



Tax Code Amendments Azerbaijan 2025



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Tax Code of Azerbaijan: 2025 Tax Code Amendments

1. At a Glance

Below we explain the Amendments made into the Tax Code on 27 December 2024 (“Amendments”). The Amendments are primarily related to additional duties of taxpayers; expanded exemptions for personal income tax, including concessions for certain micro-businesses with annual revenue of up to 45 000 AZN; corporate income tax exemptions in diverse areas, including PPP energy projects and high technology parks; additional VAT exemptions; expanded and increased financial penalties; and additional tax control powers of the tax authorities. For the ease of reading, the amendments are categorized under subtopics as mentioned in the Contents page above.



With the exception of the followings, the amended articles are effective from 1 January 2025:

- Income derived from the investment of free funds in accordance with the laws of the Republic of Azerbaijan "On Social Insurance" and "On Unemployment Insurance" is exempt from corporate income tax - is effective from 1 January 2024
- VAT refund for services for theater performances, film screenings, museum visits, and symphony orchestra - is effective from 1 July 2025 (see VAT section below)
- New tax duties of market owners (see Duties of Taxpayers section), corresponding powers of tax authorities (see Tax Control and Audits section), sanctions for the breach of these duties (See Sanctions section) - taking effect 9 months following the adoption of the Amendments.

2. Duties of Taxpayers

Rights and obligations of tax authorities and taxpayers

- **The authority of tax authorities regarding market prices is expanded:**

In cases where no transactions are conducted in the relevant goods (work, service) market with goods (work, services) of the same type or kind, and it is not possible to collect information on market prices of these goods (work, services) from official and public sources, the Amendments now allow market prices to

be determined directly based on an expert opinion obtained under a contractual agreement without applying other methods (“subsequent sale” and “value accumulation methods”). Under the previous provisions, expert opinions could only be used when market prices could not be determined using the mentioned methods.

- **Notification requirements for importing goods are simplified:**

When providing information to the tax authority regarding the import of goods, it will not be required to provide "information on the place where the goods will be stored (unloaded) registered as an business entity (facility) in the tax authorities.

- **Responsibilities of market owners are expanded:**

- When property is leased by market owners, ensuring that the lessee is allowed to operate in the business entities (facilities), after business entity (facility) of the lessee of the property has been registered with the tax authority;
- When real estate in the markets is used for entrepreneurial purposes by the owners of that property (managers if the markets are given to management), as well as by the lessee if the property is leased, reflecting (placing) information (reference) on the registration of that business entity (facility) with the tax authority (indicating the name and TIN of the taxpayer) at the entrance to the business entity (facility);
- Submitting the information, the form of which is approved by the body (institution) determined by the relevant executive authority, on taxpayers whose lease agreements have been terminated by market owners and who are not actually operating in that facility, as well as those who continue to operate, in electronic form to the tax authority where the taxpayer is registered by the 20th of the following month after the end of each quarter;

These requirements do not apply to agricultural markets and agricultural cooperative markets. These obligations for market owners also apply to managers of markets when they are managed.

- **Simplification of advance payments**

The requirement to show the demand letter, for advance payments in the payment order submitted to the payment service provider executing the transaction - indicating that the destination is an advance payment, or to provide information regarding the date and number of the contract concluded between the parties or the addendum to that contract, when making a payment transaction between taxpayers, is canceled.

3. Sanctions

- The amount of the sanction for failure to submit reports on transfer pricing and income of controlled foreign enterprises within the established deadlines or for providing incorrect information in the certificates is increased from 2,000 manats to 6,000 manats;
- If the documents stipulated in the Rules for determining and applying transfer prices are not submitted within 60 days at the request of the tax authority, a financial sanction of 6,000 manats will be imposed to the taxpayer;

- If market owners fail to submit information, on taxpayers whose lease agreements have been terminated and who are not actually operating in that business facility (“object”), as well as those who continue to operate, in an electronic form to the tax authority where they are registered by the 20th of the following month after the end of each quarter; or if distorted information is submitted, a sanction of 1,000 manats will be imposed on the taxpayer;
- For failure to provide information (certificate) on the registration of the business facility with the tax authority (indicating the name and TIN of the taxpayer) at the entrance of the business facility in the markets, a financial sanction of 40 manats will be imposed on micro-business entities, non-profit organizations and persons engaged in non-entrepreneurial activities, and 400 manats on other taxpayers. This article shall enter into force nine months after the adoption of these Amendments;
- Where after the property is leased by market owners and the business facility of the lessee registered with the tax authority, conditions are not created for its operation in those business facility, a financial sanction of 2,000 manats will be applied if such a situation is detected for the first time during the calendar year, 4,000 manats if detected for the second time, and 6,000 manats if detected three or more times. This article shall enter into force nine months after the adoption of these Amendments, and within 6 months after its entry into force, the registration of the business facility, which are not registered with the tax authority, and the registration of the business entity facility of the lessee of such business facility with the tax authority, shall be ensured.

4. Personal Income Tax

- The tax object of the sale of publicly offered and traded stocks on a regulated market on the territory of the Republic of Azerbaijan, as well as on a stock exchange outside the country, is defined as the difference between the selling price of the stock and the purchase price and other expenses incurred. In this case, the calculation rule for income attributable to other shares and stocks (i.e., difference between net asset value and nominal value) will not be applied.
- For taxpayers operating as residents of the technology park but engaged in activities outside the technology park, such as system integration, software development, and improvement, the monthly income tax on the salaries of specialists working in this field is levied at a rate of 0 percent for a monthly income of up to 8,000 manats for a period of 3 years from January 1, 2023, 5 percent for an amount exceeding 8,000 manats, and 5 percent for a period of 7 years from January 1, 2026

Exemptions and concessions from personal income tax

The following additional exemptions and concessions are granted:

- Exemptions and concessions from personal income tax apply only when the contract pertains to the non-state sector for any amounts paid to the insured and the beneficiary under life accumulation insurance and pension insurance contracts after a period of 3 years from the effective date of the contract. This amendment applies to insurance premiums paid under life accumulation insurance and pension insurance contracts concluded after January 1, 2025;
- For taxpayers not classified as belonging to the non-state sector, the tax benefit in effect until January 1, 2025, under life accumulation insurance and pension insurance contracts concluded for a period of at least 3 years before January 1, 2025, and not yet reaching the 3-year term by that date, applies only to insurance premiums paid within 3 years from the date the contract was concluded. For such taxpayers,

the tax benefit effective until January 1, 2025, under life accumulation insurance and pension insurance contracts concluded for a period of at least 3 years and having completed the 3-year term by that date, applies only to insurance premiums paid up to January 1, 2025;

- Dividend income earned by individuals who are participants in resident legal entities engaged in agricultural production (including industrial methods) in this specific sector is exempt from personal income tax for a period of 4 years starting from January 1, 2023;
- Dividends paid by individuals who carry out system integration, software development and development activities outside the technology park as residents of the technology park – for a period of 10 years starting from the reporting year in which the technology park registration certificate is received;
- Royalty income from the use of copyrights or the granting of usage rights on intangible assets related to the activities of theaters, museums, symphony orchestras, as well as film production, broadcasting and dubbing in the Republic of Azerbaijan – for a period of 5 years from January 1, 2025;
- 90 percent of the income of individuals engaged in film production and dubbing and the film producer from that activity – for a period of 5 years from January 1, 2025;
- Income received by individual entrepreneurs who are private partners in public-private partnership projects, as well as producers in electricity generation projects using renewable energy sources with the state's purchase obligation, in the amount not lower than the amount determined by the body (organization) determined by the relevant executive authority, on those projects - is exempt from personal income tax for the period determined in the public-private partnership agreement concluded in accordance with the Law of the Republic of Azerbaijan "On Public-Private Partnership" or 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", respectively, but not more than 30 years (including the construction period);
- 75 percent of the income of individuals engaged in the following types of activities, provided that income from these types of activities (excluding expenses) per calendar year is up to 45,000 manats is exempted:
 - services in the field of software development;
 - project-design and decoration services;
 - translation services;
 - advertising services;
 - research and investigation activities;
 - services provided in the field of science, education, culture and sports;
 - consulting services in the field of law, independent auditors, accounting and finance;
 - activities of journalists;
 - study of market conditions;
 - evaluation activity;
 - delivery of orders and courier activities, except for freight transport by motor vehicles;
 - tourist guidance;
 - export of services.

In the event that the employment contract of a natural person working as a hired employee in the fields of activity specified in the last paragraph is terminated, he/she engages in that activity as an individual entrepreneur and provides the same services in full or in part to the previous employer within 1 year from the date of starting the activity as an individual entrepreneur, the above-mentioned exemption does not apply to that individual entrepreneur. If a natural person engaged in these fields of activity is also engaged in

another field of activity, he may exercise the right to the exemption provided for in that article provided that the specific weight of the annual income derived from the said fields of activity in the annual total income is not less than 50 percent.

Except as provided for in the above paragraphs, 75 percent of the income earned from entrepreneurial activities of individual entrepreneurs, who are micro-entrepreneurs with an average monthly number of employees of not less than 3 people for the relevant year and who do not have debts on mandatory state social insurance contributions, is exempt from personal income tax.

5. Corporate Income Tax

Under the Amendments, the tax object of the sale of stocks offered publicly and admitted to trading on a regulated market on a stock exchange in the territory of the Republic of Azerbaijan, as well as outside the country, is defined as the difference between the sale price of the stock and the purchase price and other expenses incurred.

Exemptions and concessions from corporate income tax

The following income are exempted from the corporate income tax:

- dividends paid by persons carrying out system integration, software development and implementation activities outside the technology park as residents of the technology park – for a period of 10 years starting from the reporting year in which the technology park registration certificate is received;
- 90 percent of the profit earned by a theater, museum, symphony orchestra, as well as a cinematographic enterprise and a film producer registered in the Republic of Azerbaijan in accordance with the procedure established by law and carrying out film production and dubbing, from that activity - from January 1, 2025 for a period of 5 years;
- profits obtained by legal entities that are private partners in public-private partnership projects, as well as producers in electricity generation projects using renewable energy sources with the state's purchase obligation, not lower than the amount determined by the body (organization) determined by the relevant executive authority, on those projects – for the period determined in the public-private partnership agreement concluded in accordance with the Law of the Republic of Azerbaijan "On Public-Private Partnership" or 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", respectively, but not more than 30 years (including the construction period);
- Income from the investment of free funds in accordance with the laws of the Republic of Azerbaijan "On Social Insurance" and "On Unemployment Insurance" (applicable from January 1, 2024).

Non-deductible Expenses

The following additional exceptions have been incorporated into the provision allowing limited cash expenses (capped at 2 percent of the higher of the taxpayer's annual income or expenses in each case) based on a purchase act and a cash register receipt: precious stones, precious metals, and items made from precious stones and precious metals.

Changes in provisions relating to personal and corporate income tax

When paying the rent by an individual who is not registered as a taxpayer, the tax payment at a rate of 14 percent in accordance with the relevant article may be carried out not only by the lessor himself, but also by a tax agent appointed by him.

The tax rate on any amount transferred from the net profit of a non-resident's permanent establishment in Azerbaijan to that non-resident has been set at **5 percent**.

Recording of income and expenses

The determination of the share of income and expenses deducted from the income under long-term contracts for the provision of residential and non-residential areas by persons engaged in building construction activities for each reporting year is carried out in the following manner:

- the costs incurred for each building under construction are compared with the total estimated costs for the building and the specific weight of the actual costs incurred in the total costs is determined;
- the sale price of residential and non-residential premises provided from that building is attributed to the taxable income in proportion to the volume determined by the method specified in the paragraph above;
- the actual expenses incurred are deducted from income.

6. Value Added Tax

The period for calculating value added tax (VAT) only on the basis of trade mark-up during the wholesale and retail sale of agricultural products (domestic and foreign origin) has been extended for another 2 years (from January 1, 2022 to 5 years). Accordingly, the period of non-compensation of value added tax (VAT) amounts paid on agricultural products by taxpayers engaged in wholesale and retail sales of agricultural products has also been extended by 2 years.

With the change in the definition of services for VAT purposes, in addition to the transfer of ownership of money and land to another person, the lease of land is also excluded. Thus, income from the lease of land is now exempt from VAT.

VAT exemptions and concessions

Under the Amendments, VAT will not be levied on the following types of supply of goods, performance of works and provision of services, as well as on the following types of imports:

- Sale of buses manufactured in the territory of the Republic of Azerbaijan, as well as import of spare parts for buses for production purposes by legal entities based on a confirmation document from the body (organization) determined by the relevant executive authority - for a period of 8 years from January 1, 2025;

- Import of machinery, technological equipment and devices by individual entrepreneurs and legal entities who are private partners within the framework of public-private partnership projects, as well as producers under electricity generation projects using renewable energy sources with the state's purchase obligation, for an amount not lower than that determined by the relevant executive authority, based on a confirmation document of the body (organization) determined by the relevant executive authority – for the period determined in the public-private partnership agreement concluded in accordance with the Law of the Republic of Azerbaijan "On Public-Private Partnership" or 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", respectively, but not more than 30 years (including the construction period).
- The requirement that the products be produced by individuals engaged in the design, production, sale, repair and maintenance of defense-related products in order to be exempt from VAT when selling, repairing and maintaining them has been eliminated
- the period of exemption from value added tax (VAT) for the import of equipment and materials within the framework of reconstruction projects of large oil refineries (with an annual crude oil processing capacity of not less than 3 million tons), based on a confirmation document from the body (organization) determined by the relevant executive authority, has been extended for one year.
- the provision of services for the repair of ships, other marine and water transport vehicles, and hydraulic installations by shipbuilding and ship repair enterprises on the order of a non-resident has been included in the list of services subject to zero (0) rate of value added tax (VAT).

VAT Refund

The procedure for refunding VAT paid by foreigners and stateless persons on goods purchased in the territory of the Republic of Azerbaijan and not intended for production or commercial purposes, as well as on medical services provided to foreigners and stateless persons by medical institutions and individuals engaged in private medical practice, shall be determined by the relevant executive authority. VAT on medical services provided to foreigners and stateless persons shall be refunded only on non-cash payments.

The procedure for refunding VAT paid by consumers who are individuals for goods purchased from individuals engaged in retail trade or public catering activities in the territory of the Republic of Azerbaijan (except for oil and gas products, cars, alcoholic beverages and tobacco products), services provided in the field of theater performances, film screenings, museum visits and symphony orchestra concerts, as well as medical services provided by medical institutions and individuals engaged in private medical practice shall be determined by the relevant executive authority. The amount refunded in accordance with this article is 17.5 percent of VAT paid in cashless form and 5 percent of VAT paid in cash. The amount refunded for services provided in the field of theater performances, film screenings, museum visits and symphony orchestra concerts is only 50 percent of the VAT paid in cashless form. The changes set forth in this paragraph shall enter into force on July 1, 2025.

7. Excise Tax

The amount of the taxable transaction (tax base) for these imported excise goods is their quantity:

- tobacco products and their substitutes;

- disposable electronic cigarettes, hookahs and their substitutes;
- liquid for electronic cigarettes;
- drinking alcohol, beer (except for non-alcoholic beer) and all types of alcoholic beverages;
- energy drinks;
- petroleum products.

The taxable base for these imported excise goods is determined by their engine volume:

- passenger cars (with the exception of special-purpose motor vehicles equipped with special signs and equipment);
- buses (except for buses powered by compressed gas);
- motorcycles subject to state registration;
- yachts for recreation or sports and other floating vehicles intended for these purposes.

The taxable transaction (tax base) for imported platinum is each gram of platinum, for gold, jewelry and other household products made from it - the amount of gold in thousand weight units, for processed, sorted, framed and set diamonds - the carat of the diamond.

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

8. Property Tax

Following additional exemptions are granted:

- In addition to industrial or technology parks established by a body (institution) determined by the relevant executive authority, the managing organization or operator of industrial districts is also now exempt from property tax for their property located in the territory of industrial or technology parks and industrial districts.
- Individual entrepreneurs and legal entities that are private partners in public-private partnership projects, as well as producers in electricity generation projects using renewable energy sources with the state's purchase obligation, for an amount not lower than the amount determined by the relevant body (institution) – are exempt from paying property tax on property used within the framework of those projects for the period determined in the public-private partnership agreement concluded in accordance with the Law of the Republic of Azerbaijan "On Public-Private Partnership" or 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", respectively, but not more than 30 years (including the construction period).

9. Land Tax

Following additional exemptions are granted:

- The managing organization or operator of industrial or technology parks and industrial districts established by the body (institution) determined by the relevant executive authority - for the lands used by it in the territory of industrial or technology parks and industrial districts;
- Individual entrepreneurs and legal entities that are private partners in public-private partnership projects, as well as producers in electricity generation projects using renewable energy sources with the state's purchase obligation, for an amount not lower than that determined by the relevant body (institution) – for the period determined in the public-private partnership agreement concluded in accordance with the Law of the Republic of Azerbaijan "On Public-Private Partnership" or 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", respectively, but not more than 30 years (including the construction period) for the lands used within the framework of those projects;
- Theaters, museums, symphony orchestras, as well as cinematographic institutions and film producers registered in the Republic of Azerbaijan in accordance with the procedure established by law and carrying out film production and dubbing, for the lands they use for that activity for a period of 5 years from January 1, 2025, are exempt from paying land tax.

10. Road Tax

According to the Amendments, the road tax for gasoline, diesel fuel and liquefied gas produced in the territory of the Republic of Azerbaijan and intended for domestic consumption (sold wholesale) is calculated at the rate of 0.02 manats per liter and is added to the wholesale price (including VAT and excise duty). The road tax for imported gasoline, diesel fuel and liquefied gas is calculated at the rate of 0.02 manats per liter and is added to the customs value (including import duty, excise duty and VAT) determined in accordance with the Customs Code of the Republic of Azerbaijan, but not lower than their wholesale market price.

Trucks, trailers and semi-trailers of foreign countries are exempt from road tax for a period of 2 years from January 1, 2025 in the following cases, in accordance with the procedure determined by the relevant body (organization):

- when cargo transported by rail is transferred to trucks, trailers and semi-trailers of foreign countries at the last railway station determined by the relevant body (organization) in the territory of the Republic of Azerbaijan and transported to another state by passing through the nearest customs border checkpoint;
- when cargo is transported by trucks, trailers and semi-trailers of foreign countries from the territory of another state to the first railway station determined by the relevant body (organization) in the territory of the Republic of Azerbaijan through the nearest customs border checkpoint.

11. Tax Control and Audits

The period of tax audits related to foreign income has been specified:

In cases where a request is received from the competent authorities of foreign states or relevant information on income obtained abroad is received, desk tax audits cover the period of 5 years preceding the date of receipt of the request or information, and field tax audits cover the period preceding the date of the tax authority's decision to conduct the audit, and for tax audits assigned in accordance with the Criminal Procedure Code of the Republic of Azerbaijan, the period determined by the term of criminal liability in accordance with the Criminal Code of the Republic of Azerbaijan.

The scope of operational tax control also includes the following issues:

- detection of cases of creating conditions for lessees to operate in markets (objects) without ensuring that the entities (objects) leased in the markets are registered with the tax authority, with the exception of agricultural product markets and agricultural cooperative markets;
- control over the display (posting) of information (certificate) on the registration of the business entity (facility) with the tax authority (indicating the name and TIN of the taxpayer) at the entrance of the business entity (facility) used for entrepreneurial activity purposes in the markets, with the exception of agricultural product markets and agricultural cooperative markets. This article shall enter into force nine months after the adoption of these amendments.

12. Questions? Contact us!



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