

Azerbaijan Tax News

Doing the right things

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PIT Exemption on Interest Income from Deposits Prolonged

The Law On exemption from income tax of interest income from bank deposits paid by banks and other credit institutions to individuals signed by the President on 27 October 2009 which came into force on 1 January 2010 has been published in official newspaper "Azerbaijan" on 27 December 2009. As clear from the name of the law, it exempts interest income of individuals earned from bank deposits from personal income tax.

Although in the past dividends and other income of physical persons from investment securities were tax exempt too, beginning from 1 January 2010 only interest income of physical persons from bank deposits is exempt from income tax.

New criteria for determining small entrepreneurship entities

By the Decree of the Cabinet of Ministers of Azerbaijan #192 dated 18 December 2009 the Resolution "On identification of criteria for small entrepreneurship units depending on type of economic activity" dated 20 April 2004 has been amended to provide new criteria for determining small entrepreneurship entities

Below is the comparative table showing old and new criteria:

| Activity sphere | Average number of employees | Average number of employees | Annual turnover (net of VAT and excise tax) | Annual turnover (net of VAT and excise tax) |
|-----------------|-----------------------------|-----------------------------|---|---|
| | | Previous version | Current version | Previous version |
| | Current version | | | |

| | | | | |
|--|------|------|-----------------|---------------|
| Industry and Construction | < 50 | < 40 | ≤ 500,000 AZN | ≤ 200,000 AZN |
| Agriculture | < 25 | < 15 | ≤ 250,000 AZN | ≤ 100,000 AZN |
| Wholesale | < 15 | < 10 | ≤ 1,000,000 AZN | ≤ 300,000 AZN |
| Retail, transportation, service and other types of economic activities | < 10 | < 5 | ≤ 250,000 AZN | ≤ 100,000 AZN |

It is worth noting that pursuant to the Law On Accounting, small entrepreneurship entities are required to prepare their financial statements either according to Simplified Accounting Rules or National Financial Reporting Standards.

Procedures for free economic zones

With the purpose of implementation of the Law on Special Economic Zones dated 14 April 2009, a Decree of the Cabinet of Ministers of Azerbaijan #193 dated 18 December 2009 has been adopted. The Decree introduces the rules for determining procedures for registration of residents of special economic zones, template of certificate of registration in special economic zones and template of application for registration in special economic zones as well as the list of required documents.