

PwC Azerbaijan Times

Issue №9

July 2019

Overview of this issue

- The updated "List of Countries and territories with preferential taxation" was approved.
- Approval of the criteria for "SME Cluster Company"



Contact us for any questions related to the information included herein



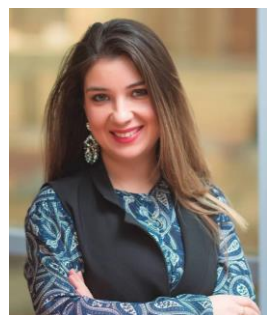
Arif Guliyev
Director,
Tax Advisory Services Leader
arif.guliyev@pwc.com



Elchin Mammadov
Director,
Head of Legal Practice
elchin.mammadov@pwc.com



Elnur Mammadov
Director,
Tax Reporting and Strategy
Leader
elnur.mammadov@pwc.com



Aysel Suleymanova
Marketing & Communications
Leader
aysel.suleymanova@pwc.com

Follow us



PwC Azerbaijan



PwC Azerbaijan



PwC Azerbaijan



www.pwc.az

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



The updated "List of Countries and territories with preferential taxation" was approved.

In accordance with № 724 Decree of the President of the Republic of Azerbaijan dated June 11, 2019, the new updated list of countries or territories with preferential tax treatment was approved:

- 7 countries - Antillean (Netherlands), Bahrain, Guernsey, Isle of Man, Macau (China), Nauru, Seychelles are removed from the list;
- 4 countries - Fiji, Cape Verde, St. Vincent and the Grenadines, Trinidad and Tobago have been added to the list.

Note: According to the provisions of the Tax Code of Azerbaijan Republic, any payment made by the residents of Azerbaijan or permanent establishment of the non-residents in Azerbaijan to persons/ entities established (registered) in the jurisdictions with preferential taxation, including payments to the bank accounts placed in so called "low tax jurisdictions" are considered as Azerbaijani source income and is subject to 10% withholding tax.

The updated full list of countries with preferential taxation is available under the following link: <http://e-qanun.az/framework/42606>

Approval of the criteria for "SME Cluster Company"

The criteria of the SME (small and medium enterprises) Cluster Company were approved by the Decision of the Collegium of the Ministry of Taxes of the Republic of Azerbaijan No.191705000007900, dated May 8, 2019.

According to Article 13.2.78 of the Tax Code of the Republic of Azerbaijan, the SME Cluster Company is defined as a legal entity, which meets the criteria set by the Ministry of Taxes and obtained a certificate of SME Cluster Company issued by the Small and Medium Business Development Agency of the Republic of Azerbaijan (hereinafter - the Agency).

According to the Criteria, the following taxpayers are considered as an SME Cluster Company:

1. Taxpayers, registered as commercial legal entities and not controlled by the State;
2. Taxpayers, whose charter contains the clause that all important decisions should be made with approval of the Agency;
3. Taxpayers supporting the following industries:
 - Creating of competitive products that are not produced in the Azerbaijan Republic, or;
 - Creating a local product that can replace an imported product which currently satisfies more than 50% of the consumption, or;
 - Providing housing and accommodation services (hotel, motel, camping, etc.)
4. For the purposes of the project's implementation by the SME Cluster Company, at least 10 non-related micro, small and medium entrepreneurship entities should enter into contractual and commercial relationships with each other.

The criteria for the minimum amount of investment required for the implementation of the projects by SME Cluster Company is defined as follows:

1	Baku	5 million AZN
2	Baku suburban settlements and Absheron district	3 million AZN
3	Sungait and Ganja cities	2,5 million AZN
4	The cities and districts not mentioned above	1,5 million AZN
5	Nakhchivan Autonomous Republic, Nakhchivan Autonomous Republic, Fuzuli, Khojavend, Agdam, Tartar, Agjabedi, Goranboy, Goygol, Gadabay, Dashkesen, Gazakh, Tovuz, Agstafa, Lerik, Yardimli, Balakan and Gusar	0,5 million AZN

Thus, the taxpayers meeting the criteria listed in the Decision are provided with the Certificate issued by the Agency by agreeing with the Ministry of Taxes.

In accordance with the Tax Code of the Republic of Azerbaijan (Article 102.1.32, 106.1.21, , 164.1.40, 199.15, 207.6), taxpayers who have obtained this certificate, shall be exempted from income/profit tax property, land tax and VAT on import of the machinery, technological equipment and devices imported for the purpose of production and processing by SME Cluster Companies for the period of 7 years, from the date of the registration as a SME Cluster Company.