



## Azerbaijan Tax news

### Prepare for a Changing Landscape

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## New Resolution of the Constitutional Court

On 3 September 2015 the Constitutional Court of Azerbaijan adopted the Resolution “On interpretation of certain provisions of Articles 175.1 and 176.4 of the Tax Code” (the “Resolution”).

According to the Resolution, the definition of “cashless payments” referred to in Article 175.1 of the Tax Code means cashless payment (via bank transfer) of the principal amount of goods sold, works rendered or services provided. Under the Resolution, the definition of “cash transactions” stated in Article 176.4 of the Tax Code implies payment of the principal and associated VAT amounts for supply of goods, works or services in cash. Therefore, recovery of the associated VAT amount is not allowed if either principal or VAT amount is paid in cash (not paid via bank transfer).

Summarizing the above interpretation made by the Constitutional Court, under Article 175.1 and 176.4 of the Tax Code, VAT amount can be recovered if:

- i. the principal amount of the supplied services, works and goods was paid through a cashless payment (via bank transfer) in full; and
- ii. corresponding VAT amount was paid from the VAT deposit account or through transactions carried out within the VAT deposit account of a taxpayer.

Should you have any question concerning the above resolution of the Constitutional Court and its impact for your business, please feel free to contact one of our consultants.

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