



## **Azerbaijan Tax News**

### Preparing for a changing landscape

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## **Introduction of Tax Free System in Azerbaijan**

According to the information available on the official web page of the Ministry of Taxes of Azerbaijan, on 17 June 2016 the Ministry has launched the Tax Free System in Azerbaijan. The Tax Free System is designed to allow foreign nationals to refund VAT paid during the purchase of goods (only if the cost of purchased goods per one e-tax invoice is not less than AZN 300, including VAT) not designed for production for commercial purposes at Tax Free labeled shops.

The VAT refund is a three step process:

Step 1 - By informing a salesperson of intention to benefit from the Tax Free System, a foreign national will receive an electronic tax invoice enabling VAT refund. The e-tax invoice will contain the passport details of the foreign national and the amount of paid VAT.

Step 2 – Upon departure from Azerbaijan, foreign nationals are required to have their e-tax invoices verified by Customs officer.

Step 3 - The verified e-tax invoices will be presented to bank to receive the refund both in cash and non-cash forms. Regardless of the transfer method, foreign nationals will receive the refunded amount after deducting a service fee of 20 percent. The goods should be taken out of Azerbaijan's territory within 90 days from the date of purchase.

Following individuals are not eligible for benefiting from the Tax Free System:

- citizens of the Republic of Azerbaijan;
- foreign nationals and stateless persons who have been granted a residence and work permit in the territory of Azerbaijan;
- persons who are the members of the crew directly serving in the air transport;
- persons under 14 years age.

VAT paid for the following goods are not subject to tax refund:

- excised goods;
- food stuffs;
- medicines and medical equipment;
- goods regarded as national cultural and historical treasures as well as those items that are considered to be significant in terms of protection of cultural heritage;
- goods which are exempt from VAT in Azerbaijan;
- goods requiring a license for export purposes;
- unframed, raw or ungraded precious stones;
- precious metals in bars;
- goods taken out of the territory of Azerbaijan in an unaccompanied luggage;
- vehicles and spare parts of thereof;
- goods exported via post or internet service.

It should be noted that currently the Tax Free System is being tested.

Tax & Legal Department



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