

Contents

1. New tax rules
2. Labor Code changes
3. Tax Code changes
4. Business trip rates
5. Migration rules

New tax rules

The Cabinet of Ministers of Azerbaijan adopted Decree #365 dd 30 July 2024 approving Rules for the taxpayer's access to the vendor's information held by the tax authority.

The Decree made pursuant to the Tax Code requirement to obtain relevant documents to verify the vendor's business reputation, financial status and resources to provide required goods, works and services.

Such information will be provided through electronic cabinet and disclosed by tax authorities based on consent from vendor and include date of registration, name of controlling tax authority, legal representative, information on registered business objects, registered capital, status of tax payer whether it is risky tax payer or not, criminal records, overdue tax and other mandatory liabilities, turnover, number of employees and declared average monthly salary, value of fixed assets, information on purchased goods for the period no longer than past 3 years.

Labor Code changes

On 28 June 2024 the President signed Decree approving changes to the Labor Code.

Employment contracts now will be concluded in electronic format and must be signed electronically by Parties.

Also, conclusion of the collective employment agreement has now been abolished. Work seniority register is no longer required. The employment history of employees will be determined based on their employment records in the electronic information system.

Initial employment contract must be re-drafted and re-signed if any amendment made.

Termination of employment contract during probation period can be made with 3 day notice now in electronic format as well.

If an employee has written consent (either in paper or electronic format) with another employer, his employment contract can be terminated on the chosen date.

Fixed-term employment contract shall be automatically extended for the period specified in the contract unless one of the Parties notifies one week before expiration in paper or electronic format other party about termination.

Tax Code changes

Tax Code changes approved on June 6, 2024 by the President of Azerbaijan introducing tax exemptions for COP29 from 01 March 2024 for the next 9 months based on confirmation letter issued by the Azerbaijan Ministry of Ecology and Natural Resources.

Such tax exemptions relate to the payments made to non-residents at source of payment as outlined below:

- The income of non-resident individuals providing goods, works and services is exempted from personal income tax;
- Royalty income paid to a non-resident legal entity for the right to use intangible assets or the granting rights of use is exempted from profit tax;
- Income for provided works and services by non-resident legal entities are exempted from profit tax;
- Payments made to non-resident persons for provided works and services and import of goods are exempted from Value Added Tax (VAT).

Business trip rates

The Azerbaijan Cabinet of Ministers approved Decree # 200 on 04 April 2024 with amendments to the Norms of Business Trip Expenses.

The daily norm of business trip expenses within the country increased in Baku from 90 AZN to 125 AZN, in Nakhchivan - from 70 AZN to 100 AZN, in Ganja and Sumgayit cities - from 70 AZN to 95 AZN, in other cities, regional centres, urban-type settlements, and villages - from 65 AZN to 90 AZN.

The percentage of hotel expenses included in the daily norm of business trip expenses within Azerbaijan reduced from 80% to 70%.

Business trip rates for abroad also changed.

Migration rules

New requirements have been established for foreigners to obtain residence permits based on foreign investment in legal entities and entrepreneurial activities.

According to the decision, the head of a legal entity with foreign investment or the founder who owns at least 51 percent of the shares (shares) of that legal entity, can apply for temporary residence permit if amount of the paid-up registered capital is minimum 50,000 AZN (29,412\$US).

Annual revenue of such legal entity must also exceed 100,000 AZN (58,824\$US).

In order to apply for permanent residence permit register capital of the legal entity must be minimum 100,000 AZN (58,824\$US) and annual revenue shall exceed 200,000 AZN (117,648 \$US)

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