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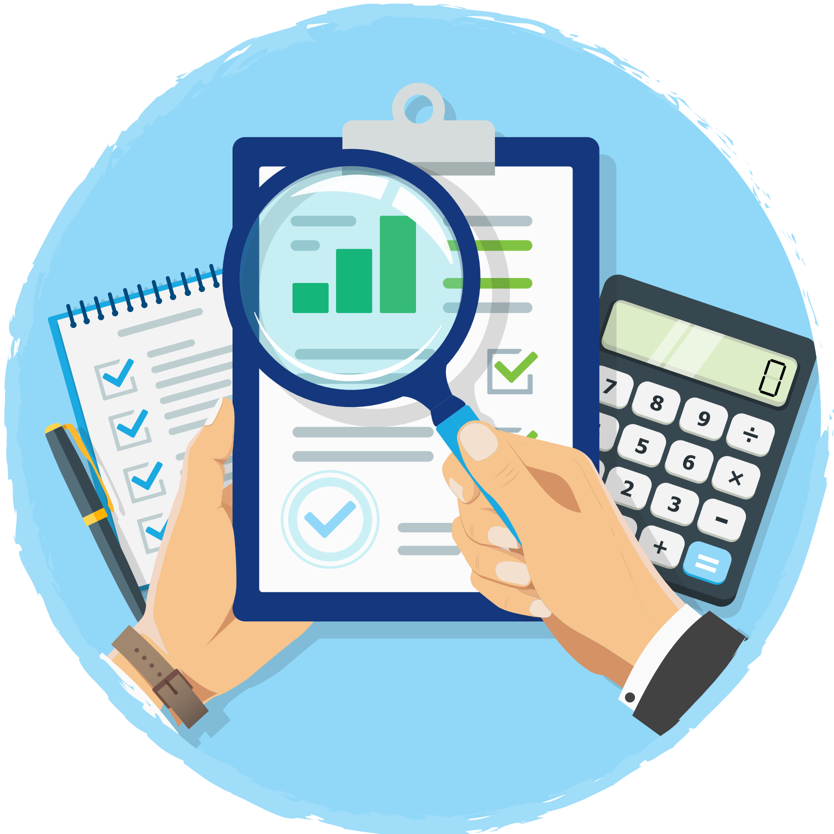
For any inquiries, please feel free to contact us: baku@deloitte.az



New UBO Disclosure Requirements in Azerbaijan: What You Need to Know

As part of the government's ongoing efforts to increase transparency, combat financial crime, and align with international standards, significant changes have been made to Azerbaijan's legislation on ultimate beneficial owner ("UBO") disclosure. Effective from 15 May 2025, legal entities, as well as branches and representative offices of foreign legal entities, are required to identify, document, and register their UBOs with the State Tax Service.

Who Qualifies as a UBO?

Under the Law "On State Registration and State Register of Legal Entities", a UBO is defined as the natural person who ultimately owns or controls a legal entity, directly or indirectly. Specifically, this includes any individual who:

- holds 10% or more of the share capital or voting rights;
- exercises significant influence or control through ownership or other means (e.g., contractual rights, appointment or removal powers); or
- ultimately benefits from or exercises control over the company, even if not formally registered as a shareholder.

Who Must Comply?

The disclosure requirement applies to the following entities:

- legal entities registered in Azerbaijan; and
- branches and representative offices of foreign legal entities.

What Are the Key Obligations?

As part of the obligation to identify and maintain UBO information, entities must:

- identify their UBOs in accordance with the criteria described above;
- obtain and maintain accurate and up-to-date information on such individuals;
- retain supporting documents, including in electronic form; and
- ensure that any changes in beneficial ownership information are reported in a timely manner and reflected in the State Register.

Entities must submit UBO information to the State Tax Service. For entities registered after 15 May 2025, UBO information must be submitted at the time of registration through the prescribed application form. For entities registered before 15 May 2025, UBO information must be submitted separately, in accordance with the transitional timelines set by the Law, using the standard application form.

What Information Must Be Disclosed?

For each UBO, the following information must be provided:

- full name, date of birth, and identification details;
- citizenship and residential address;
- whether the ownership is direct or indirect;
- the nature and basis of control;
- whether the UBO is a politically exposed person ("PEP"), or a close relative or associate of a PEP, as defined in the Law "On Combating the Legalisation of Criminally Obtained Property and Financing of Terrorism" ("AML/CFT Law");
- details of the ownership and control chain up to the UBO; and
- involvement in foreign legal arrangements, if applicable.

What Documents Are Required?

Supporting documents are required to ensure that the information provided is verifiable and reliable. Typical documents include:

- identity documents (passport or national ID);
- proof of residential address (e.g., official registration certificate or extract); and
- documentation evidencing PEP status, where applicable (e.g., employment confirmation, civil status records, corporate documentation).

Practical Guide to Disclosure Process

UBO information must be submitted through an electronic system administered by the State Tax Service. The process includes:

- completion of an application form;
- submission of the required information and supporting documents; and
- entry of the information into the State Register.

Following submission, the information is shared with the Financial Monitoring Service for review and verification. For this purpose, the Financial Monitoring Service may request information from relevant authorities, reporting entities, auditors, and other available sources, and may also review publicly available information and information contained in the State Register.

What Are the Deadlines for Existing Entities?

Entities registered before 15 May 2025 must comply within the following deadlines:

- Large enterprises: 31 December 2025
- Medium enterprises: 30 June 2026
- Small enterprises: 31 December 2026
- Micro enterprises: 31 December 2027
- Non-governmental organisations: 30 June 2026

What Are the Consequences of Non-Compliance?

Pursuant to Article 403-1 of the Code of Administrative Offences, legal entities and officials may be subject to financial penalties for non-compliance with UBO disclosure obligations, including:

- failure to submit UBO information, submission of incomplete or inaccurate information, or late submission: AZN 2,500–3,000 for legal entities; AZN 1,000–2,000 for officials;
- failure to provide supporting documents within the prescribed period: AZN 2,500–3,000 for legal entities; AZN 1,000–2,000 for officials;
- failure to notify UBOs of changes in registered information: AZN 500–700 for legal entities; AZN 200–300 for officials.

UBO information is treated as a commercial secret, and entities must ensure its proper handling and notification in accordance with applicable legislation.

Points That Are Frequently Overlooked

Dormant entities remain subject to these obligations.

- UBO reporting obligations are independent of any amendments to the founding documents of the entity.
- Payment of an administrative fine does not eliminate the underlying obligation to comply.

We would be happy to assist.

Whether you are a local business or a foreign investor in Azerbaijan, our team is ready to assist you at every stage of the UBO compliance process and to ensure timely compliance with the new requirements.