

### Overview of this Issue:

- **Expected Tax Code changes**
- **Effective Property Tax and Land Tax rules**



For any questions related to the information included herein, please contact

Aysel Suleymanova

Marketing & Communications Manager

[aysel.suleymanova@az.pwc.com](mailto:aysel.suleymanova@az.pwc.com)

#### PwC Azerbaijan

The Landmark Office Plaza III | 12th Floor  
90A Nizami Street  
AZ1010 Baku | Azerbaijan

Tel: +994 12 497 2515

Fax: +994 12 497 7411

[www.pwc.com/az](http://www.pwc.com/az)

© 2015 PwC. The material contained in this alert is provided for general information purposes only and does not contain a comprehensive analysis of each item described. No representation/warranty is given as to the accuracy or completeness of the information in the publication. Before taking (or not taking) any action, readers should seek professional advice specific to their situation. No liability is accepted for acts or omissions taken in reliance upon the contents of this alert.

### ***Expected Tax Code changes***

The Parliament of the Azerbaijan Republic (Milli Majlis) passed the law on changes to the Tax Code. Once the law comes into force (i.e., signed by the President of Azerbaijan and published in the official newspaper), the changes will be effective from 1 January 2015.

Major changes are as follows:

#### ***Partial tax exemption on interests on bank deposits of individuals***

Annual interest income starting from AZN 500, paid on deposits of individuals and by a local bank or the branch of a foreign bank in the Azerbaijan Republic, will be subject to withholding tax at 10% in Azerbaijan. Previously, interests paid on deposits of physical persons by banks and other credit organizations were fully exempt from income tax.

#### ***Excise tax news: Introduction of excise tax on precious metals and diamonds, new rates on tobacco products, alcohol, automobiles and yachts***

Imported platinum, gold and jewellery and other household products made from gold, as well as processed, sorted, framed and fixed diamond will be included into the list of goods subject to excise tax.

Import of platinum, gold and gold products and diamond will be exempt from excise tax only up to a certain limit. Moreover, platinum, gold and certain diamonds imported in order to be included into the assets of the Central Bank and gold imported in order to be included into the assets of the State Oil Fund will also be exempt from excise tax.

# *PwC Azerbaijan Times*

## Issue №1

Excise rates for drinking spirit, beer, and alcohol drinks manufactured in Azerbaijan will be increased.

Excise rates for tobacco products manufactured in the Azerbaijan Republic will be determined as follows, whilst currently the rate is 12.5% for all tobacco products:

- AZN 10 for 1,000 items of cigars, cigars with cut end, and cigarillo (thin cigars).
- AZN 4 for 1,000 items of cigarettes produced from tobacco and its substitutes.

Excise rates for automobiles, yachts for rest and sport purposes and other floating means serving the mentioned purposes and imported into the Azerbaijan Republic will be increased and will constitute AZN 0.20- AZN 10 depending mostly on the volume of engines.

### ***Property tax news***

Exemption of 25% of the property tax payable for water transportation means in the balance of enterprises, which are used in the carriage of passengers and cargoes, will be introduced.

### ***Road tax news: Mechanism of payment of road tax will be changed***

Instead of payment of road tax by owners of auto-transportation means (excluding road tax on transit), such owners will indirectly pay the road tax within the price of fuel.

*Wholesalers* - road tax rate for automobile petrol, diesel fuel and liquid gas manufactured in Azerbaijan and directed to the national consumption (wholesale) is AZN 0.02 on wholesale price (including VAT and excise) for each litre of these mentioned items. *Importers* - for

automobile petrol, diesel fuel and liquid gas imported into Azerbaijan, road tax is calculated at AZN 0.02 on the customs value, but not lower than wholesale market price (including VAT and excise), of each litre of the mentioned items.

### ***Road Tax and taxable bases for VAT and Excise Tax***

Road tax will not be included into the taxable base for VAT and Excise Tax.

### ***Effective Property Tax and Land Tax rules***

As we informed you in PwC Azerbaijan Times' edition #5, August 2014, the rates of property tax and land tax for physical persons were ratified by Milli Majlis with law, dated 20 June 2014, and came into effect on 1 January 2015.

Property tax of physical persons should be calculated based on the area of the building and property tax rates will vary between 0.1-0.4 AZN per square meter depending on the location of the building (e.g., in Baku the rate is AZN 0.4 per square meter).

In the residential areas, property tax is applied only to the area of the property exceeding 30 square meters. If the building is located in Baku, tax will be calculated applying coefficients (min. 0.7 and max. 1.5).

Except for agricultural lands, the land tax rate per 100 square meters of a land plot varies between 0.1-20 AZN depending on the purpose of the land and its location.