



# Azerbaijan tax law & practice update

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# Anticipated changes in the Tax Code

# Anticipated changes in the Tax Code

- Definition of fixed assets – assets with value exceeding AZN 300
- Changes in transfer pricing rules – price fluctuation of 30% may be abolished
- Taxation of gambling business – introduction of simplified tax
- On-line tax registration of individual entrepreneurs
- Change of >50% ownership of a taxpayer can trigger an irregular tax audit

# Anticipated changes in the Tax Code

- Term for submission of amended tax returns becomes shorter
- Base for personal tax exemption for gifts, medical fees and inheritance to increase
- Changes in depreciation rate – 7% for aircrafts and ships
- Introduction of 10% dividend tax for individual entrepreneurs
- Consultants, lawyers, auditors, accountants, engineers can not pay simplified tax

# Recent changes in the tax legislation

# Recent changes in the tax legislation

- Online correspondence system for exchange of e-documents between tax payers and the tax authorities
- All queries sent through the system have official status
- The system is integrated with the internal correspondence system of the Ministry of Taxes which makes it easier for users to track the sent documents within the ministry and see operations carried out on those documents, as well as to find the contacts of the person in charge and contact him directly

# Recent changes in the tax legislation

- The Law dated 27 October 2009 continues traditional tax exemption of interest income of individuals earned from bank deposits for 3 years beginning from 1 January 2010
- The term “population” changed to “physical persons” to cover foreign nationals
- The law stopped the tax exemption for dividends and interest from bonds received by individual shareholders

## Recent changes in the tax legislation

- The Government continues adoption of legislation with regard to implementation of the Law "On special economic zones" dated 14 April 2009
- Decree of the Cabinet of Ministers #193 dated 18 December 2009 introduced 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

# Trends in tax audits

## Trends in tax audits

- Issues with the implementation of the Law “On stimulation of increase of capitalization of banks, insurance and reinsurance companies” dated 28 October 2008
- Calculation of conditional profit (mainly for representative offices) according to the Decree of the Cabinet of Ministers #55 dated 1 March 2001
- Application of market price for provided fixed assets
- Assessment of additional personal income tax in case when bank statements are not provided by a taxpayer
- Disallowance of deduction of accrued insurance and reinsurance costs

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