



## Azerbaijan Tax News

### **The Rules on Accounting for income and expenses for taxation purposes in the field of wholesale trade and manufacturing sector**

The Rules on "Accounting for income and expenses for taxation purposes in the field of wholesale trade" and The Rules on "Accounting for income and expenses for taxation purposes in the field of manufacturing" (together "Rules") have been approved by the Decree of President of the Republic of Azerbaijan on 26<sup>th</sup> of June 2017. The Rules are effective from 15<sup>th</sup> of July 2017.

According to the Rules, taxpayers in wholesale trade and manufacturing are imposed the following obligations:

- Accurate bookkeeping of income and expenses in a timely manner
- To fulfill the requirements of the Tax Code of Azerbaijan Republic and the Law of the Republic of Azerbaijan "On Accounting" and other appropriate

legislative acts in respect of the accounting of revenues, expenses, taxation objects and commodity stocks, as well as compilation and maintenance of the accounting documents

- Depending on the applicable accounting method under the Tax Code, recording income and expenses in periods when they obtained and incurred, respectively
- Maintaining bookkeeping in a manner allowing to track commencement, progress and completion of all transactions

Additionally, the Rules contain the following requirements relating to wholesale trade and manufacturing:

- Documentation of the receipt of raw materials into warehouse
- Documentation of the receipt of goods from persons without tax registrations
- Documentation of the release of raw materials into main and auxiliary production
- Documentation of the warehousing and sale of finished products
- Determination of income and expenses of taxpayers
- Methods of accounting for the closing inventory balance

## **New Double Tax Treaty administration rules published**

On 12 June 2017, changes to the Rules on “Administration of international agreements for the avoidance of double taxation concluded between the Republic of Azerbaijan and other states” (“DTT administration rules”) approved by the Board of Ministry of Taxes of the Republic of Azerbaijan.

According to the introduced changes to the Double Tax Treaty (“DTT”) administration rules, non-residents are entitled a right of submission of DTA forms electronically via online tax cabinet for all types of income independently or via tax agent along with traditional submission via physical forms to the Ministry of Taxes. Previously, obtaining advance tax exemption or reducing tax rates was only possible for 4 types of income (i.e. interest, dividend, royalty and international transportation) and submission of necessary documentation was only in hard copies. The published changes provide a handy application process to use tax exemptions and privileges stipulated under the DTTs.

Pursuant to the DTT administration rules, the tax authorities are obliged to respond to the taxpayers’ applications not later than 20 days upon receiving respective DTA-forms. An extension of additional 20 days can be applied by the tax authorities with relevant justification for the analysis of applications require additional time.

A guideline for submission of DTA forms, and DTT administration rules can be found via following link:

<http://www.taxes.gov.az/modul.php?name=beynelxalq&cat=12>

## **The list of countries and territories with low-tax regime was approved by a Presidential Decree on 11 July 2017.**

40 countries and territories are included in this list.

It is worth mentioning that, the list of low-tax countries and territories is determined in accordance with the Law of the Republic of Azerbaijan “On Amendments to the Tax Code of the Republic of Azerbaijan” dated 16 December 2016.

This list will be used for the following purposes:

- a) Application of extra WHT of 10% under Article 125.1.9 of the Tax Code;
- b) Determining controlled transactions for Transfer Pricing purposes in accordance with Article 14-1 of the Tax Code;
- c) Taxation of income of a resident generated from countries with low tax jurisdictions pursuant to Article 128 of the Tax Code.

The complete list of jurisdictions with preferential taxation is presented below:

- 1 Andorra
- 2 Anguilla islands
- 3 Antigua and Barbuda
- 4 Aruba
- 5 Antilles islands (Netherlands)
- 6 Bahamas
- 7 Bahrain
- 8 Bermuda
- 9 British Virgin Islands
- 10 Belize
- 11 Barbados
- 12 Gibraltar
- 13 Jersey
- 14 Dominica
- 15 Hon Kong (China)
- 16 Cayman Islands
- 17 Cook Islands
- 18 Costa Rica
- 19 Guernsey
- 20 Grenada Islands
- 21 Liberia
- 22 Lichtenstein
- 23 Maldives
- 24 Isle of Man

- 25 Marshall Islands
- 26 Montserrat
- 27 Monaco
- 28 Macau (China)
- 29 Nauru
- 30 Niue
- 31 Panama
- 32 Palau
- 33 Seychelles
- 34 Saint Kitts and Nevis
- 35 Samoa
- 36 Saint Vincent and the Grenadines
- 37 Saint Lucia
- 38 Turks and Caicos Islands
- 39 Vanuatu
- 40 Virgin Islands (US)



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