

### The Criteria for Risky Taxpayers and Risky Transactions has been approved

The Criteria for Risk Taxpayers and Risky Transactions referred to in Article 13.2.82 of the Tax Code has been approved by Decision No. 265 of the Cabinet of Ministers of the Republic of Azerbaijan dated July 28, 2020.

According to the Decision, the following **transactions** carried out by the taxpayer are **considered as risky**:

- if it is revealed that the electronic invoices (e-qaimə) issued by the taxpayers reflect different types of goods than the types of goods purchased or imported;

- If it is revealed that the volume of the goods supplied by the taxpayers is larger than the volume of the goods purchased or imported (in respect of oversupplied goods).

As per Decision, a taxpayer who meets at least one of the following criteria is considered a risky taxpayer:

1. If a taxpayer conducts risky transactions;

2. If a taxpayer conducts transactions without substance;

3. If an importer, manufacturer or a person who is engaged in business activities without being an importer does not have a registered warehouse or an economic object with the tax authority, or if the size of their areas does not match with the volume of purchased goods;

*Exceptions: Goods imported on the basis of an order for other persons and delivered directly to customers and provided that information on the amount of the order for each customer is submitted to the tax authorities (in case of the customer is a taxpayer its TIN, in case of the customer is a physical person his/her name, surname, patronymic and FIN).*

4. If it is detected that goods obtained by the taxpayer which does not match with its business activities were supplied without documentation.

*Exceptions: Office supplies, inventory and other similar assets acquired by a taxpayer for the purposes of its own business activities.*

5. If the volume of goods imported or purchased by the taxpayer for sale purposes during last 6 months exceeds at least 3 times of its turnover for the relevant period;

*Exceptions: The goods of seasonal nature, as well as pre-ordered goods and goods intended to be delivered within the certain period specified in the contract (agreement).*

6. A legal entity in which the natural person who is a risky taxpayer is the head of the executive body or the shareholder;

7. A legal entity established by the legal entity with the head of executive body or shareholder being risky taxpayer;

8. Individuals who are the head of the executive body of more than five legal entities and the legal entities where such individuals are head of the executive bodies.

***Information on decisions about the taxpayers which were qualified as a risky taxpayer, as well as decisions on removing them from the list of risky taxpayers will be published on the official website of the State Tax Service under the Ministry of Economy of the Republic of Azerbaijan.***

# PwC Azerbaijan Times

## Business Legislation & Practice Update



### Tax implications of being qualified as a risky taxpayer:

- Being risky taxpayer may be the basis for conducting operative tax Control and extraordinary on-site tax inspection;
- The application for the return of overpaid taxes will be considered after the completion of the tax audits and operative tax control measures;
- Information about risky taxpayers is not considered as confidential;
- Taxpayers who receive goods (work and services) from a risky taxpayer will not be able to offset the VAT paid with respect to those goods (works and services).

### Contact us for any questions related to the information included herein

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