in Article 218

To understand the change, it is enough to first look at the title of Article 218. Article 218 is titled "Payors of Simplified Tax." However, Article 218-1 is titled "Exemptions and Benefits," which sounds more general. To make Article 218-1 more consistent with Article 218, **the title of Article 218-1 has been changed to "Exemptions and Benefits from Simplified Tax."** From now on, those who read this article will have a clearer understanding of what it addresses.

CHANGES TO ARTICLE 221

Changes in Article 221.8.5

The following second paragraph is added to Article 221.8.5:

“When a settlement agreement is made between the tax authority and the taxpayer in the form determined by the relevant executive authority or institution, after paying the calculated tax, mandatory state social insurance, and mandatory health insurance fees in full, the taxpayer will electronically receive the receipt for the payment of the fixed amount of simplified tax, mandatory state social insurance, and mandatory health insurance fee within one business day without applying to the tax authority.”

Article 221 generally regulates the calculation method of the simplified tax, the payment deadlines, and the declaration submission procedure. Article 221.8 contains a list of activities determined in Article 220.10 of the Tax Code, which sets out the calculation method for the simplified tax.

Article 221.8.5:

According to Article 218.4.4 of this Code, individual taxpayers engaged in the activities outlined in Article 220.10 of this Code must voluntarily receive the receipt for the payment of the fixed amount of simplified tax, mandatory state social insurance, and mandatory health insurance fee for the next month, quarter, half-year, or year from the relevant executive authority before starting the activity. The receipt for the payment of the fixed amount of simplified tax, mandatory state social insurance, and mandatory health insurance fee is issued within two business days upon written request from the taxpayer and in real-time when requested electronically.

CHANGES TO ARTICLE 221

Changes in Article 221.8.5

According to Article 220.10, the list of activities and corresponding amounts:

Activity Type	Simplified Tax Monthly Fixed Amount (in AZN)
Individual photo, audio-video services (except for photo studios)	15
Hosting, music, dancing, storytelling, humor, and other similar activities at weddings, celebrations, and other events	20
Cobbler, shoemaker	5
Repair of watches, televisions, refrigerators, and other household appliances	10
Domestic service in private houses and apartments, care for the sick, elderly, and children, nanny, personal driving, cleaning in households, gardener, cook, security, and customer service in catering establishments (waiter)	10
Activity of painting workshops	20

CHANGES TO ARTICLE 221

Changes in Article 221.8.5

According to Article 220.10, the list of activities and corresponding amounts:

Activity Type	Simplified Tax Monthly Fixed Amount (in AZN)
Individuals engaged in barber activities	15
Individuals engaged in tailoring activities	10
Individuals practicing veterinary services	20

Article 218 determines the payers of the simplified tax and general provisions, etc.

Article 218.4 defines the mandatory payers of the simplified tax.

Article 218.4.4 emphasizes that, with the exception of individuals who employ workers during their activities, individuals who engage in the activities listed in Article 220.10 of this Code on an individual basis are required to be mandatory simplified tax payers.

Now, let's explain Article 218.5:

This article requires individuals in the categories mentioned above (before they start their activities) to voluntarily obtain a receipt for a certain period. If the application is written, the receipt will be issued within 2 days. If the application for the receipt is electronic, it will be provided in real-time, immediately after the application is submitted.

CHANGES TO ARTICLE 221

Changes in Article 221.8.6

A second paragraph is added to this article:

The addition specifies that if a contract is made between the tax authority and the taxpayer, once the taxpayer fully pays the specified taxes, the tax authority will issue the receipt electronically within 1 business day without the taxpayer needing to apply. In other words, the taxpayer does not need to send any application. Once the payment is made in full, the receipt is automatically issued electronically within 1 business day.

Article 221.8.6, first and second sentences shall be removed.

221.8.6. Individuals referred to in Article 218.4.4 of this Code, when applying for the "Receipt of payment for the fixed amount of simplified tax, mandatory state social insurance, and mandatory state social insurance and compulsory medical insurance," must attach a payment document confirming the payment of the simplified tax, mandatory state social insurance, and mandatory state social insurance and compulsory medical insurance fees to their written application (if payment information is available in the information system of the Central Bank of the Republic of Azerbaijan, the payment document is not required to be attached). When applying electronically, they will make the payment electronically at the time of submission or attach the payment document to their application (if payment information is available in the information system of the Central Bank of the Republic of Azerbaijan, the payment document is not required to be attached). The taxpayer's VAT registration number (VÖEN) must be indicated in the payment document. After fully paying the calculated tax, mandatory state social insurance, and compulsory medical insurance fees to the state budget, individuals referred to in Article 218.4.4 of this Code will be issued a "Receipt of payment for the fixed amount of simplified tax, mandatory state social insurance, and compulsory medical insurance.

Changes in Article 221.8.6

The form of the "Receipt of payment for the fixed amount of simplified tax, mandatory state social insurance, and compulsory medical insurance" is determined by the relevant executive authority and contains the following information:

- The name, father's name, and surname of the taxpayer;
- The taxpayer's VAT registration number (VÖEN);
- The validity period of the receipt;
- The area in which the activity is carried out;
- The amount of paid tax, mandatory state social insurance, and compulsory medical insurance fees;
- The name of the activity.

Explanation:

The sentences removed here detail some of the rules for the taxpayer's application in written or electronic form. However, since every transaction is tracked within the system, there is no need to include these sentences. The following sentence outlines the information that must be reflected in the receipt.

Thank You!

We hope that this tax changes book has provided you with valuable advice on developing your strategy and helped you make the best choice. Additionally, if you wish to start a business activity in Azerbaijan, we recommend working with consulting companies that are professionals in their field to achieve the best results. As Unified Tax and Technology Businesses, we would be pleased to provide these services at the highest professional level with our team of experts who have over 20 years of experience. We look forward to discussing and presenting any services that would align with your or your clients' interests. Should you have any questions, please feel free to share them with us. Do not hesitate to contact us. We wish you success in your professional endeavors.



Elnur Mammadov
Managing Director

Contact Info

elnur.mammadov@utb.az

T: +994 50 282 00 35 | www.utb.az



Nermin Mammadova
Head of Finance and Legal

Contact Info

nermin.mammadova@utb.az

T: +994 99 761 00 35 | www.utb.az