Business Brief

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1. Tax incentives and regulatory measures

AZERBAIJAN INTRODUCES NEW TAX INCENTIVES AND REGULATORY MEASURES TO SUPPORT TECHNOLOGY, INNOVATION AND INVESTMENT

Law No. 476-VIIQD dated 30 September 2026 | Effective 1 January 2027

Azerbaijan has adopted amendments to the Tax Code, Migration Code, Law on Social Insurance, legislation governing business inspections and Law on Public Procurement. The changes introduce incentives for technology park residents, startups, investors and innovative businesses, alongside new immigration arrangements for digital nomads and highly qualified foreign professionals.

1. Extended Tax Incentives for Technology Park Residents

From 1 January 2027, qualifying technology park residents may benefit from 20-year incentives, including:

- Corporate income tax exemption on qualifying technology park activities, including eligible activities outside technology parks.
- 0% personal income tax on employment income of employees engaged in qualifying activities.
- Exemptions for dividends from qualifying activities and property and land used in such activities.
- For large enterprises, additional export-revenue and Azerbaijan payment-account conditions apply. New rules generally apply to eligible private-sector residents certified from 1 January 2027; earlier certificate holders remain subject to the previous regime.

2. Tax Benefits for Startups and Investors

New measures encourage investment in certified startups and industrial or technology park residents:

- Ten-year exemptions for qualifying crowdfunding-related securities gains and certain dividends.
- Ten-year exemptions for qualifying venture capital fund profits and related dividends.
- Qualifying accredited investors may deduct investments, limited to 50% of taxable income or profit and subject to ownership, holding-period and other conditions.

- Exemptions for qualifying employee share participation arrangements.

3. Enhanced Research and Development Deductions

For ten years from 1 January 2027:

- Qualifying non-cash operating R&D and innovative-product development expenditure may be deducted at 2.5 times the eligible amount.
- Depreciation rates for separately accounted machinery, equipment and computers used for qualifying R&D may be doubled.

4. Cloud Computing and Software Services

For 20 years, certified startups and eligible technology park residents may receive exemptions for qualifying services purchased directly for their own activities from non-residents without a permanent establishment in Azerbaijan:

- Cloud computing, infrastructure, platform, software and application programming interface (API) services.
- The legislation provides a related VAT exemption and clarifies the place-of-supply rules for electronically delivered services. The exemption does not apply to services resupplied to third parties.

5. Digital Nomads and Foreign Professionals

The Migration Code introduces a digital nomad category for foreign nationals and stateless persons remotely working in specified digital and innovation fields and earning foreign-source income:

- Relevant business visa and temporary residence applications require evidence of average stable monthly foreign-source income of at least 13 times the statutory minimum monthly wage over the previous six months.
- Permanent residence applications require a threshold of 26 times the minimum monthly wage.
- Temporary residence permits may be issued for up to three years and extended; digital nomad residence grounds also require applicable tax registration and technology park residency.
- Qualifying highly skilled migrants may benefit from a 20-year exemption for foreign employment income under contracts with non-resident employers.

6. Social Insurance Incentives

The preferential social insurance framework for qualifying private-sector technology park residents is extended to 20 years from 1 January 2027. Additional export-related conditions apply to large residents.

7. Business Inspections

Inspecting authorities are prohibited from carrying out on-site inspection activities within the scope of an inspection during its official suspension.

8. Public Procurement for Innovative Businesses

The amendments introduce preferential treatment for qualifying innovative products supplied by startups and industrial or technology park residents:

- A 20% bid-evaluation preference in procurements with estimated value up to AZN 250,000.
- Special arrangements for innovative products valued up to AZN 100,000, subject to quotations from at least three suppliers and selection of the lowest compliant offer.
- Pilot contracts for qualifying innovative solutions, limited to AZN 1 million and 12 months per supplier.

Effective Date and Business Implications

The law enters into force on 1 January 2027. Technology, software, R&D and investment businesses should review eligibility for the incentives, including certification, ownership, activity, export and documentation requirements.

The information contained in this publication is for general guidance only. You should neither act, nor refrain from acting, on the basis of such information.

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