

PwC Azerbaijan Times

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Overview of this Issue:

- **Approval of the criteria for the indication of micro, small, medium and large entrepreneurship subjects**



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Approval of the criteria for the indication of micro, small, medium and large entrepreneurship subjects

According to the amendments to the Tax Code approved by the Law No. 1356-VQD dated 30 November 2018 micro and small entrepreneurship subjects will be able to benefit from a number of exemptions and incentives.

The Cabinet of Ministers approved the "Criteria for the indication of micro, small, medium and large entrepreneurship subjects" by Decision No 556 dated 21 December 2018.

According to this decision, entrepreneurship subjects are divided into 4 categories by the number of employees and annual income. The mentioned criteria and their quantification are indicated in the table № 1.

If the business entity falls under one category according to the number of employees, and another category by annual income, the business entity is defined as a micro, small, medium or large entrepreneur/enterprise according to the criterion with highest indicator.

According to the provisions of the Tax Code effective from 01 January 2019, the following tax incentives will be applied to the micro entrepreneurs/enterprises:

- Exemption from income tax of 75 percent of individual entrepreneur's income.
- Exemption from corporate income tax of 75 percent of profit derived from the entrepreneurial activities of the legal entities;
- Micro business entrepreneurs/enterprises are eligible to calculate the tax deductible depreciation charges by applying "2" coefficient to the depreciation rates set out in the Tax Code.
- exemption from payment of property tax

For example:

The income of individual entrepreneur qualified as a micro entrepreneur is totaling to 13.000 AZN, whereas the tax deductible expenses are amounted to 9,000 AZN. The taxable income after deduction of expenses is 4,000 AZN, the income tax will be calculated as follows:

4000 AZN – 4000 AZN*75%(tax exempt part)=1000 AZN

1000 AZN * 20% = 200 AZN (income tax)

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Please also consider that small business entrepreneurs/enterprises are eligible to calculate the tax deductible depreciation charges by applying “1.5” coefficient to the depreciation rates set out in the Tax Code.

Table № 1

| Entrepreneurship subjects categories per size | Number of employees (persons) | Annual income (AI) (value of goods supplied, works performed, services rendered and amounts of non-operating income) |
|---|-------------------------------|--|
| Micro entrepreneur/enterprise | 1 - 10 | AI ≤ 200 000 (up to two hundred thousands AZN) |
| Small entrepreneur/enterprise | 11 - 50 | 200 000 (from two hundred thousand AZN) < AI ≤ 3 000 000 (to three millions AZN) |
| Medium entrepreneur/enterprise | 51 - 250 | 3 000 000 (from three million AZN) < AI ≤ 30 000 000 (to thirty millions AZN) |
| Large entrepreneur/enterprise | 251 and above | 30 000 000 (from thirty millions AZN and above) < AI |