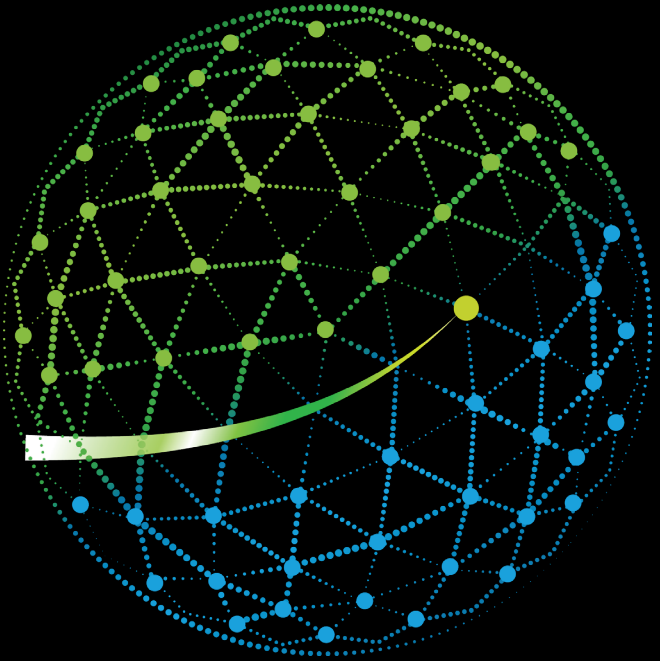


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Tax guide 2026
Foreign nationals
coming to Azerbaijan

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Deloitte is pleased to provide you with this brief overview of the Azerbaijani personal tax and compliance procedures. For your convenience, this guide is presented as a list of FAQs

Welcome to Azerbaijan!

With the Azerbaijani tax system undergoing constant rapid development, we recommend that you use this brochure for general guidance purposes only. Azerbaijan currently has three taxation regimes — a statutory regime, a PSA regime, and an HGA regime. Since most PSAs in Azerbaijan are similar, we will be referring to the Azeri-Chirag-Guneshli PSA throughout this brochure. We will provide you with information on these three taxation regimes in turn (for each question, answer 1 will be related to the statutory taxation regime, answer 2 to the PSA taxation regime, and answer 3 to the HGA taxation regime). Please contact us to discuss your specific situation.

Abbreviations

PSA	Production Sharing Agreement
HGA	Host Government Agreement
AZN	Azerbaijani Manat
USD	U.S. Dollar
PIT	Personal Income Tax
VAT	Value Added Tax
SIC	Social Insurance Contributions
SSPF	State Social Protection Fund
MMIC	Mandatory Medical Insurance Contributions
DTT	Double Taxation Treaty



Arrival, Registration and Work Permits

Question

Do I have to notify the tax authorities upon my arrival/ departure?

Answer

1. No, there is no such requirement. However, if you are engaged in entrepreneurial activity in Azerbaijan and are planning to leave the country, you must file a final tax return within 30 days of ceasing your activities.
2. No, there are no such requirements with regard to PSAs.
3. No, there are no such requirements with regard to HGAs.

Question

Do I need to register with the Azerbaijan state authorities upon arrival?

Answer

1. Yes. Registration with the State Migration Service at the place of stay must be performed within fifteen days of your arrival in Azerbaijan if you intend to stay for more than fifteen days. For citizens of the Republic of Kazakhstan, such registration must be completed within thirty days of arrival. You or the host party may submit the application (together with your passport) to the State Migration Service online, via email, or in person.
2. Yes, the above rules also apply under PSAs.
3. Yes, the above rules also apply under HGAs.

Question

Do I require a visa to enter Azerbaijan? If so, where do I obtain it?

Answer

1. If you are planning to visit Azerbaijan, you must obtain a visa in case there is a visa regime applicable between Azerbaijan and your country of residence. A visa can be obtained at Azerbaijani embassies and consulates in your country of residence or other designated countries. Alternatively, it is possible to obtain an electronic visa (for any type of visa) online through the website: www.evisa.gov.az. Such visa shall be considered an e-visa. The period of stay in the country for a single-entry e-visa issued electronically is up to 30 days, and for a multiple-entry visa is up to 90 days. E-visas shall be printed and provided at the border along with a passport to be stamped. Fee for e-visa is USD 20 at the border along with a passport to be stamped. Additionally, USD 9 is charged as a service fee for processing an electronic visa application.
2. The same rules apply with regard to PSAs.
3. The same rules apply with regard to HGAs.

Question

Do I require a work permit to work in Azerbaijan? If so, how do I obtain a permit, for how long is it valid, and what is the timeframe and cost of obtaining it?

Answer

1. Yes, foreign individuals wishing to work in Azerbaijan must obtain a work permit from the State Migration Service of the Republic of Azerbaijan through their employers. A work permit may be issued an unlimited number of times, each for a period not exceeding one year. For those involved in labor activities in the liberated territories of the Republic of Azerbaijan, the period of the work permit may be extended each time for a period not exceeding two years.

However, you do not require a work permit if you are:

- a permanent resident of Azerbaijan
- married to an Azerbaijani citizen, provided your spouse is registered at his/her place of residence in the territory of Republic of Azerbaijan
- engaged in entrepreneurial activity
- employed in a managerial position at an organization established under an international agreement
- employed at a diplomatic representative office and consulates or an international organization
- the head or deputy head of a branch or representative office of a foreign legal entity in Azerbaijan
- the head of a local legal entity with foreign shareholder or the founder of the legal entity who holds at least 51% of its shares (in case he/she operates in said company)
- assigned on business trips not exceeding 90 days cumulatively within a calendar year within specific fields of business (i.e. mining industry, processing industry, electricity, gas, steam and air conditioning supply, information and communication, finance and insurance, education, transport, water supply, waste water and refuse treatment) etc.

Additional guidance is provided on the official website of the State Migration Service of the Republic of Azerbaijan:

<https://www.migration.gov.az/en/page/75>

The list is provided within the following link:

<https://e-qanun.az/framework/28888>

A work permit is issued upon your employer's application to the State Migration Service. Applications for work permits shall be considered within the period based on the amount of state fee paid. The state fee payable for a work permit and for any extension of the term of the permit will vary from AZN 350 up to AZN 1400 depending on the submission review and validity periods.

2. The same conditions apply with regard to PSAs. Prior to the submission of the application to the State Migration Service, the endorsement of the State Oil Company of the Azerbaijan Republic needs to be obtained.
3. The same conditions apply with regard to HGAs. Prior to the submission of the application to the State Migration Service, the endorsement of the State Oil Company of the Azerbaijan Republic needs to be obtained.

Question

Do I require a temporary residence permit?

If so, how do I obtain one and for how long is it valid?

Answer

Foreigners and stateless persons wishing to temporarily reside in Azerbaijan must obtain a temporary residence permit (the "TRP"). One of the cases where TRP is required is when you are engaged in paid employment in Azerbaijan upon obtaining a work permit. In other words, your work permit serves as a basis for obtaining the TRP. Other grounds for obtaining a TRP include:

- (i) Serving as the head or deputy head of a branch or representative office of a foreign company in Azerbaijan;
- (ii) Leading a local company with foreign shareholders and a paid charter capital of at least AZN 50,000 being the founder of such a company and holding at least 51% of its shares;
- (iii) Being a family member of an expatriate residing in Azerbaijan temporarily or permanently;
- (iv) Being a specialist or a highly skilled migrant.

In order to qualify for the TRP as a private entrepreneur foreign nationals engaged in entrepreneurial activity must have at least five full time or ten part time employees hired under legally-binding employment agreements. At least 80 percent of these employees must be Azerbaijani citizens.

Entrepreneurial activity does not require a work permit requirement and can only be used to obtain a temporary residence permit if an applicant undertakes business activity and has at least five full time or ten part-time employees hired with the appropriate employment agreements. In such cases, at least 80 percent of the employees have to be Azerbaijani citizens or belong to one of the below categories:

- People permanently residing in the Republic of Azerbaijan;
- People who are married to a citizen of the Republic of Azerbaijan, provided that your spouse is registered at his/her place of residence;

- People who petitioned for refugee status, received refugee status or were granted political asylum;
- People who are considered a victim of human Trafficking or are assisting law enforcement bodies;
- citizens of the Republic of Azerbaijan who has under their care minor who have not reached the age of 18 or disabled due to 81-100 percentage impairment of body functions.

TRPs are initially issued for up to one year based on an application and may subsequently be extended for no more than two years at a time. Applications are reviewed by the state authority within 10 working days after the submission of complete application documents.

4. The same rules apply with regard to PSAs.
5. The same rules apply with regard to HGAs

Question

Do I need a local contract?

Answer

1. Yes, if you are locally employed at an Azerbaijani entity or at a branch or representative office of a foreign legal entity in Azerbaijan and have not concluded an employment agreement abroad.
2. The same rules apply with regard to PSAs.
3. The same rules apply with regard to HGAs.

Tax Residency Status, Taxes and Tax Rates

Question

What are the tax residency rules in Azerbaijan?

Answer

1. You are considered an Azerbaijani tax resident if you have been physically present in Azerbaijan for a period of more than 182 days cumulatively in a calendar year (regardless of nationality).
2. Under PSAs there are three tax residency rules for expatriate employees:
 - An expatriate employee spending more than 30 consecutive days in a calendar year in Azerbaijan for ordinary business purposes becomes a tax resident. Income earned after the 30th day is taxable in Azerbaijan.
 - Individuals spending less than 30 consecutive days but more than 90 cumulative days in Azerbaijan in a calendar year also become tax residents. Income earned after the 90th day becomes taxable.
 - Individuals on rotation and expatriates, whose primary place of employment is Azerbaijan, are also considered tax residents if they spend more than 90 cumulative days in Azerbaijan in a calendar year. These individuals are taxed from first the day of their presence in Azerbaijan.

Question

To what taxes will my income be subject? What rates will apply?

Answer

1. Tax residents are generally taxed at the rates detailed in the table below. These rates are applied to their worldwide income paid in cash and/or in-kind:

Monthly Taxable	Income Tax Rates
Up to AZN 2,500	14%
Over AZN 2,500	AZN 350 + 25% of the amount exceeding AZN 2,500

Reduced tax rates will be in force from January 1 to December 31, 2026 for employees of the non-public and non-oil and gas sectors. Reduced rates will increase gradually, starting from January 1 until December 31, 2027 and once more from January 1, 2028.

Monthly Taxable	Income Tax Rates
Up to AZN 2,500	3%
From AZN 2,500 up to AZN 8,000	AZN 75 + 10% of the amount exceeding AZN 2,500
Over AZN 8,000	AZN 625 + 14% of the amount exceeding AZN 8,000

An income of AZN 200 is exempt from taxation if the monthly income is below AZN 2,500, and an income of AZN 2,400 is exempt if the annual income is below AZN 30,000.

All individuals engaged in entrepreneurial activity will be taxed at fixed a rate of 20 percent. Taxable income from non-entrepreneurial activities will be taxed at the rate of 14 percent.

50 percent exemption on personal income tax is considered for individuals who get an investment promotion certificate. The exemption is valid for seven years from the date of receiving this certificate.

Along with the above certain income tax exemptions are stipulated in the tax legislation:

- dividend income of individuals who are the founders (shareholders) of a resident entity is exempt from income tax if a resident entity is not registered for VAT purposes, and the taxable turnover of such entity is up to AZN 200,000 in a 12-month period,
- 50 percent of a taxpayer's income from the provision of shares and participating interests owned at least for a three year period,
- 75 percent of the income of individuals engaged in the following types of activities and whose income from those types of activities (excluding expenses) per calendar year is up to AZN 45,000 is exempt from personal income tax
- services in the field of software development;
- project-design and decoration services;
- translation service;
- advertising service;
- activities in the field of research and investigation;

- services provided in the field of science, education, culture and sports;
- legal, independent auditor, accounting and financial consulting services;
- activities of journalists;
- study of market conditions;
- assessment activities;
- delivery of orders and courier activities, except for cargo transportation by motor vehicles;
- tourist guide;
- export of services.
- dividends paid by the individuals engaged in system integration, software engineering and development outside of the technology park for a period of 10 years from obtaining technology park registration certificate,
- income of startups from such activities performing their business as individuals classified as micro or small entrepreneurs are exempt for three years from the date of obtaining a startup certificate and
- a portion of income of small-medium enterprise ("SME") cluster member individual entrepreneur earned from the provision of goods (services, works) under the contract concluded with an SME cluster company spent for capital expenditures are exempt from income tax for seven years.

Income (except for employment income) of individual entrepreneurs who are residents of industrial and technology parks are exempt from income tax for ten years from the date of obtaining registration certificate in industrial and technology parks. Further to this, income of individuals performing system integration, software engineering and development outside of the technology park falls within this exemption.

If you conduct business activity in Azerbaijan, and the volume of your taxable operations does not exceed AZN 200,000 in any consecutive 12-month period, you have a right to register as a simplified taxpayer.

The maximum amount of taxable operations that enables individual entrepreneurs to become simplified taxpayers is set as AZN 200,000 in any consecutive 12-month period. If your income exceeds the above threshold, you are required to register for VAT purposes.

Furthermore, 50% of the income of individuals producing food products that shall replace imported goods with locally produced (processed) goods is exempt for a period of seven years starting from 2024.

Starting from 1 January 2026, it has been applied also for residents of Nakhchivan Autonomous Republic for a period of ten years.

Simplified tax is calculated from the revenue received from the supply of goods, services and work at the rate of two percent.

Persons engaged in public catering activities whose taxable turnover exceeds AZN 200,000 in any month within consecutive twelve months are entitled to register as simplified taxpayers at the rate of eight percent.



Sole entrepreneurs' cash withdrawals from their bank accounts are subject to simplified tax at a rate of one percent, which shall be withheld by local banks, branch offices of foreign banks in the Republic of Azerbaijan, and national operators of postal services.

Income from the sale of residential and nonresidential property, including property acquired from persons engaged in construction, is subject to simplified tax at a rate of AZN 15 per square meter multiplied by the location zone rate, which varies from 1.2 to 4.0 The rate for non-residential buildings is 1.5 regardless of the location.

2. PIT rates applied under PSAs to Azerbaijani tax residents' income earned as a direct result of their employment in Azerbaijan are as follows:

Monthly Taxable	Income Tax Rates
Up to AZN 2,500	14%
Over AZN 2,500	AZN 350 + 25% of the amount exceeding AZN 2,500

3. The same PIT rates as above apply under HGAs after you become a tax resident.

Question

Do I pay tax in Azerbaijan if I qualify as a non-resident for tax purposes?

Answer

1. Yes. If you have been physically present in Azerbaijan for a period of less than 183 days in a calendar year, you will qualify as a non-resident for tax purposes and will be taxed at the above rates on your Azerbaijan-sourced employment income.

Non-residents are taxed on their income obtained from other Azerbaijan sources as follows:

- A. dividends — 5%
- B. Interest, including loan interest paid in connection with financial leasing transactions — 10%
- C. Royalties and rent income derived from the leasing of residential premises owned by individuals to other individuals (excluding hotels and hotel-type accommodation facilities) is subject to a 10% withholding tax at source. — 14%
- D. International freight or communication — 6%
- E. Insurance and re-insurance fees — 4%
- F. Other Azerbaijani-sourced income — 10%
- G. Payments to countries with preferential taxation —10%.

Azerbaijani-sourced income includes income related to duties performed or services rendered in Azerbaijan and income from property located in Azerbaijan, irrespective of where it is paid.

2. No.
3. No.

Question

Are there any special tax exemption rules? If yes, which industries are they applicable to?

Answer

1. Yes. The Azerbaijani government offers an investment promotion certificate that grants exemption from several types of taxes for seven years in those industries that are considered to be high priority. Moreover, small-medium enterprise members and companies enjoy several tax exemptions for seven years from the date they receive certificate of an SME cluster company or SME cluster member. Startups classified as a micro or small entrepreneurship are exempt from certain taxes for three years from the date of obtaining a startup certificate. Also, 75 percent of the income of individual entrepreneurs classified as micro-entrepreneurs who maintain an average annual workforce of at least three employees and have no outstanding social insurance obligations.

Furthermore, 50% of the income of individuals and legal entities producing food products intended to replace imported goods with locally produced (processed) goods is exempt for a period of seven years starting from 2024.

This exemption is also applicable with respect to the residents of Nakhchivan Autonomous Republic starting from 1 January, 2026 for a period of ten years.

2. No.
3. No.

Filing Requirements

Question

Do I need to file a tax return in Azerbaijan?

Answer

1. No, provided your only income is from employment, which is subject to withholding tax, deducted by the entity or individual from which you receive the income.

However, if you are engaged in entrepreneurial activity in Azerbaijan you have to file either a PIT return or a simplified tax return.

VAT payers must file VAT returns on a monthly basis.

2. No. However, an employer is responsible for a return to the tax authorities regarding all Azerbaijan PIT payments made during the calendar quarter in respect of foreign employee tax residents.
3. No. However, an employer is responsible for filing a return to the tax authorities regarding all Azerbaijani PIT payments made during the calendar quarter in respect of foreign employee tax residents.

Question

What is the tax year in Azerbaijan?

Answer

1. The tax year is a calendar year.
2. Under PSAs the tax year is also a calendar year.
3. Similarly, under HGAs the tax year is a calendar year.

Question

When do I have to file a tax return?

Answer

1. Your employer is responsible for filing quarterly PIT returns by the 20th day of the month following the calendar quarter.

Individual entrepreneurs are obliged to file a PIT return on 31 March of the year following the tax year at the place of tax registration (residence). This deadline can be extended by up to three months upon filing an application, provided that the amount of tax due is paid.

The deadline for filing a simplified tax return is the 20th day of the month following the end of the calendar quarter.

If you cease your entrepreneurial activity during the tax year, you are required to file a tax return within 30 days.

VAT payers must file VAT returns no later than the 20th of the month following the end of the calendar month.

2. Your employer is responsible for filing a return to the tax authorities in regard to PIT payments made during the calendar quarter in respect of its foreign employee tax residents by the 20th day of the month following the end of the calendar quarter. In addition, the employer must provide the State Tax Services with a summary of all Azerbaijani PIT payments made during the calendar year in respect of its foreign employee tax residents in the form of an addendum to the PIT return for the fourth quarter.

3. Similarly, under HGAs, your employer is responsible for filing a return to the tax authorities in regard to PIT payments made during the calendar quarter in respect of its tax resident foreign employees by the 20th day of the month following the end of the calendar quarter.

Question

Is there any requirement for filing advance tax returns in Azerbaijan?

Answer

1. No, unless you are an entrepreneur subject to PIT. If you are, you may be required to file quarterly advance tax calculations by the 15th day of the month following the calendar quarter.
2. No.
3. No.

Question

Can joint returns be filed (taxpayer and spouse)?

Answer

1. No.
2. No.
3. No.

Question

In what currency should I report my taxable income?

Answer

1. All income received should be reported in AZN.
2. Your employer should report your taxable income in AZN or USD.
3. Your employer should report your taxable income in AZN or USD.

Question

Are there penalties for late filing of tax returns?

Answer

1. Yes, penalties may be charged in an amount up to AZN 40.
2. The same penalty applies to taxpayers working under the PSA regime.
3. The same penalty applies to taxpayers working under the HGA regime.

Tax Payments

Question

How is tax paid in Azerbaijan?

Answer

1. PIT can be paid either via withholding at source when the paying entity is obligated to do so, or personally if you are obligated to file a tax return.

Payers of simplified tax and VAT are obliged to file and pay taxes personally.

2. Under PSAs, PIT is paid via withholding at source by the employer.
3. Under HGAs, PIT is paid via withholding at source by the employer.

Question

Do I need to pay PIT personally ?

Answer

1. If your only income is from employment in Azerbaijan, your employer is responsible for withholding income tax and remitting it to the state budget in Azerbaijani manat.

However, if you receive income from entrepreneurial activity and you are a PIT payer, the income tax due for the current year should be paid in advance to the state budget by only a wire transfer from your personal bank account by the 15th day of the month following each quarter. It should be noted that the amount of advance payments should not be less than 75 percent of the total income tax due for that specific tax year.

The final payment should be made before filing an annual income tax return, i.e. before 31 March of the following year.

If you are a simplified tax payer you are obliged to make a tax payment no later than the 20th day of the month following the end of the calendar quarter.

If you generate income from the sale of residential and non-residential property, the tax shall be withheld and paid by notary.

If you are a VAT payer you should make a tax payment no later than the 20th day of the month following the end of the calendar month.

2. No, you do not have to pay any PIT personally.
3. No, you do not have to pay any PIT personally.

Question

In what currency do I pay tax?

Answer

1. Azerbaijani PIT should be paid in AZN.
2. Under PSAs, an employer may pay the Azerbaijan PIT of its foreign employee tax residents in AZN or USD.
3. Under HGAs, an employer may pay the Azerbaijan PIT of its foreign employee tax residents in AZN or USD.

Question

Can my employer make tax payments on my behalf?

Answer

1. Yes, your employer must remit the taxes to the state budget on your behalf.
2. Employers are required to make these payments on your behalf in accordance with PSAs.
3. Employers are required to make these payments on your behalf in accordance with HGAs.

Question

Are there any penalties for late payment of tax?

Answer

4. Yes, late payment interest is charged at a rate of 0.1 percent of the tax payable for each day of delay.
5. Under PSAs, an employer should pay interest at a rate of LIBOR + 4 percent per annum for each day of delay of the tax payment.
6. Under HGAs, an employer should pay interest at a rate of LIBOR + 3.5 percent per annum for each day of delay of the tax payment.



Taxable Income

Question

What aspects of my remuneration are taxable?

Answer

1. Employment income, including:

- Salary
- Bonuses
- Other in-kind benefits.

Income from investments, including:

- Dividends
- Interest
- Rent
- Royalties
- Capital gains
- Miscellaneous:
 - Inheritance
 - Gifts
 - Winnings from sports gambling

Income from entrepreneurial activity, including income from:

- Supply of goods
- Provision of services
- Performance of work.

2. Under PSAs, almost all income of foreign employees earned in Azerbaijan is taxable, including wages, salaries, bonuses, personal travel costs, education expenses for family members, etc.
3. Similarly, in accordance with HGAs, almost all income of foreign employees earned in Azerbaijan is taxable, including wages, salaries, bonuses, personal travel costs, education expenses for family members, etc.

Question

What income can I exclude or deduct from taxable income?

Answer

1. There are several types of income that are exempt from tax in Azerbaijan. These include:
 - Gifts, financial aid and inheritance received from family members
 - Alimony
 - Compensation fees for damages
 - Certain business-related expenses
 - Dividend income of individuals who are the founders (shareholders) of a resident entity is exempt from income tax if a resident entity is not registered for VAT purposes, and the taxable turnover of such entity is up to 200,000 manats within any month (months) in a 12-month period and the entity keeps records of its income and expense in accordance with the respective legislation.
 - Interest income, dividend and discounts earned from shares and bonds obtained from the resident entity that have been publicly traded for the period of five years beginning from February 1, 2023.

Deductions include all expenses incurred within income - generating activities, with exceptions provided for by the law.

Income up to AZN 8,000 earned by individuals working at entities that are residents of the technology park and engage in system integration, software design, and development outside of the technology park is subject to 5% income tax for the period of seven years beginning from January 1, 2026.

2. According to PSAs, income such as housing allowance, meals, transportation expenses are not taxable provided that they are well supported (e.g. by a rental agreement, checks, invoices, etc.).
3. Similarly, according to HGAs, in determining Azerbaijan taxable income, foreign employees are entitled to apply the exemptions provided by the Tax Code of the Republic of Azerbaijan as detailed in the answer above.



Social Insurance Contributions

Question

Do I pay SIC in Azerbaijan while I am on an assignment or engaged in entrepreneurial activity? How are SIC paid?

Answer

- Yes. SIC are charged at a rate of three percent of your Azerbaijani-sourced income. In addition, employers are required to pay SIC at a rate of 22 percent of the gross income of employees. Your employer is responsible for remitting three percent and 22 percent SIC on the day of salary payment than the 15th day of the month following the calendar month to which the SIC is related.

The income of insured persons working in private and non-oil and gas sectors is subject to SIC at the following rates starting from 1 January, 2026.

Monthly Taxable Income	Total	Social insurance contribution rates	
		Deduction from income of insured	Paid at the expense of the insurer
Up to AZN 200	25%	3% (insured portion)	22% (insurer portion)
From AZN 200 up to AZN 8,000	25%	AZN 6 + 10% of amount exceeding AZN 200 (insured portion)	AZN 44 + 15% of amount exceeding 200 to AZN 8,000 (insurer portion)
Over AZN 8,000	25%	AZN 786 + 10% of amount exceeding AZN 8,000 (insured portion)	AZN 1214 + 11% of amount exceeding AZN 8,000 (insurer portion)

Income of individuals working at entities that are residents of the technology park and engage in system integration, software design, and development outside of the technology park is subject to the SIC at the above rates from 4 times of the minimum monthly salary or employment income of the entrepreneurs.

Individual entrepreneurs carrying out operations in and construction are obligated to pay 50 percent of the minimum monthly salary set in Azerbaijan, i.e. AZN 200; in other fields they are obligated to pay 25 percent of the minimum monthly salary, i.e. AZN 100. Please, note that minimum monthly salary is AZN 400 effective from January 1, 2025.

2. Foreign employees of contractors and foreign subcontractors operating under PSAs are exempt from SIC.
3. Foreign employees of contractors and foreign subcontractors operating under HGAs are exempt from SIC.



Question

Does my employer pay SIC? If yes, what is the applicable SIC rate?

Answer

Monthly Taxable	Income Tax Rates
Up to AZN 200	> 22%
From AZN 200 to AZN 8,000	AZN 44 + 15% of amount from 200 to AZN 8,000
Over AZN 8,000	> AZN 1214 + 11% of amount exceeding AZN 8,000

1. No.
2. No.

Question

Do I file my reports to the State Tax Service by myself?

Answer

1. If your only income is from employment, your employer is responsible for filing a report to the State Tax Services in regard to SIC paid during a calendar quarter in respect of its foreign employees by the 20th day of the month following the end of the calendar quarter.

If you are an entrepreneur, it will be your responsibility to file a report to the State Tax Services by the 20th day of the month following the end of the calendar quarter.

2. No.
3. No.

Unemployment Insurance

Question

Is unemployment insurance a mandatory social contribution? How are unemployment insurance contributions paid?

Answer

1. Employees as insured parties, employers as insurers and the SSPF as an intermediary government entity managing the process of the unemployment insurance are subjects of the Law "On unemployment insurance" dated June 30, 2017 which is effective starting from January 1, 2018.

Unemployment insurance contributions are mandatory and charged at a rate of 0.5 percent of your Azerbaijanisourced income. In addition, employers are required to pay unemployment insurance contributions at a rate of 0.5 percent of the gross income of employees. Your employer is responsible for remitting 0.5 percent as your portion and 0.5 percent as its portion on the day of salary payment but no later than the 15th day of the month following the calendar month to which the unemployment insurance contribution is related.

2. Foreign employees of contractors and foreign subcontractors operating under PSAs are exempt from any contributions of the Azerbaijani state social insurance and other payments of a similar nature.
3. Foreign employees of contractors and foreign subcontractors operating under HGAs are exempt from any contributions of Azerbaijan state social insurance and other payments of a similar nature.

Question

How is the reporting of the unemployment insurance carried out?

Answer

1. Your employer is responsible for filing a report to the State Tax Services with regard to the unemployment insurance paid during a calendar quarter in respect of its foreign employees by the 20th day of the month following the end of the calendar quarter.
2. No.
3. No.



Mandatory Medical Insurance Contributions

Question

Are MMIC mandatory social contributions? Do MMIC apply to expatriate employees? How are MMIC paid?

Answer

1. Yes. Recent changes to the Law “On Medical Insurance” introduced mandatory medical insurance effective from January 1, 2021. As a part of the state social insurance program, mandatory medical insurance will ensure provision of medical services to the insured persons in accordance with service package.

According to the Law “On Medical Insurance” expatriate employees do not fall under the categories of the insured persons described in the law, thus the MMIC shall not be applied to expatriate employees. However, it is worth mentioning that the position of local tax authorities is different in this regard. Based on tax officials, income of expatriate employees (except employees of the non-public and non-oil and gas sectors) who have a local employment agreement is subject to MMIC at the below rates. Deductions in the non-public and non-oil and gas sectors (both from employee and employer):

Monthly Taxable Income	Total	MMIC rates	
		Deduction from income of insured	Paid at the expense of the insurer
Public and Oil & Gas Sector			
Up to AZN 8,000	4%	2%	2%
Over AZN 8,000	1%	AZN 160 + 0.5% of the amount exceeding AZN 8,000	AZN 160 + 0.5% of the amount exceeding AZN 8,000
Non-Public and Non-Oil & Gas Sector			
Up to AZN 2,500	4%	2%	2%
Over AZN 2,500	1%	AZN 50 + 0.5% of the amount exceeding AZN 2,500	AZN 50 + 0.5% of the amount exceeding AZN 2,500

1. Employers are required to pay MMIC at the same time with salary payment but not later than the 15th day of the month following the month to which the MMIC is related.
2. Foreign employees of contractors and foreign subcontractors operating under PSAs are exempt from MMIC.
3. Foreign employees of contractors and foreign subcontractors operating under HGAs are exempt from MMIC.

Question

How is the reporting of MMIC carried out?

Answer

1. Employers are responsible for filing a report to the State Tax Services under the Ministry of Economy with regard to the MMIC paid during a calendar quarter in respect of its local employees by the 20th day of the month following the end of the calendar quarter
2. No.
3. No.



Double Tax Treaties

Question

Is it possible for an expatriate to be exempt from Azerbaijani income taxes?

Answer

1. You should find out if your home country has concluded a DTT with Azerbaijan. Some DTTs contain provisions providing exemption from Azerbaijani tax for certain types of income.
2. The same should be considered if you fall under the PSA taxation regime.
3. The same should be considered if you fall under the HGA taxation regime.

Question

How can I claim a DTT exemption?

Answer

1. In order to claim the exemption, you need to file a tax return and an application for the exemption. You should also be prepared to provide the Azerbaijani tax authorities with an official confirmation from the tax authorities of your country of residence. In addition to that, the Azerbaijani tax authorities may request confirmation of the taxes paid in your home country. Both documents must be issued by the tax authorities of the country of tax residency.
2. The same procedures apply if you fall under the PSA taxation regime.
3. The same procedures apply if you fall under the HGA taxation regime.



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