

## Contents

1. Amendments to the Azerbaijan Tax Code and Law On “Social insurance”

### **Amendments to the Azerbaijan Tax Code and Law on “Social Insurance”**

The President of Azerbaijan signed Decree on approving amendments to the Tax Code and Law on “Social Insurance” to support local business affected COVID-19 pandemic (published on 02 June 2020). Amendments will be valid from 01 January 2020 and introduce new Chapter XVIII with temporary tax regime regulations which include:

#### **Affected by COVID-19 business activities**

- Domestic (intercity and inter-district, intra-city and intra-district) passenger transportation by road (including taxi)
- Hotels 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 (excluding budget organizations, organizations financed from budget and non-budget state funds, state-owned legal entities)

#### **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. The list of such goods shall be approved by Cabinet of Ministers.

	* Value of spoiled food and food products of catering companies shall be exempt from VAT.
Property tax for 2020	Full exemption
Land tax for 2020	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. 0.5 AZN per ton for cargo transportation
Simplified tax on catering	Reduction of tax from 8% to 4%
Profit and Property Tax prepayments	<p>* Tax payers listed above shall be exempt from profit (income) and property tax prepayments and will not be required to file profit (income) tax advance payment returns to the tax authorities</p> <p>* Subjects of micro business (when revenue does not exceed 200,000 AZN per annum and number employees from 1 to 10) shall declare and make payment of simplified tax for Q 1 and 2 2020, declare and pay profit and property taxes for 2019 no later than 01 September 2020.</p> <p>* Tax payers other than subjects of micro business shall declare and 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 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</p>

	31 December 2025.  * Bar members, independent auditors, independent accountants – 10% of profits (now 20% of income).
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Exemptions are not applicable to risky tax payers and those tax payers involved in fictitious transactions.

Property tax exemption will apply on aircrafts used for passenger transportation by air carriers.

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