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Overview of this issue

- Approval of the Rules for the “Return of the overpaid taxes, mandatory state social insurance contributions, unemployment insurance contributions, interest and financial sanctions”



Contact us for any questions related to the information included herein



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Approval of the Rules for the “Return of the overpaid taxes, mandatory state social insurance contributions, unemployment insurance contributions, interest and financial sanctions”

According to the Decree №313 dated 16 July 2019, Cabinet of Ministers of the Republic of Azerbaijan amended the “Rules on the return of the overpaid taxes, mandatory state social insurance contributions and unemployment insurance contributions, interest and financial sanctions” (hereinafter **“Rules”**).

The newly amended Rules define the refund procedures of the following erroneously deducted or overpaid amounts to the taxpayers or insurers:

- Taxes,
- Mandatory state social insurance contributions (“SIC”),
- Unemployment Insurance contributions (“UIC”),
- Property tax paid for state-owned property, the privatization of which has been completed ,
- Assessed interest and financial sanctions.

The rights of the taxpayer or the insurer to refund the overpayments to the budget

A taxpayer or insurer is entitled to claim amount of taxes, accrued interests and financial sanctions, UIC and accrued interests which have been erroneously deducted or overpaid within **5 years** after the end of the tax reporting period:

- to be refunded or;
- to be offset with the current liabilities or;
- to be deferred to cover the future liabilities.

In case the taxpayer or insurer files an appeal to the court with respect to the taxes, UIC and financial sanctions calculated by the tax authorities, the claim period of 5 years shall not include the time period since the submission of complaint until the date when the court’s decision becomes effective.

With respect to the amounts of the overpaid SIC and associated interests and financial sanctions, there are no restrictions or limitations in terms of the claim period . Thus, the taxpayer can claim the overpaid SIC, associated interests and financial sanctions without statute of limitation.

Another important change is that the overpaid amounts of SIC, interest and financial sanctions can be utilized for payment of UIC liabilities, or vice versa.

However, overpaid taxes, accrued interests, and financial sanctions cannot be offset with SIC and UIC liabilities.

Term of application

The terms for processing of the refund applications have been aligned with those set out in the Tax Code and have been determined between 20 days and 4 months.