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In July 2026, The President of the Azerbaijan Republic approved the Tax Code amendments.

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The amendments provide eligible non-oil and gas private sector taxpayers with the option to use funds held in their VAT deposit accounts to meet their social insurance payment obligations to the State Social Protection Fund. This mechanism will be available for an initial period of four years from 1 January 2027, subject to the detailed rules to be issued by the relevant government authority.

Horizontal Monitoring

On 25 June 2026, the Cabinet of Ministers of the Republic of Azerbaijan adopted the Decision approving the Rules for the Establishment of an Internal Control System by Taxpayers Admitted to Horizontal Monitoring and for the Submission to the Tax Authority of Information on Potential Tax Risks and Procedures for Controlling Such Risks (the "Decision").

The Decision establishes the mandatory requirements for the internal control systems to be implemented by taxpayers participating in the horizontal monitoring regime. In particular, it requires the establishment of:

- A control environment, including the adoption of internal governance documents, the definition of the organizational structure, and the clear allocation of employees' roles, responsibilities, and authorities;
- A tax risk management framework designed to ensure compliance with tax legislation and to facilitate the identification, assessment, mitigation, and elimination of potential tax risks;
- Control activities, including the reconciliation of transactions, proper accounting for business operations, access controls over information systems, and effective oversight of assets and inventories; and
- Reporting procedures for the submission to the tax authorities of information on identified potential tax risks and the internal control measures implemented to manage such risks.

The Decision entered into force on 25 June 2026.

Decree of Cabinet of Ministers

On 12 June 2026, the Cabinet of Ministers of the Republic of Azerbaijan adopted the Decree approving the “List of Machinery, Technological Equipment and Installations Imported by the Managing Organization and Operator of Industrial and Technology Parks, Exempt from Value Added Tax and Customs Duties” and the “List of Machinery, Technological Equipment and Installations Imported by Residents of Industrial and Technology Parks, Exempt from Value Added Tax and Customs Duties.”

Pursuant to the Decree, the importation of machinery, technological equipment and installations included in the approved lists by the managing organization, the operator, and residents of industrial and technology parks is exempt from value added tax (VAT) and customs duties.

The Decree entered into force on 16 June 2026.

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