

PwC Azerbaijan Times

Issue № 13

November 2019

Overview of this issue

- Draft Law on amendments to the Tax Code of the Republic of Azerbaijan



Contact us for any questions related to the information included herein



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Draft Law on amendments to the Tax Code of the Republic of Azerbaijan

The Draft Law on amendments to the Tax Code passed the first reading at the Parliament of Azerbaijan. However, since the Law on amendments has not come into force, changes might be made to the initial version of the Draft Law.

We introduce you with the summary of the intended amendments that we considered as the most important.

Amendments related to VAT

According to the Draft Law, the accrual basis method for the recognition of taxable turnover for VAT purposes will be canceled and replaced with the cash basis method.

As a rule, in monetary transactions, i.e. cash and non-cash settlements, the time of the taxable transactions is the date when payment occurs. Whereas the time of VATable non-monetary transactions such as barter, in-kind transactions, as well as free-of-charge provision of goods, services and works will be considered the time when such non-monetary transactions are completed.

Another change with respect to VAT is that, the sales of animal and poultry meat as well as the sales of feed and feed supplements used in livestock and poultry farms is exempted from VAT for the next 4 years starting from January 1st of 2020.

Cancellation of the electronic tax invoice

Electronic tax invoices will be cancelled.

Taxpayers are expected to submit various types of electronic delivery notes depending on the nature of the transaction.

Additional obligation on banks

Information on transactions carried out through the accounts of VAT registered taxpayers will be submitted by the banks to the respective executive authority by 10th of each month.

Risky taxpayers and false transaction concepts and related provisions

The following terms are considered to be added in the Tax Code: risky taxpayer, false transaction and beneficiary of the false transaction.

The beneficiary of a false transaction is the actual owner of a legal entity that receives income from the false transaction, or an individual who exercises control over that legal entity.

Criteria for identifying a risky taxpayer are expected to be published as a separate guidelines.

The Draft Law envisages the followings with regards to the taxation of risky taxpayers:

- Information about risky taxpayers not to be considered as a trade secret
- To perform extraordinary tax audit and operative tax control
- Determination of the date for refund of the overpaid tax from the state budget without consideration of the full completion of the operative tax control.

Documents authorized based on the false transactions as well as electronic delivery notes issued by a risky taxpayer will not be treated as a basis for recovery of VAT from the state budget.

For the profit tax purposes, the value of goods delivered within false transactions will be calculated based on the market price and related information.

Amendments related to registration and reporting

Based on the Draft Law, below listed persons can be registered centrally:

- Natural monopoly subjects;
- Enterprises with special tax regime;
- Taxpayers with average number of employees over 251 and more;
- Taxpayers with residual value of its fixed assets exceeding 5.000.000 manats.



The mentioned taxpayers are obliged to apply to the respective executive tax authority in order to be centrally registered. Centralized registration of the taxpayer shall be implemented beginning from January of the following year in which the decision to perform centralized registration was made by this taxpayer.

Real-time connected cash register

The taxpayers will be able to offset the costs incurred due to the installation of the Real-time connected cash register against the tax liability arising after the installation of this register to certain extent.

The period covered by tax audits

The three-year audit period stated in the Tax Code covers a three-year period preceding the date the when tax authority made a decision to conduct an onsite tax audit.

The current version of the Tax Code did not include the reference to the date of the tax authorities' decision for counting the three-year period.

In case the relevant executive authorities of foreign countries have provided information on income derived abroad, tax audits may cover a period of 5 years preceding the date of decision of the tax authority to conduct the audit.

Taxpayers engaged in building construction activities

Persons engaged in building construction activities do not have right to be simplified tax payer, except for those who have commenced but have not completed their construction works until January 1, 2020.

Persons engaged in the construction of the buildings must submit information on each building in the prescribed template to the tax authority until 20 January of each year.

Transnational corporations and reporting obligations

The concept of a transnational group of companies has been introduced and a corresponding reporting obligation has been established for these companies.

Transnational group of companies refer to the companies that are resident in two or more countries or a group of companies operating through their permanent establishments.

If the total income of such group of companies for the fiscal year exceeds the manat equivalent of 750 million euros, an enterprise belonging to that group and a resident of the Republic of Azerbaijan is required to report in an appropriate template.

Exemptions applied to residents of the technology park

For the residents of technology parks, it is envisaged to extend the defined tax exemptions in connection with profit, income, land and property taxes from 7 years to 10 years.

Increase in excise tax rates

With the exception of cognac and cognac products, excise rates on all alcoholic beverages, tobacco products, and energy (non-alcoholic or alcoholic) drinks are envisaged to be increased.