

Update on additional investment incentives

June 3, 2016

On 6 May 2016 the President of Azerbaijan signed a number of laws amending the Tax Code, the Law *On Social Insurance* and the Law *On Customs Tariffs*.

The amendments, in particular, introduce the following:

1. An exemption for five years starting 1 May 2016 from:

- customs duties on all types of goods imported by residents of the *Garadagh Industrial Park* involved in shipbuilding activity on the basis of support documents from the Ministry of Economy of Azerbaijan;
- VAT on all types of goods imported by residents of the *Garadagh Industrial Park* involved in shipbuilding activity on the basis of support documents of the Ministry of Economy of Azerbaijan;
- VAT with a zero rate on the sale of goods and the provision of works and services for the purpose of shipbuilding activity by residents of the *Garadagh Industrial Park* involved in such activity, as well as by their contractors and subcontractors which have direct contracts with contactors of the residents of the park;
- social protection fund contributions by foreigners employed for the purpose of shipbuilding activity by residents of the *Garadagh Industrial Park* involved in such activity, as well as their contractors and subcontractors which have direct contracts with contactors of the residents of the park.

2. An exemption from road tax for three years starting from 1 June 2016 on trucks of foreign states when carrying out transportation of cargo as described in the law.

3. An exemption from VAT on the import and sale of, inter alia, breeding cattle; seeds and seedlings; fertilizers and pesticides; equipment, machinery, and vehicles for agricultural and irrigational use starting from 1 April 2016. Under the Tax Code amendments, the President of Azerbaijan is also expected to exempt the import of certain raw materials and other materials from VAT.

The amendments to the Tax Code also changed the tax rate for agricultural land (which will now, subject to certain conditions, be set at AZN 1 per 100 square meters). The amendments will be effective from 1 January 2017.

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