

Contents

1. Tax Code amendments
2. Amendments to Social Insurance Law
3. Amendments to Medical Insurance Law

Tax Code amendments

The President of the Azerbaijan Republic approved amendments to the Tax Code to be valid from 01 January 2026.

General provisions

The amendments aim to modernize tax administration, strengthen transparency, support digital reporting, enhance taxpayer compliance, and introduce major incentives for strategic sectors such as industry, technology, agriculture, transport, renewable energy, and public–private partnerships (PPP). A key pillar is the introduction of the new ‘Horizontal Monitoring’ tax supervision model.

Horizontal Monitoring

Horizontal Monitoring represents a shift from traditional post-control audits to continuous cooperation between taxpayers and tax authorities. Key features:

- Eligibility criteria: medium/large enterprise status, automated accounting, internal control system, non-risky taxpayer status.
- Application deadline: 1 September preceding the monitoring year.
- Monitoring period: previous calendar year; duration up to 6 months (extendable by 2 months).
- Field and desk audits cancelled for monitored periods (except transfer pricing and foreign info cases).
- Taxpayers must submit tax calculation files and internal control documentation via a government data-exchange platform.
- If risks are disclosed before monitoring begins, penalties for tax understatement do not apply.

Depreciation changes

- Two allowed methods: straight-line and declining-balance (only available to Horizontal Monitoring participants).
- New fixed useful lives for assets: buildings (44 years), machinery (14 years), computers (11 years), vehicles (14–19 years).
- Capital repair costs added to asset value under strict rules.
- Clear rules for switching depreciation methods.

Administrative & Procedural Changes

- New rules for taxpayer registration and deregistration (postal submissions restricted).
- All electronic documents must be submitted through the Electronic Cabinet platform.

- Fishery activities partly recognized as agriculture for tax purposes.
- Audit-related definitions clarified; outdated provisions removed.
- Electronic tax invoices for international transportation service shall be issued before such transportation starts.
- Electronic tax invoices for services rendered on a regular and ongoing basis, at the time the provision of services begins for each calendar month

Corporate Income Tax (CIT)

- New rules for recognizing depreciation and tax base adjustments for assets acquired through state-funded investment projects.
- Dividends paid by non-resident companies are taxed at 5%.
- Updated treatment of state subsidies allocated for capital assets.

Personal Income Tax (PIT)

A new three-stage progressive PIT model applies from 2026: This replaces the long-standing temporary exemptions.

In 2026

Monthly income	Tax rate
Up to 2500 AZN	3%
From 2500 AZN to 8000 AZN	75 AZN +10% of amount between 2500 AZN and 8000 AZN
Over 8000 AZN	625 AZN+ 14% of amount over 8000 AZN

In 2027

Monthly income	Tax rate
Up to 2500 AZN	5%
From 2500 AZN to 8000 AZN	125 AZN +10% of amount between 2500 AZN and 8000 AZN
Over 8000 AZN	675 AZN+ 14% of amount over 8000 AZN

In 2028

Monthly income	Tax rate
Up to 2500 AZN	7%
From 2500 AZN to 8000 AZN	175 AZN +10% of amount between 2500 AZN and 8000 AZN
Over 8000 AZN	725 AZN+ 14% of amount over 8000 AZN

Value Added Tax (VAT)

Major changes include:

- POS-terminal based incentives for hospitality, medical providers, and individual practitioners (up to 50% turnover reduction for 3 years).
- VAT exemptions for industrial parks, technology parks, shipbuilding materials, renewable energy equipment, and PPP projects.
- Expanded rules for exports, duty-free goods, and fish products.

Excise Tax

- New excisable goods: mobile devices and quadricycles.
- Mobile devices taxed at 100 AZN per each next unit.
- Increased excise rates for alcohol, tobacco, and vehicles.

Sectoral Incentives

- Shipbuilding: 3-year VAT exemption on imported materials.
- Electric bus and EV production in industrial parks.
- Local bus and truck production: 7–8-year incentives.
- PPP and renewable energy projects receive long-term VAT incentives (up to 30 years).

Simplified tax

For persons engaged in public catering, the simplified tax is generally applied at a rate of 8% on the taxable turnover. However, for services provided to the population and paid for cashless via POS terminals, a reduced rate of 6% will apply for a three-year period starting from 1 January 2026, provided that the POS terminal is integrated with the cash register in a unified transaction system.

Amendments to Social insurance Law

For those operating in non-oil and non-gas private sector social contributions will be paid as per below table:

Monthly income	Rate of social contributions		
	Total	To be withheld from income of employee	To be paid by employer
Up to 200 AZN	25%	3%	22%
From 200 AZN to 8000 AZN	25%	6 AZN + 10% of amount between 200 AZN to 8000 AZN	44 AZN + 15% of amount between 200 AZN to 8000 AZN
Over 8000 AZN	21%	786 AZN + 10% of amount over 8000 AZN	1214 AZN + 11% of amount over 8000 AZN

Income of insured individuals outside employment shall be subject to below social contributions

- Bar members, independent mediators -15% of income (expenses to be excluded)

Amendments to Medical Insurance Law

For those operating in non-oil and non-gas private sector medical insurance contributions will be paid as per below:

Activity type	Monthly income			
	Up to 2,500 AZN		Over 2,500 AZN	
Responsibility	Employer	Employee	Employer	Employee
Non- oil and non- public sector	2%	2%	0.5% of amount exceeding 2,500 AZN	AZN 0.5% of amount exceeding 2,500 AZN
Tax registered individuals (freelancers, private notaries, bar members)	4% of minimum monthly salary			
Individuals without tax registration	2% of income up to 8,000 AZN		1% of amount over 8,000 AZN	

For those operating in oil and gas and public sector, medical insurance contributions will be paid as per below:

Activity type	Monthly income			
	Up to 8,000 AZN		Over 8,000 AZN	
Responsibility	Employer	Employee	Employer	Employee
Public and oil sector	2%	2%	0.5% of amount exceeding 8,000 AZN	0.5% of amount exceeding 8,000 AZN

WWW.CBCWORLD.COM

The information contained in this publication is for general guidance only. You should neither act, nor refrain from acting, on the basis of such information.

KRESTON GLOBAL CBC LLC
Caspian Plaza III, 12th Floor
44 J.Jabbarly Street
Baku, AZ 1065, Azerbaijan

Tel: + 994 12 497 04 23

Contacts:

Rauf HASANOV

Rauf.gassanov@cbeworld.com

Bayaz AHUNDLU

bayaz.ahundlu@cbeworld.com



CASPIAN BUSINESS CONSULTANTS LLC