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Tax Code amendments

In February 2026, The President of the Azerbaijan Republic approved the Tax Code amendments.

Digital Services & E-Commerce

A non-resident supplier must register for tax in Azerbaijan within **30 days** if its annual turnover from electronic services supplied to customers in Azerbaijan exceeds **USD 10,000**.

Once registered:

- The non-resident must charge **VAT at 18%** on taxable electronic services supplied to individuals in Azerbaijan.
- VAT reporting and payment obligations arise in accordance with Azerbaijani tax legislation.
- Registration is typically performed through a simplified electronic procedure.

The following services are expressly excluded from the definition of taxable electronic services for these purposes:

- Consulting services
- Legal services
- Financial services
- Accounting services
- Design services
- Engineering services
- Real-time (live) training services
- Online sale of tickets for scientific, educational, cultural, sports, and entertainment events

These services do **not** trigger the simplified non-resident e-service VAT registration regime.

Registered non-resident digital service providers must pay VAT by the end of the following month after reporting period.

WUF13 Tax Incentives

Temporary exemptions apply to income, royalties, VAT on services, and imports related to the UN World Urban Forum 13 from September 2025 for one year.

Law on banking activity amendment

Banks must share account information for government and state-controlled entities with designated authorities electronically.

The Constitutional Court ruling

On **18 February 2026**, the Plenum of the **Constitutional Court of the Republic of Azerbaijan** issued a ruling concerning **Parts 2 and 3 of Article 144 of the Labor Code**.

The Court held that the provisions which excluded compensation for certain categories of unused additional annual leave upon termination of employment were **unconstitutional**, as they violated the principles of **equality** and **proportionality** and unjustifiably restricted employees' right to paid leave.

Accordingly, the Court clarified that upon termination of employment, employees are entitled to monetary compensation not only for **unused basic annual leave**, but also for **unused additional annual leave** accrued under:

- Articles **115–117** (additional leave for specific working conditions and circumstances), and
- Article **118-1** (additional leave for employees with special labor characteristics).

Any denial of compensation for these additional leave entitlements was found incompatible with the Constitution and must no longer be applied.

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.

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