

## Important Legislative Update



The President of Azerbaijan has signed the Law “**On changes to the Tax Code**” on 30 December 2014. We are pleased to share with you the most significant changes introduced by the Law. The above changes to the Tax Code came into force on **11 January 2015**.

### **Taxation of interest income from bank deposits**

Starting from 11 January 2015 interest income of individuals earned from deposits with local banks and branch offices of foreign banks in the Republic of Azerbaijan is subject to withholding tax of 10% at the source of the payment. Only an amount of AZN 500 of annual interest income of individuals will be tax exempt.

This is a substantial change as interest income of individuals from bank deposits has been exempt from tax for more than 15 years.

### **Change in taxable base for VAT**

According to the Law, road tax amount is excluded from the taxable base for VAT and excise tax purposes.

### **Changes in taxable base for excise tax**

Imported platinum, gold, jewelry and other domestic products made from gold, processed, sorted, framed and mounted diamonds are subject to excise tax.

However, platinum, gold and processed, sorted, framed and mounted diamonds imported for the purposes of placing in the assets of the Central Bank of the Republic of Azerbaijan and gold imported for the purposes of placing in the assets of the State Oil Fund of the Republic of Azerbaijan are exempt from excise tax.

According to the changes, road tax amount is excluded from the taxable base for excise tax as well.

### **Tax exemption from assets tax**

Assets tax amount calculated for the passenger and cargo water transport facilities recorded on the balance of enterprises used for the transportation is reduced by 25%.

### **Changes in taxable base and reporting period of road tax**

As per the changes to the Tax Code, persons (both legal entities as well as individuals) who own transportation vehicles on the territory of Azerbaijan are no longer payers of road tax.

At the same time, non-residents who own transport vehicles entering Azerbaijan territory and using it for carrying passengers and cargo including persons producing in Azerbaijan motor gasoline, diesel fuel and liquid gas or importing the same to Azerbaijan have been identified as payers of road tax.

In accordance with the Law, the taxable base for road tax purposes is determined as transport vehicles of foreign countries arriving in and leaving the territory of the Republic of Azerbaijan as well as motor gasoline, diesel fuel and liquid gas produced and directed to domestic consumption (wholesale) in Azerbaijan and imported into Azerbaijan.

Producers of motor gasoline, diesel fuel and liquid gas in Azerbaijan are liable to calculate road tax on a monthly basis and submit appropriate tax return to the tax authorities and remit the calculated tax amount to the State Budget not later than 20<sup>th</sup> day of the month following the reporting month.

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