

Highlights of Tax Code Amendments in 2016

December 16, 2015

On 20 October 2015 the President of the Republic of Azerbaijan signed into law amendments to the Tax Code 2000, which are effective from 1 January 2016.

The most important changes include the following:

Preventing individuals who have tax debts from leaving the country

The tax authorities will now have the right to obtain a court order to temporarily restrict the rights of taxpayers who have tax debts from leaving the country. This restriction will also apply to the heads of management bodies of legal entities that have tax debts.

Severe penalties for the violation of cash settlement rules by persons involved in trading and public catering activities

Penalties for the violation of cash settlement rules by persons involved in trade and/or public catering activities whose income in any month or months during a consecutive period of 12 months exceeds AZN 200,000 will be as follows:

- One-off offense – AZN 2,000
- Second offense within one calendar year period – AZN 4,000
- Three or more offenses within one calendar year period – AZN 6,000

Certain income tax changes

Income from sport betting games will now be subject to a 10 percent withholding tax.

A tax benefit equal to one living wage will apply to monthly employment income of up to AZN 2,500. For annual income of up to AZN 30,000, the tax benefit will be 12 times the living minimum wage. The living minimum wage for

2016 is established as AZN 136.

Taxation of the sale of immovable property

Sellers of residential and non-residential property, except for individuals who sell residential property where they have resided for at least 5 years, will become simplified taxpayers. The applicable tax will be AZN 15 per each square meter of the property, multiplied, depending on the location of the building, by a coefficient ranging from 0.5 to 4.0 for residential areas and a coefficient of 1.5 for non-residential areas. The tax will be withheld by notaries who will certify the sale and purchase transaction.

VAT threshold increased

The threshold for obligatory VAT registration will be AZN 200,000. Previously, it was AZN 120,000.

VAT exempt list of operations increased

The VAT exempt list will now include the import of goods by humanitarian organizations for humanitarian aid purposes; the import of goods by individuals other than for industrial or commercial purposes; the import of goods for special economic zones (except for excise goods) and the import of equipment and materials for export oriented oil and gas activities; as well as the import of fixed assets which are the object of leasing agreements.

Mining tax rates increased

In most cases, the mining tax has increased two-fold.

Major amendments to the simplified tax introduced

Simplified taxpayers may be

(i) Persons who have the right to become such taxpayers

- Whose income in any month or months during a consecutive period of 12 months does not exceed AZN 200,000
- Who are involved in trading and/or public catering activities whose income in any month or months during a consecutive period of 12 months exceeds AZN 200,000
- Who are involved in building construction

(ii) Persons who are simplified taxpayers, irrespective of the above

- Who are involved in passenger and cargo transportation using their own vehicles or vehicles in their use or involved in transportation based on an agreement though other persons
- Who are operators and sellers of sport betting games
- Who are sellers of residential and non-residential property, except for individuals who sell residential areas where they have resided for at least five years

Simplified tax in respect of trade activity will be six percent of sales turnover (less turnover with regard to the sale of goods with state regulated prices) and for public catering activity – eight percent of sales turnover.

Simplified tax on persons involved in construction activity will be AZN 45 per square meter of the property, multiplied, depending on the location of the building, by a coefficient from 0.5 to 4.0 for residential areas and coefficient of 1.5 for non-residential areas.

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