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Unified Tax & Technology Businesses

AMENDMENTS MADE TO THE TAX LEGISLATION IN 2026

TABLE OF CONTENTS

1. Definition Of Tax
2. Voluntary Disclosure
3. Non-Commodity Transaction
4. Tax Audits, Horizontal Monitoring, And Tax Monitoring in Financial Institutions
5. Field Tax Audit
6. Circumstances Excluding A Person's Liability For Violation Of Tax Legislation
7. Financial Sanctions for Reduction of Taxes and Other Tax Offenses
8. Interest on Overdue and Overpaid Taxes
9. Correspondence with Taxpayers
10. Electronic Invoices
11. Income Tax
 - 11.1. Income Tax Rates
 - 11.2. Income Tax. Exemptions and Benefits
12. Corporate Income Tax
 - 12.1. Taxable Object
 - 12.2. Depreciation Allocations and Amounts Deducted from Income for Depreciable Assets
 - 12.3. Amortization Deductions and Amounts Deducted from Income for Amortizable Assets
 - 12.4. Repair Costs and their Deduction from Income
13. Withholding Tax
 - 13.1. Withholding Tax on Rent and Royalties at the Source of Payment
14. VAT
 - 14.1. Definition of VAT

- 14.2. Requirement to Submit an Application for Registration
 - 14.3. Taxable Object
 - 14.4. Exceptions and Benefits
 - 14.5. Exemptions and Concessions
 - 14.6. Taxation at Zero Rate
 - 15. Excise Tax
 - 15.1. Excise Tax. Taxable Transaction Amount.
 - 15.2. Taxation of Export
 - 15.3. Taxable Operation Amount
 - 16. Property Tax
 - 16.1. Property Tax Exemptions and Concession
 - 17. Land Tax
 - 17.1. Land Tax. Exemptions and Benefits from Land Tax
 - 18. Road Tax
 - 18.1. Road Tax Rates
 - 19. Simplified tax
 - 19.1. Exemptions and Concessions from Simplified Tax
 - 20. Special Taxation Conditions in Liberated Territories and Nakhchivan Autonomous Republic
 - 20.1. Special Characteristics of Taxation Applied in the Liberated Territories and the Nakhchivan Autonomous Republic
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“Amendments Made to The Tax Legislation In 2026”

1. Definition of Tax

After the amendment:

11. *Tax* – a mandatory, individual, and non-refundable payment transferred to the state budget and local budgets in the form of alienation of monetary funds owned by taxpayers for the purpose of financing the activities of the state and municipalities, unless otherwise provided in this Code.

The only change is the addition of the phrase “unless otherwise provided in this Code.”. The article does not create any new obligations for taxpayers.

2. Voluntary Disclosure

After the amendment:

13.2.49-2. Voluntary disclosure – the voluntary declaration by taxpayers to the tax authorities of circumstances that were not detected during a field tax audit and that give rise to tax liabilities, as well as liabilities for compulsory state social insurance, unemployment insurance, and mandatory health insurance contributions. - do the same here

The amendment added horizontal monitoring and added the option to voluntarily disclose liabilities for periods older than 3 years.

3. Non-commodity (Goods-free) Transaction

After the amendment:

13.2.81. Non-commodity transaction – transactions identified during a tax control measure, carried out either to conceal another transaction or without such purpose, and formalized to obtain profit (income) without actually providing goods, works, or services

The amendment added the reference to fictitious or false contracts

4. Tax Audits, Horizontal Monitoring, and Tax Monitoring in Financial Institutions

New added article:

36.6-1. The tax authority conducts horizontal monitoring of the activities of taxpayers accepted for horizontal monitoring in accordance with the procedure specified in Article 38-1 of this Code. For taxpayers accepted for horizontal monitoring, field (except in cases specified in Articles 38.3.2, 38.3.5, 38.3.6, and 38.3.10 of this Code) and desk tax audits are not conducted for the reporting periods covered by the monitoring.

Taxpayers are largely exempt from routine audits for covered periods, reducing disruption and administrative workload. Being accepted into horizontal monitoring provides greater certainty, as taxpayers know they won't face standard audits for those periods. Taxpayers may seek horizontal monitoring status to benefit from audit relief.

5. Field Tax Audit

New article:

38.3.10. For a taxpayer accepted for horizontal monitoring, in cases where relevant information regarding the application of transfer pricing and inquiries from competent authorities of foreign

states or income received from abroad is available, an unscheduled field tax audit may be conducted only in relation to transactions covered by the application of transfer pricing and the information received from competent foreign authorities or foreign income during the calculation of taxes.

For taxpayers who are under horizontal monitoring, the tax authority may conduct an unscheduled field tax audit, but only if there is information related to transactions that fall under transfer-pricing rules or if competent authorities of other countries provide information, or the taxpayer has income received from abroad, and this information affects tax calculations

New article:

38-1.1. Horizontal monitoring is carried out in accordance with this Code and other normative legal acts adopted on its basis. The subject of horizontal monitoring is the supervision of the correct calculation, full payment, and timely payment of taxes in accordance with this Code. Examination of transfer pricing, inquiries from competent authorities of foreign states, and income received from abroad is conducted through other tax control measures and is not covered by horizontal monitoring.

38-1.2. The period covered by horizontal monitoring is considered a calendar year and includes the calendar year preceding the start date. Horizontal monitoring begins at the time specified in Article 38-1.7 of this Code and is completed no later than 6 months. If additional examination is required, the duration of horizontal monitoring may be extended up to two months based on the decision of the tax authority.

38-1.3. Taking into account the provisions of Article 38-1.4 of this Code, taxpayers who meet all of the following conditions as of the date of submission of the application may be accepted for horizontal monitoring:

38-1.3.1. The taxpayer is a medium or large business entity;

38-1.3.2. The taxpayer maintains accounting and tax records using software intended for accounting and/or tax accounting automation;

38-1.3.3. The taxpayer implements an internal control system in accordance with the requirements of Article 38-1.10.2 of this Code.

Horizontal monitoring is designed to give qualifying businesses a more predictable and cooperative oversight process and protects them from regular field and desk tax audits for the monitored periods, except for transfer pricing and cross-border issues. And it will strengthen transparency, improve tax compliance, and reduce the administrative burden for medium and large taxpayers who maintain strong internal controls and automated accounting systems.

New article:

38-1.12.5. Horizontal monitoring is suspended, and the taxpayer is removed from horizontal monitoring if a decision is made declaring the taxpayer a high-risk taxpayer, or if a criminal case is initiated for violation of tax legislation against the taxpayer.

38-1.13. After horizontal monitoring is completed, the head of the tax authority (or their deputy) issues one of the following decisions within 10 days based on its results:

38-1.13.1. To hold the taxpayer liable for violations of tax legislation;

38-1.13.2. To refuse to hold the taxpayer liable for violations of tax legislation.

38-1.14. Except as provided in Article 38-1.15 of this Code, if a reduction in the tax base or incorrect calculation of taxes is identified for a taxpayer under horizontal monitoring, a financial sanction is imposed in accordance with Article 58.1-1 of this Code based on the decision of the tax authority.

38-1.15. If the taxpayer has disclosed information on deviations identified through horizontal monitoring in the required form by applying an internal control system in accordance with Article 38-1.10.2 of this Code before the start of horizontal monitoring, no financial sanctions are imposed on taxpayers for reduction of the tax base or incorrect calculation of taxes.

Horizontal monitoring can be suspended if a taxpayer becomes high-risk or faces a criminal tax case. After monitoring, the tax authority either imposes liability or clears the taxpayer. Financial sanctions apply if errors are found unless the taxpayer had already disclosed those issues through their internal control system before monitoring began

6. Circumstances Excluding a Person's Liability for Violation of Tax Legislation

New article:

55.1.7. in the case specified in Article 38-1.15 of this Code, the detection of a reduction in the tax base or incorrect calculation of taxes as a result of horizontal monitoring.

Taxpayers who proactively disclose errors through a proper internal control system before horizontal monitoring are not held liable for reductions in the tax base or incorrect tax calculations.

7. Financial Sanctions for Reduction of Taxes and Other Tax Offenses

After the amendment:

58.1-1. If a reduction in the reported amount of tax (including withholding tax) compared to the amount required to be reported, or the evasion of tax payable to the budget by failing to submit a report, is detected based on information electronically submitted by taxpayers to the tax authority, a financial sanction equal to 25% of the reduced or evaded tax (excluding additional tax calculated as a result of a desk audit) is imposed on the taxpayer.

The substance of the sanction did not change, and the tax violation is identified during horizontal monitoring.

After the amendment:

58.12. A financial sanction is imposed on a taxpayer for:

-Conducting entrepreneurial activity without obtaining a receipt for payment of the fixed amount under the simplified tax, compulsory state social insurance, and compulsory medical insurance from the tax authority in accordance with Article 221.8 of this Code;

-Failure by persons specified in Articles 14.5.1–14.5.1-3 of the Law of the Republic of Azerbaijan “On Social Insurance” to obtain such a receipt in accordance with Article 14.6-1 of that Law.

Categories covered by Articles 14.5.1-4 to 14.5.1-9 are excluded from liability under Article 58.12, thereby the article reduced the range of persons who may be fined for failing to obtain the receipt, while the obligation and sanction for conducting entrepreneurial activity without the receipt remain unchanged.

8. Interest on Overdue and Overpaid Taxes

After the amendment:

59.2 The interest specified in Article 59.1 of this Code applies to all overdue periods, but not exceeding one year, in relation to tax amounts and current tax payments. This interest is applied to unpaid tax amounts identified as a result of field tax audits and horizontal monitoring, starting from the day these tax amounts are charged to the taxpayer.

The amendment expands the scope of application of interest charges. Tax liabilities revealed during horizontal monitoring are now subject to interest accrual on the same basis as those detected during field tax audits.

9. Correspondence with Taxpayers

New article:

70.1-1. Documents related to electronic services included in the Unified Register of State Information Resources, Systems, and Electronic Services and submitted by taxpayers to the tax authorities must be submitted electronically through the electronic cabinet.

The article introduces a measure to fully digitalize and centralize formal communication between taxpayers and the tax authorities, specifically concerning documents related to electronic services. It enforces that taxpayers must use their electronic cabinet to submit these specific documents.

10. Electronic Invoices

New articles:

71-1.1.3-1. For the provision of international transport services – by the time the transport services begin.

71-1.1.3-2. For services provided on a regular and ongoing basis – at the start of service provision for each calendar month.

These new articles formally establish the specific deadlines for issuing electronic invoices for services that were previously excluded from the general five-day rule found in the earlier versions of the Tax Code

New version:

71-1.1.5. In the cases specified in Article 71-1.5.12 of this Code – on the day the advance payment is received.

71-1.3. The uniform form of the electronic invoice for refunding VAT paid on goods purchased in the territory of the Republic of Azerbaijan by foreigners and stateless persons, which are not intended for production or commercial purposes, is approved by the relevant executive authority.

71-1.5.12. regarding received advance payments.

The amendments to the electronic invoice rules introduce stricter timing for documentation.

11. Income Tax

11.1 Income Tax Rates

101.1-1. For individuals employed by taxpayers not operating in the oil and gas sector and belonging to the non-state sector, income tax is withheld from their monthly salary according to the following rates:

Taxable Monthly Income	Tax Rate from 1 Jan 2026 to 1 Jan 2027	Tax Rate from 1 Jan 2027 to 1 Jan 2028	Tax Rate from 1 Jan 2028
Up to 2,500 AZN	3%	5%	7%
From 2,500 to 8,000 AZN	75 AZN + 10% of the amount exceeding 2,500 AZN	125 AZN + 10% of the amount exceeding 2,500 AZN	175 AZN + 10% of the amount exceeding 2,500 AZN
Above 8,000 AZN	625 AZN + 14% of the amount exceeding 8,000 AZN	675 AZN + 14% of the amount exceeding 8,000 AZN	725 AZN + 14% of the amount exceeding 8,000 AZN

This change indicates a significant reduction in employee net pay and higher gross labor costs for businesses. This is a deliberate policy step to conclude the extraordinary tax stimulus for the private sector.

11.2 Income Tax. Exemptions and Benefits

New article:

102.1.39. Income (including advertising income) earned by media subjects (excluding audiovisual media subjects) from their activities, as well as financial assistance provided by the body (institution) determined by the relevant executive authority – for a period of 6 years, starting from January 1, 2023;

102.1.41. Income obtained from the reduction of the VAT amount, in accordance with Article 174.5 of this Code, when VAT is calculated to the state budget by physical persons engaged in public catering and private medical practice.

The tax holiday is extended to the original 6-year period, greatly benefiting the non-audiovisual media sector, and the income tax exemption related to the VAT refund mechanism is extended to the public catering sector, which will support the formalization of that industry

12. Corporate Profit Tax.

12.1 Taxable Object

New Article:

104.9. For investment projects that meet the criteria determined by the relevant executive authority (body), the amount of depreciation calculated under Article 114 of this Code for fixed assets and intangible assets acquired or installed using other funds allocated from the state budget and attributed to assets, excluding funds allocated to state enterprises under the state investment program within the state budget, shall constitute the taxable object for the purposes of this article (excluding the amount of depreciation calculated repairs made at the taxpayer's own expense and attributed to the value of fixed assets)

The new article specifically targets a potential tax advantage by making the depreciation calculated on fixed and intangible assets. This effectively prevents companies from receiving free assets from the state and then deducting the cost to reduce their taxable profit.

12.2 Depreciation Allocations and Amounts Deducted from Income for Depreciable Assets

New article:

114.1. Depreciation deductions for fixed assets used in entrepreneurial and non-entrepreneurial activities, as determined in Article 99 of this Code, shall be deducted from income in accordance

with the provisions of this Article. Depreciation deductions by taxpayers accepted for horizontal monitoring shall be calculated using the straight-line or declining balance method, while other taxpayers shall calculate them using only the declining balance method (excluding depreciation deductions for intangible assets)

114.3. The annual depreciation rates for depreciable assets using the declining balance method (the straight-line method in relation to Article 114.3.6 of this Code) are determined as follows:

Articles 114.3-1 and 114.3-2 are added and renumbered, so that the previous Articles 114.3-2 and 114.3-3 become 114.3-2 and 114.3-3 respectively.

114.3-1. Annual Depreciation Rates for Depreciable Assets Using the Straight-Line Method:

114.3-1.1. Capitalized costs for land improvements, buildings, structures, and facilities – 44 years

114.3-1.2. Machinery and equipment – 14 years

114.3-1.3. Computing equipment that is a product of high technology – 29 years

114.3-1.4. Air, railway, and water transport vehicles – 11 years

114.3-1.5. Production, sports machinery, sports motorcycles, sports bicycles, and other similar sports vehicles – 9 years

114.3-1.6. Service vehicles – 19 years

114.3-1.7. Motor vehicles – 14 years

114.3-1.8. Working animals – 14 years

114.3-1.9. Costs related to geological exploration and preparation for natural resource extraction – 11 years

114.3-1.10. Intangible assets with an unknown useful life – 10 years; for intangible assets with a known useful life, depreciation is calculated according to the number of years of use

114.3-1.11. Other fixed assets – 14 years

These large, transparent companies can choose to use the straight-line method or the declining balance method, and yet declining balance method remains the mandatory standard for most businesses to ensure that most fixed assets are written off faster early in their life.

The changes mandate a major overhaul of the depreciation system, forcing businesses to use the straight-line method for all listed assets (Article 114.3-1). Crucially, the new, longer useful life periods defined for assets result in significantly lower annual depreciation deductions compared to previous tax rates. The combined effect of these changes is a reduced deductible expense and a corresponding higher taxable corporate profit in the early years of asset ownership, serving as a mechanism to increase immediate state tax revenue by slowing down tax relief on capital investments.

12.3 Amortization Deductions and Amounts Deducted from Income for Amortizable Assets

New article:

114.4. Amortization deductions for categories of fixed assets shall be calculated by applying the amortization rate established for fixed assets belonging to each category by Article 114.3 of this Code to the residual value of fixed assets belonging to that category at the end of the tax year. If a rate lower than the amortization rates established for a category of fixed assets for the tax year is applied, the resulting difference may be added to the amount of amortization deductible from income in subsequent tax years.

114.5. Amortization deductions for buildings, structures, and installations (hereinafter - structures) shall be made separately for each structure.

114.6. For the purpose of calculating amortization, the residual value of fixed assets (asset) at the end of the tax year shall consist of the amount determined in the following manner (but not less than zero):

-the residual value of the fixed assets (asset) at the end of the previous year (the value remaining after deducting the amortization amount calculated for that year) is added to the cost of fixed assets (asset) acquired during the current year in accordance with Article 143 of this Code, as well as the amount of repair expenses exceeding the limitation determined under Article 115 of this Code in the current year, and the residual value of the fixed assets is deducted if they have been disposed of, liquidated, or if their residual value is less than 500 manats or 5 percent of the initial cost in the tax year. The increase (positive difference resulting from revaluation) arising from the revaluation of fixed assets (asset) is not added to the residual value of the fixed assets (asset) at the end of the tax year for the purpose of calculating amortization.

114.8. When calculating amortization using the declining balance method, if the residual value of the fixed asset at the end of the year is less than 500 manats or 5 percent of its initial cost, the amount of the residual value shall be deducted from income.

114.10. Notwithstanding the other provisions of this Article, only 40 percent of the amortization calculated in accordance with Article 114.3 of this Code shall be deducted from income for assets acquired or installed:

-through funds allocated to state enterprises from the state capital investment expenditures (investment expenditures) of the state budget and included in the charter capital up to January 1, 2026;

-or through funds allocated within the framework of the state investment program of the state budget for investment projects meeting the criteria established in Article 104.9 of this Code in the period after January 1, 2026.

114.11. For taxpayers accepted into horizontal monitoring, the calculation of depreciation and its deduction from income is carried out as follows:

114.11.1. Taxpayers accepted into horizontal monitoring choose one of the two available depreciation methods for calculating depreciation during the current year and inform the tax authority by April 15. The chosen depreciation method cannot be changed for three years. For taxpayers liquidated before April 15, the depreciation method used in the previous year is applied.

114.11.2. Depreciation calculated using the declining balance method is carried out in accordance with Article 114 of this Code, taking into account Article 115.9. When switching from the declining balance method to the straight-line method, the annual depreciation amount is calculated by dividing the residual value of the fixed asset at the transition date by its remaining useful life at that date.

114.11.3. Annual depreciation calculated using the straight-line method is determined by dividing the initial value of the fixed asset by its useful life as defined in Article 114.3-1. When applying this method, significant repair costs and any portion of current repair costs exceeding the limit established under Article 115.9 are added to the initial value of the fixed asset. The resulting adjusted initial value is then divided by the asset's useful life (per Article 114.3-1), and the resulting amount is deducted from income in equal portions each year starting from the year of repair.

114.11.4. When switching from the straight-line method to the declining balance method, the annual depreciation amount is calculated by multiplying the residual value of the fixed asset by the depreciation rate specified in Article 114.3 of this Code.

114.11.5. If horizontal monitoring of the taxpayer is suspended or the taxpayer is removed from horizontal monitoring, depreciation for that reporting year is calculated in accordance with Article 114.11.2.

114.11.6. When applying the straight-line method, significant repair costs and any portion of current repair costs exceeding the limits established under Article 115.9 are added to the initial value of the fixed asset for depreciation calculation purposes. Any increase in the value of fixed assets resulting from revaluation (i.e., the positive difference from revaluation) is not added to the initial value of the asset for depreciation calculation purposes.

The amendments finalize the mandate for the straight-line method for a broad range of fixed assets to eliminate the option to use the accelerated declining balance method for tax purposes. Businesses are no longer required to track and apply different amortization methods based on asset class.

The rule allowing the deduction of small residual values applies only to assets depreciated using the declining balance method. It also narrows the 40% amortization deduction limit to specific state-funded assets, distinguishing those financed before 2026 from those financed after 2026 under new investment criteria.

Unlike standard taxpayers who are now generally mandated to use the slow straight-line method, these participants are given the choice to use the accelerated declining balance method for a locked-in three-year period. This choice provides a significant tax deferral advantage by allowing them to deduct larger expenses early on.

12.4 Repair Costs and their Deduction from Income

New article

115.9. The amounts of capital repair expenses carried out in accordance with the rules determined by the body (institution) established by the relevant executive authority, and the current repair expenses exceeding the limitation established in Article 115.1 of this Code, by taxpayers accepted for horizontal monitoring in accordance with Article 38-1 of this Code, shall be applied to increase the residual value of fixed assets at the end of the current tax year. The current repair expenses incurred by these taxpayers within the norm shall be deducted from income in accordance with the requirements of Articles 115.1-115.8 of this Code.

A strict rule for taxpayers is introduced regarding major repair costs. It mandates that costs for capital repairs and any current repair costs that exceed the standard deductible limit must be capitalized, therefore these significant costs cannot be immediately deducted as an expense, but must be recovered slowly over time through depreciation.

13. Withholding Tax

13.1 Withholding Tax on Rent and Royalties at the Source of Payment

New wording

124.1 Income from rent for movable and immovable property, as well as royalties paid by a resident or a non-resident's permanent establishment in the Republic of Azerbaijan, or paid on its behalf, shall be subject to a 14 percent tax rate at the source of payment, if the income is derived from an Azerbaijan source in accordance with Article 13.2.16 of this Code. Income obtained from renting out residential spaces (excluding accommodation facilities located in hotels and hotel-type objects) belonging to individuals to other individuals shall be subject to a 10 percent tax rate at the source of payment.

If the rent (lease) is paid by an individual who is not registered as a taxpayer, the lessor, or the tax agent appointed by them, shall pay the tax at a rate of 14 percent (in relation to commercial rent) or 10 percent (in relation to residential rent) in accordance with this Article, register for tax accounting, and submit a declaration in accordance with Articles 33 and 149 of this Code.

Rental income obtained by individuals from leasing residential premises to other individuals will now be taxed at 10%, instead of the previous 14%. The tax burden on individual landlords leasing out homes or apartments will be lowered which may lead to increased reporting of rental income.

14. VAT

14.1 Definition of VAT

New wording:

153-3. For a period of 5 years starting from January 1, 2022, during the wholesale and retail sale of agricultural products (of local and foreign origin, except for foreign-origin fish products), the amount of VAT is calculated based on the trade markup.

The amendment is primarily an act of regulatory clarification and extension. It simplifies the language and ensures the preferential VAT treatment for the agricultural sector is guaranteed for the full five-year period initially intended.

14.2 Requirement to Submit an Application for Registration

New article:

155.1-1. When determining the volume of taxable transactions under Article 155.1 of this Code, the turnover of the taxpayer generated from retail trade and services provided to individuals not registered with the tax authority, conducted via cashless payments through POS terminals, shall be taken into account applying a coefficient of 0.5.

The new article introduces a major fiscal incentive by changing how turnover is calculated for the mandatory VAT registration threshold. Turnover from retail sales and services paid for by individuals using cashless payments is now counted at only 50% toward the threshold.

14.3 Taxable Object

New version:

159.1. The provision of goods, performance of works, provision of services, and the retail sale of agricultural products produced within the territory of the Republic of Azerbaijan, as well as taxable import, constitute the taxable object. From January 1, 2022, for a period of 3–5 years, the trade markup applied during the wholesale and retail sale of agricultural products (of domestic and foreign origin) constitutes a taxable object.

The amendment significantly expands the scope of the preferential VAT treatment for agricultural products. The core change is the removal of the exclusion for foreign-origin fish products from the trade markup calculation rule.

14.4 Exemptions and Benefits

New wording

164.1.8-1. The supply of media products produced by media subjects (excluding audiovisual media subjects), as well as the performance of work and rendering of services directly related to media activities by non-resident persons who do not create a permanent establishment in the Republic of Azerbaijan, to media subjects (excluding audiovisual media subjects) – for a period of 6 years, starting from January 1, 2023;

164.1.15. The import of machinery, technological equipment and installations, the list of which is approved by the body (institution) determined by the relevant executive authority, by the managing organization or operator of industrial or technological parks, created by the body (institution) determined by the relevant executive authority, for the purpose of creating and constructing infrastructure and production facilities, as well as for carrying out scientific research and experimental design work, based on a confirming document from the relevant executive authority.

164.1.16. The import of equipment, technological devices, and machinery, approved by the relevant executive authority, by legal entities who are residents of industrial or technology parks established by the relevant executive authority, or by individuals conducting entrepreneurial activities without forming a legal entity, for the purposes of constructing production facilities, conducting research and experimental design work, and production in industrial or technology parks – for a period of 10 years from the date the resident is registered in the industrial or technology park.

164.1.28. The import of all types of goods, based on an approval document from the relevant executive authority, by shipbuilding and ship repair enterprises for the purposes of their activities – from May 1, 2026, for a period of 3 years.

164.1.31. Import and sale of fertilizers and pesticides approved by the body (institution) determined by the relevant executive authority.

164.1.32. Import and sale of equipment for seed cultivation, poultry and beekeeping, including laboratory equipment intended for use in these areas, and machines for cleaning, sorting, or calibrating seeds, grains, and dry legumes, as approved by the body (institution) determined by the relevant executive authority.

164.1.33. Import of veterinary drugs used for the prevention, diagnosis, and treatment of agricultural animals and poultry, as approved by the body (institution) determined by the relevant executive authority.

164.1.36. Presentation of non-performing (toxic) assets in accordance with the resolution and recovery measures of insolvent banks as determined by the relevant executive authority, as well as the presentation of assets within the framework of bank bankruptcy procedures – from January 1, 2017, for 14 years.

164.1.41. Import of buses without seats, handles, or monitors for industrial production (assembly) purposes by industrial park residents, and the sale of those buses with seats, handles, and monitors installed, based on a confirmation document issued by the body (institution) determined by the relevant executive authority – from January 1, 2026, for 1 year.

164.1.41-3. The sale of passenger cars produced in the territory of the Republic of Azerbaijan, provided that industrial assembly is carried out in the form of full production, and technological operations for painting and welding stages are also performed – for a period of 7 years, starting from January 1, 2027;

164.1.41-4. The sale of buses and trucks produced in the territory of the Republic of Azerbaijan, as well as the import of spare parts for buses and trucks for production purposes by legal entities, based on a confirming document from the body (institution) determined by the relevant executive authority – for a period of 8 years for buses, starting from January 1, 2025, and for a period of 7 years for trucks, starting from January 1, 2026.

The exemption period for the VAT tax holiday for non-audiovisual media entities is increased from three years to a definitive six years (starting January 1, 2023).

The VAT exemption that previously applied to all residents of industrial parks for 10 years is now limited only to shipbuilding and ship-repair enterprises, and the exemption period is reduced to 3 years starting from May 1, 2026.

Official approval is required from the relevant state authority for more items (equipment and veterinary drugs). Also, fertilizers are no longer limited to “mineral” fertilizers.

The tax exemption for toxic assets of insolvent banks is extended from 9 years to 14 years, giving the banking sector more time for cleanup, and the old exemption for electric vehicles is removed.

The exemption for the sale of passenger cars is now reduced to seven years, commencing on January 1, 2027, and is conditional upon full industrial assembly, including the performance of technological operations such as painting and welding. The exemption for buses remains at eight years starting from January 1, 2025, while a new exemption for trucks has been introduced, applicable for seven years beginning January 1, 2026, with the import of spare parts for production purposes also covered under the exemption.

14.5 Exemptions and Concessions

New wording:

164.1.41-3. Sale of passenger cars produced in the territory of the Republic of Azerbaijan, provided that industrial assembly is carried out in the form of full production, including the performance of technological operations for painting and welding stages – for a period of 7 years, starting from January 1, 2027;

164.1.41-4. Sale of buses and trucks produced in the territory of the Republic of Azerbaijan, as well as the import of spare parts for buses and trucks by legal entities for production purposes based on a confirming document from the body (institution) determined by the relevant executive authority – for a period of 8 years for buses, starting from January 1, 2025, and for a period of 7 years for trucks, starting from January 1, 2026;

164.1.52. Import of equipment and materials within the framework of reconstruction projects for large oil refineries (with an annual crude oil processing capacity of not less than 3 million tons), based on a confirming document from the body (institution) determined by the relevant executive authority – for a period of 8 years, starting from January 1, 2021;

164.1.63. Import of goods based on a confirming document from the body (institution) determined by the relevant executive authority in the following cases and for the following periods:

164.1.63.1. Import of machinery, technological equipment, and installations by private partners or project companies within the framework of public-private partnership projects – for the period specified in the public-private partnership agreement concluded in accordance with the Law of the Republic of Azerbaijan "On Public-Private Partnership," but not exceeding 30 years (including the construction period);

164.1.63.2. Import of machinery, technological equipment, and installations by producers under electricity generation projects using renewable energy sources with a state purchase obligation, where the electricity production amount is not less than the amount determined by the body (institution) specified by the relevant executive authority – for the period specified 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 Generation," but not exceeding 30 years (including the construction period);

164.1.63.3. Import of machinery, technological equipment, and installations by a contractor engaged in construction work by the private partner or project company under a public-private partnership agreement which grants the right to use tax concessions (provided that the imported goods are attributed to the cost of that project) – for the period specified in the public-private partnership agreement for the implementation of construction work.

The exemption for the sale of passenger cars is now reduced to seven years, starting from January 1, 2027, and requires full industrial assembly, including technological operations such as painting and welding. For buses, the exemption remains eight years from January 1, 2025, while trucks are newly included with a seven-year exemption starting January 1, 2026, and the import of spare parts for production purposes is also covered. Additionally, the exemption for the import of equipment and materials for the reconstruction of large oil refineries has been extended from five to eight years, starting from January 1, 2021.

The new article introduces unprecedented, long-term VAT exemptions up to 30 years for imported machinery and equipment for public-private partnership projects and renewable energy source projects.

14.6 Taxation at the Zero Rate

New wording:

165.1.3. Export of goods and services specified in Article 168.1.5 of this Code, as well as the supply of goods to Duty-Free Shops, including excisable goods produced in the territory of the Republic of Azerbaijan that have a special mark related to being sold in duty-free shops;

The amendment now explicitly includes the supply of goods to duty-free shops, including excisable goods produced in Azerbaijan for duty-free sale. Previously, the focus was only on exports and VAT-refund transactions.

15. Excise Tax

15.1 Excise Tax. Taxable Transaction Amount.

New version:

185.1. For excise goods produced in the territory of the Republic of Azerbaijan, the taxable transaction (tax base) is calculated based on the quantity of goods produced.

The amendment simplifies the rule by removing the special provision for oil products. Now, for all excise goods produced in Azerbaijan, including oil products, the tax base is calculated solely based on the quantity of goods produced, rather than the amount received from customers or the wholesale market price.

15.2 Taxation of Exports

New wording:

187. The export of excise goods and the delivery of excise goods with a special mark for duty-free shops in the territory of the Republic of Azerbaijan are taxed at a zero rate.

The amendment expands the zero excise tax rate, and ensures domestic producers supplying these goods, such as tobacco or alcohol, to the duty-free market are relieved of the excise tax burden. The zero rate for direct exports remains unchanged

15.3 Taxable Operation Amount (Tax Base)

New wording:

185.2. The amount of the taxable operation (tax base) for imported excisable goods provided for in Articles 190.1.1–190.1.6 and 190.1.13 of this Code is their quantity.

The taxable operation (tax base) for imported excisable goods provided for in Articles 190.1.7–190.1.10 of this Code is their engine volume.

The taxable operation (tax base) for imported platinum is per gram of platinum; for gold, jewelry, and other household items made from it, it is the amount of gold in thousand parts per weight unit; and for processed, sorted, framed, and set diamonds, it is the carat of the diamond.

The amount of the taxable operation (tax base) for imported fur and leather products is the customs value of the goods (excluding excise tax and VAT), determined in accordance with the Customs Code of the Republic of Azerbaijan, but not less than the wholesale market price.

The amendment adds article 190.1.13 to the list of excisable goods for which the tax base is calculated based on quantity, while the rules for engine volume, precious metals, diamonds, and fur/leather products remain unchanged. This slightly expands the scope of goods taxed by quantity.

16. Property Tax

16.1 Property Tax Exemptions and Concessions

New wording:

199.4. For tax purposes, the value of the property of an enterprise and individual entrepreneur shall be reduced by the value of the following property (up to 75 percent of the value of fixed assets provided for in Article 199.4.4 of this Code):

199.16. The body (institution) determined by the relevant executive authority is exempt from paying property tax for a period of 12 years, starting from January 1, 2019, on property that it has acquired in lieu of problematic assets (debts) received based on the decision of the body (institution) determined by the relevant executive authority, within the framework of the resolution and rehabilitation measures of insolvent banks, which is in its ownership (on its balance sheet), and the list of which is agreed upon with the body (institution) determined by the relevant executive authority.

The amendment increases the property tax exemption period from 7 years to 12 years for assets acquired in lieu of problematic bank assets, and clarifies that for general tax purposes, the value of an enterprise's or individual entrepreneur's property can be reduced up to 75% of certain fixed assets.

17. Land Tax

17.1 Land Tax. Exemptions and Benefits from Land Tax

New wording:

207.7. In accordance with the decision of the authority (institution) determined by the relevant executive authority, land acquired in exchange for problem assets (debts) received as part of the resolution and rehabilitation measures of insolvent banks, and recorded in its ownership (balance) and agreed upon with the authority (institution) determined by the relevant executive authority, is exempt from land tax for a period of 12 years starting from January 1, 2019.

The core change is the exemption period is increased from 7 years to 12 years (starting January 1, 2019).

18. Road Tax

18.1 Road Tax Rates

New wording:

211.1.2. Road tax for motor gasoline, diesel fuel, and liquefied gas produced in the territory of the Republic of Azerbaijan and directed to domestic consumption (sold wholesale) shall be calculated at a rate of 0.07 manats per liter and added to the wholesale price (including VAT and excise tax). Road tax for imported motor gasoline, diesel fuel, and liquefied gas shall be calculated at a rate of 0.07 manats per liter and added to the customs value (including import duty, excise tax, and VAT) determined in accordance with the Customs Code of the Republic of Azerbaijan, but not less than their wholesale market price. The distribution of the Road Tax determined by this Article among the targeted budget funds within the state budget shall be determined by the body (institution) specified by the relevant executive authority.

The amendment increases the road tax rate on motor fuels from 0.02 manats per liter to 0.07 manats per liter for both domestically produced and imported fuels.

19. Simplified Tax

19.1 Exemptions and Concessions from Simplified Tax

New wording:

218.1-1. When determining the volume of taxable operations in accordance with Article 218.1.1 of this Code, the taxpayer's turnover generated from non-cash payments made via a POS terminal for retail trade and services provided to persons not registered with the tax authority shall be taken into account by applying a coefficient of 0.5;

218-1.1.7. Income (including advertising income) earned by media subjects (excluding audiovisual media subjects) from their activities, as well as financial assistance provided by the body (institution) determined by the relevant executive authority – for a period of 6 years, starting from January 1, 2023.

The amendment extends the exemption period for media entities from 3 years to 6 years, starting from January 1, 2023, and introduces a new provision that only 50% of turnover from non-cash POS payments for retail trade and services provided to unregistered persons is considered when determining the volume of taxable operations.

20. Special Taxation Conditions in Liberated Territories and the Nakhchivan Autonomous Republic

20.1 Special Characteristics of Taxation Applied in the Liberated Territories and the Nakhchivan Autonomous Republic

New articles:

226.2. For the purposes of this Chapter, a resident of the liberated territory means legal and physical persons who are registered for tax accounting in the liberated territories or centrally, and who directly operate in those territories.

226.4. The provisions of this Chapter (with the exception of Article 227.2 of this Code) shall also apply to the Nakhchivan Autonomous Republic. The tax exemptions provided for in Articles 227.1

and 227.3 of this Code shall be applied to the residents of the Nakhchivan Autonomous Republic for a period of 10 years, starting from January 1, 2026.

227.2-1. The import of raw materials and supplies for the purpose of carrying out production, scientific research, and experimental design work by legal and physical persons (individual entrepreneurs) who are residents of industrial or technological parks created by the body (institution) determined by the relevant executive authority and located in the territory of the Nakhchivan Autonomous Republic, based on a confirming document from the body (institution) determined by the relevant executive authority, is exempt from VAT for a period of 10 years, starting from January 1, 2026.

227.2-2. The import of raw materials and supplies for the purpose of carrying out production and providing services (performing works) by legal and physical persons (individual entrepreneurs) who are residents of the Nakhchivan Autonomous Republic and have received an Investment Promotion Document, based on a confirming document from the body (institution) determined by the relevant executive authority, is exempt from VAT for a period of 10 years, starting from January 1, 2026.

227.2-3. The import of machinery, technological equipment and installations, as well as raw materials and supplies for production purposes, by legal and physical persons (individual entrepreneurs) who are residents of industrial quarters created by the body (institution) determined by the relevant executive authority and located in the territory of the Nakhchivan Autonomous Republic, based on a confirming document from the body (institution) determined by the relevant executive authority, is exempt from VAT for a period of 10 years, starting from January 1, 2026.

The core change is the strategic extension of the special tax Chapter to the Nakhchivan Autonomous Republic. The new articles define the "resident " eligible for special tax benefits New policy grants residents the same robust tax incentives for a period of 10 years, starting January 1, 2026.

Article 227's main aim is to attract capital-intensive investments to the Republic by making essential imported capital goods and inputs VAT-free for a decade which will significantly lower operational and investment costs.