



Azerbaijan Tax News Preparing for a changing landscape

Tax reform directions for 2016 approved

On 4 August 2016, the President of the Republic of Azerbaijan Ilham Aliyev signed a Resolution approving the directions of tax reforms for 2016.

The Resolution announces the following tax reforms:

- Simplification of tax administration procedures and tax burden reduction;
- Application of VAT on mark-up amount of goods sold by retailers;
- Introduction of indicators differentiating retail and wholesale trade;
- Application of Tax Free system at other border checkpoints in addition to airports;
- Definition of the list of products for application of differentiated VAT rates;
- Introduction of Advance Tax Ruling concept;

- Prohibition of desk tax audits by the tax authorities after 30 days from filing tax returns by taxpayers;
- Introduction of “Whistleblow” system allowing reporting of tax evasion;
- Introduction of Voluntary Tax Disclosure concept;
- Promotion of cashless payments and gradual restriction of cash payments;
- Introduction of Transfer Pricing regulations;
- Definition of spheres of activities that carry out cash transactions without application of cash register electronic equipment and definition of fixed monthly tax liability for individuals operating without application of cash register electronic equipment;
- Preparation of a mechanism for application of Common Reporting Standards;
- Simplification of tax administration procedures stipulated in double tax treaties concluded between Azerbaijan and other countries;
- Implication of Digital Economy to the tax system for the purposes of broadening the tax base;
- Introduction of rules for e-commerce taxation;
- Clarification of distinction between the production and processing of agricultural products;
- Conclusion of intergovernmental treaties allowing automatic exchange of financial information between the countries;
- Reconciling anti-avoidance rules contained in the Azerbaijan tax legislation with the international experience;
- Establishing effective tax controls over activities of tax residents of Azerbaijan in tax offshores and low tax jurisdictions;
- Undertaking necessary improvements in the legislation to obtain and maintain the OECD Global Forum’s high rating on the indicators of transparency and exchange of tax information.

The Resolution also instructs the Ministry of Taxes to take following actions within three months:

- to prepare the proposals regarding the improvement of the legislation for carrying out the above-noted reforms;

- improvement of administration of tax audits and ensuring taxpayers' participation in tax audits;
- to define the criteria of exemplary taxpayer and simplify tax administration and expand the list of targeted services in respect of such taxpayers.

Tax & Legal Department



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