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1. Expected amendments to the Tax Code and Law On “Social insurance”

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Azerbaijan Ministry of Economy has declared draft amendments to the tax Code and Law on “Social Insurance” to support local business affected COVID-19 pandemic.

Affected by COVID-19 business activities include:

- Domestic (intercity and inter-district, intra-city and intra-district) passenger transportation by road (including taxi)
- Hotels, motels, hostels and similar objects considered as accommodation facilities
- Tour operators and travel agencies
- Transportation and/or delivery of ordered goods including meal, food and non-food products
- Public catering
- Organization of exhibitions; scene, relaxation, entertainment, cinema, theatre and concert hall activities
- Activity of sports and fitness facilities
- Preparatory training and professional training courses, out-of-school educational institutions, psychological centers
- Other areas of business activity fully or partially restricted by the Cabinet of Ministers for prevention of spread of COVID-19 and safety of population

Tax incentives and exemptions

Type of tax	Proposed tax relief/exemption
Profit (income) tax	75% tax exemption. Payments for disinfection works shall be considered as fully tax deductible costs
Withholding Tax	Reduction on tax rate from 14% to 7% on rental income of individuals from immovable property
VAT	Exemption on import of goods and products used for provision of health and food needs of population. Write off of spoiled foods shall be VAT exempt.
Property tax	Full exemption
Land tax	Full exemption
Simplified tax	Reduction of tax from 2% to 1%

Interest for the period from 01 April to 31 December 2020	No interest accrual for unpaid tax, social contributions and unemployment insurance
Simplified tax of domestic (intercity and inter-district, intra-city and intra-district) passenger transportation by road (including taxi)	0.9 AZN per seat for passenger transportation. 4.5 AZN per seat by taxi transportation.
Simplified tax on catering	Reduction of tax from 8% to 4%
Profit and Property Tax prepayments	<p>* Subjects of micro business (when revenue does not exceed 200,000 AZN per annum and number employees from 1 to 10) shall make payment of simplified tax and prepayment of profit and property tax for Q 1 and 2 2020 no later than 01 September 2020.</p> <p>* Tax payers other than subjects of micro business shall pay profit (income) and property tax for 2019 no later than 01 September 2020.</p> <p>* VAT registered tax payers engaged in catering have right to apply for simplified tax system for 2020 till 01 September 2020 instead of 20 April 2020.</p>
Social contributions	<p>* 25% (now 50%) of monthly minimum salary (currently 250 AZN) for those engaged in construction and trade and 15% (now 25%) of monthly minimum salary for others. This reduction will be valid from 01 April to 31 December 2020.</p> <p>* 50% of monthly minimum salary for those engaged in construction and 25% of monthly minimum salary for others. This reduction will be valid from 01 January 2021 to 31 December 2025.</p> <p>* Bar members, independent auditors, independent accountants – 10% of profits (now 20% of income).</p>

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