

**TAXATION IN THE OIL AND GAS INDUSTRY**

PROGRAM OUTLINES

**Introduction to Production Sharing Agreement (PSA), Risk Service Agreement (RSA) and Host Government Agreement (HGA) regime**

- PSA, RSA and HGA main definitions
- Brief comparison of existing taxation regimes in Azerbaijan

**Profit tax**

- Calculation profit tax of Contractors under PSA/RSA and MEP Participants under HGA
  - Revenue recognition
  - Calculation of operating expenses
  - Recognition of capital expenses
- Profit tax rates
- Profit tax on exit from the respective project
  - Transfer of participating interest in Agreement
  - Transfer of shares of Contractors or MEP Participants
- Loss carryforward
- Profit tax administration
- Practical issues

**Withholding tax (WHT)**

- WHT tax application
  - Payments to foreign subcontractors
  - Payments to individuals
- Comparative analysis of WHT under PSAs and RSAs
- WHT calculation
- WHT rates under respective PSAs and RSAs
- WHT administration
- Confirmation of paid taxes in Azerbaijan
- Practical issues

**Value added tax (VAT)**

- Exemption with credit (zero (0) percent rate) from VAT and its application
- Administration of confirmation of VAT exemption with credit (zero (0) percent rate)
- Aspects of VAT recovery in case of non-application of VAT exemption with credit (zero (0) percent rate)
- VAT administration
- Practical issues

**Employee related taxes and contributions**

- Personal income tax (PIT)
  - Tax residency rules
  - Taxable income of employees
  - PIT administration

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## PROGRAM OUTLINES

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- Confirmation of paid taxes in Azerbaijan
  - Practical issues
  - Social insurance contributions (SIC) and unemployment insurance (UIC)
    - SIC and UIC application
    - SIC and UIC chargeable income
    - SIC and UIC administration
    - Practical issues
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### **Customs duties**

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- Applicable exemptions
  - Application of import and export exemption certificate
  - Practical issues
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