



# UHY AZERBAIJAN BUSINESS GUIDE 2026





# Table of Contents

▶ **02** INTRODUCTION

▶ **03** SUMMARY

▶ **04** STRATEGIC MOMENTUM: 2025  
MARKET MILESTONES AND 2026  
INVESTMENT CATALYSTS

▶ **06** KEY MACROECONOMIC  
INDICATORS

▶ **20** GREEN AND RENEWABLE  
ENERGY

▶ **23** EMPLOYMENT AND  
INCOME

▶ **27** SETTING UP A BUSINESS

▶ **29** TAXES

▶ **39** AUDIT ENVIRONMENT

▶ **42** INCENTIVES FOR  
STARTUPS

# INTRODUCTION


















**Tabriz Mirzayev**

Partner for Audit and Advisory Services

Welcome to the Business Outlook in Azerbaijan, presented by UHY Azerbaijan. Leveraging our deep local expertise and extensive global network as a trusted advisory and audit firm, we are delighted to share this comprehensive guide to navigating the nation's commercial landscape. Strategically situated at the crossroads of Europe and Asia, Azerbaijan presents expanding opportunities across the energy, logistics, agriculture, ICT, and innovation sectors. Bolstered by ongoing economic reforms, accelerated digital transformation, and robust government investment incentives, the country offers a highly competitive environment for emerging startups and multinational corporations alike. We designed this publication to equip investors, entrepreneurs, and executives with a clear understanding of the essential legal, tax, and regulatory frameworks required for operational success. We trust you will find this report insightful and highly beneficial for your strategic business planning.

# HIGHLIGHTS

## Key Figures ▶ ▶ ▶ ▶ ▶

	Indicator	Value	Change YoY
	1 GDP	AZN 129,1 billion	↑ 1,4%
	2 GDP per Capita	AZN 12,602.2	↑ 1,0%
	3 Non-Oil & Gas GDP Growth	2.70%	↓ from -3.8% in 2024
	4 Oil & Gas Sector Growth	-1.60%	↓ from -1.7% in 2024
	5 Exports	\$25.04 billion	↓ 8,17%
	6 Imports	\$24.38 billion	↑ 15,82%
	7 Foreign Trade Balance	\$0,66 billion surplus	↓ from 4,78 billion in 2024
	8 Annual average CPI	5.60%	↑ from 2,2% in 2024
	9 Average Oil Price Assumption	\$69.7/barrel	↓ from \$79,9 in 2024
	10 Natural Gas Price Assumption (EU)	\$12.1/mmbtu	↑ from \$11.1 in 2024
	11 Foreign Exchange Reserves	\$11.5 billion	↑ from \$11.0 billion in 2024
	12 Nominal Average Monthly Salary	AZN 1089,2	↑ from AZN 1009,2 in 2024
	13 Minimum Wage	AZN 400	unchanged from AZN 400 in 2024
	14 Refinance Rate (December 2025)	6.75%	↓ from 7,25% in 2024
	15 Credit Portfolio	AZN 16,106.3 million	↑ from AZN 14,787.2 million in 2024



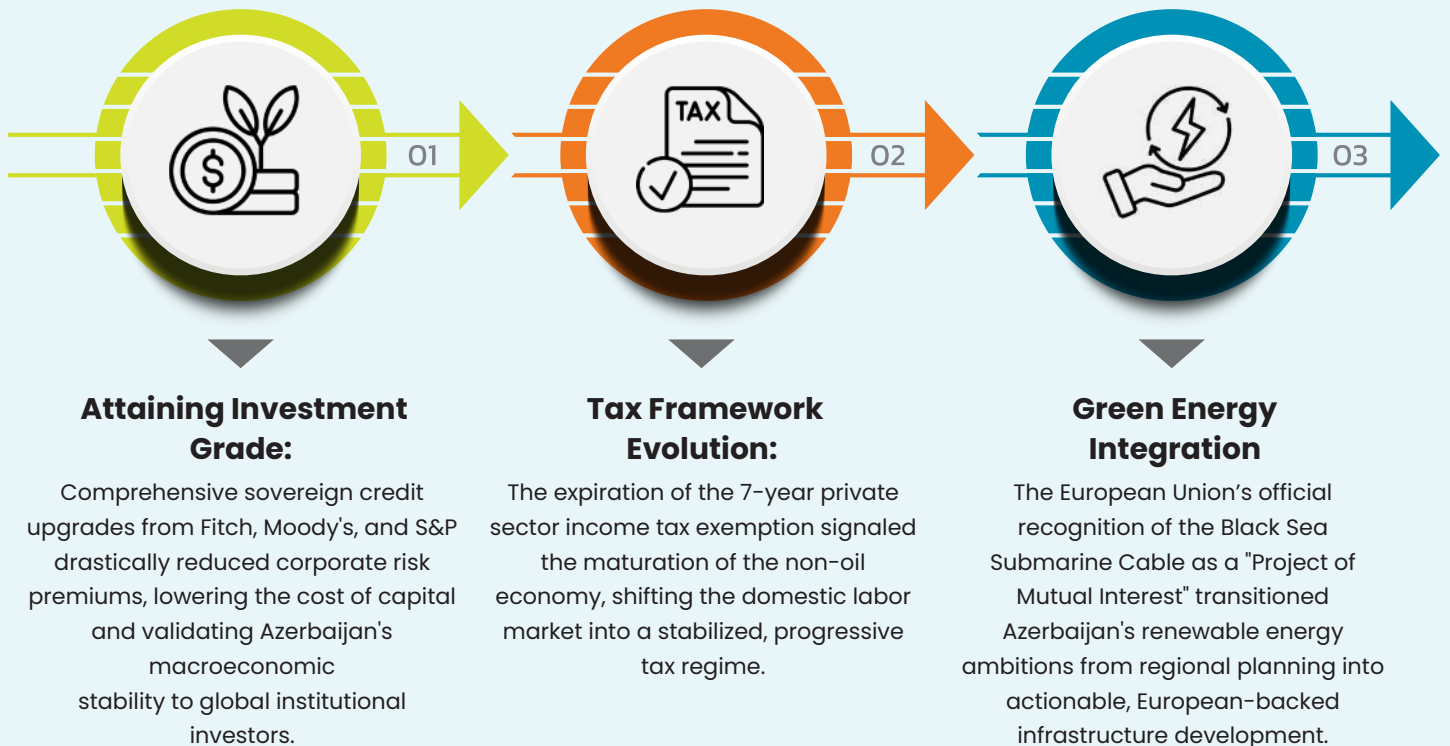
## STRATEGIC MOMENTUM: 2025 Market Milestones and 2026 Investment Catalysts

Azerbaijan is operating at a pivotal inflection point. Over the past year, the country successfully transitioned from a period of post-pandemic recovery into an era of sustained, investment-grade economic expansion. For foreign and local investors, understanding the milestones of 2025 and the global events slated for 2026 is critical for capitalizing on the market's current trajectory.



## 2025 in Review: Maturation and Upgrades

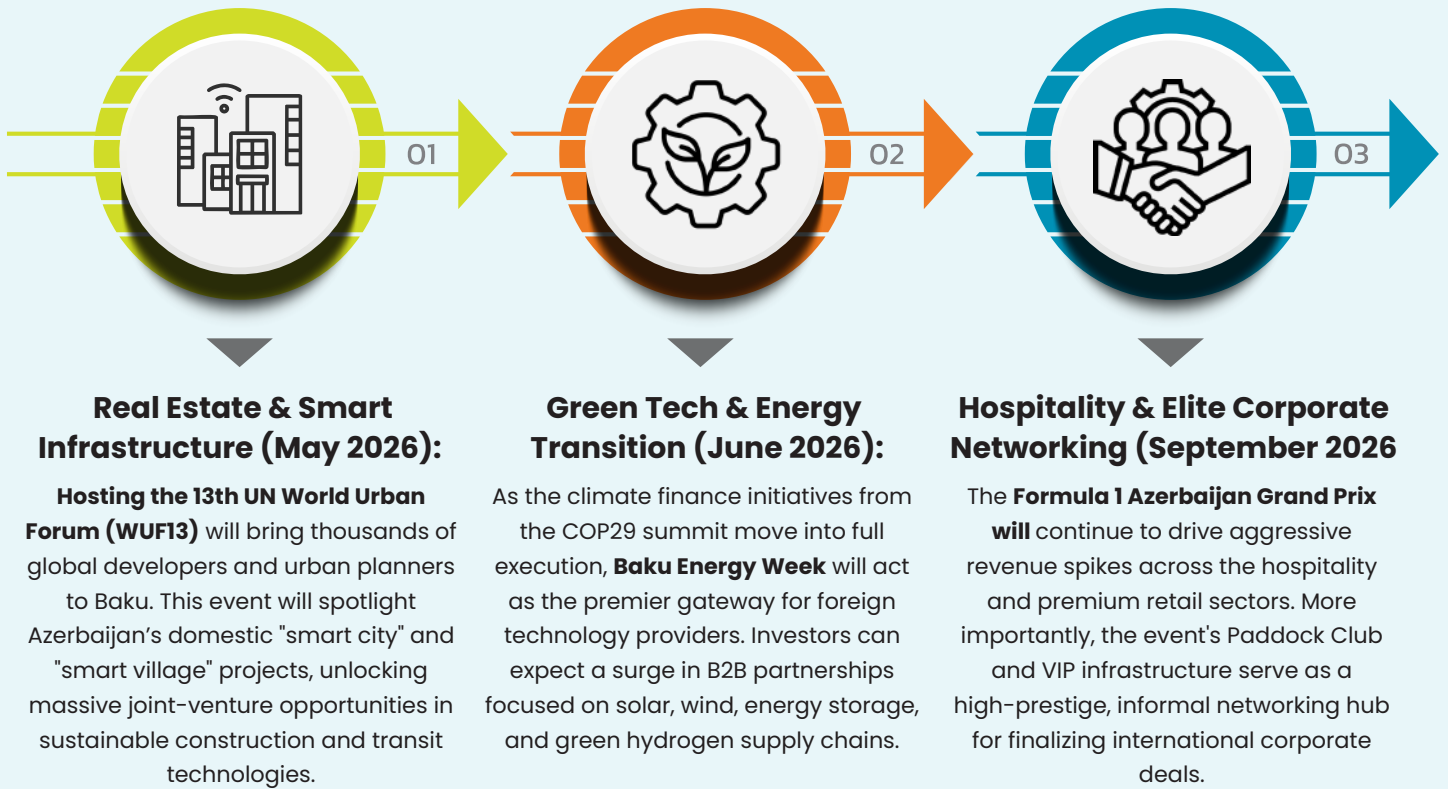
The 2025 business landscape was defined by structural maturation and unprecedented international validation. The year's most impactful developments included:





## 2026 Outlook: Global Platforms Driving FDI

Looking ahead, Azerbaijan is uniquely positioned to translate its macroeconomic stability into high-yield Foreign Direct Investment (FDI). In 2026, Baku will host a convergence of major international events that serve as direct catalysts for sector-specific growth:



## The Bottom Line:

For businesses looking to establish or expand their presence, 2026 offers an environment where robust government incentives are amplified by a continuous influx of global capital, technology, and international leadership.

# KEY MACROECONOMIC INDICATORS

## Azerbaijan's credit ratings – 2025



Agency	Rating	Outlook	Date
Fitch	BBB-	Stable	13 June 2025
Moody's	Baa3	Positive	04 July 2025
S&P	BB+	Positive	05 December 2025

## Azerbaijan's credit ratings – 2024



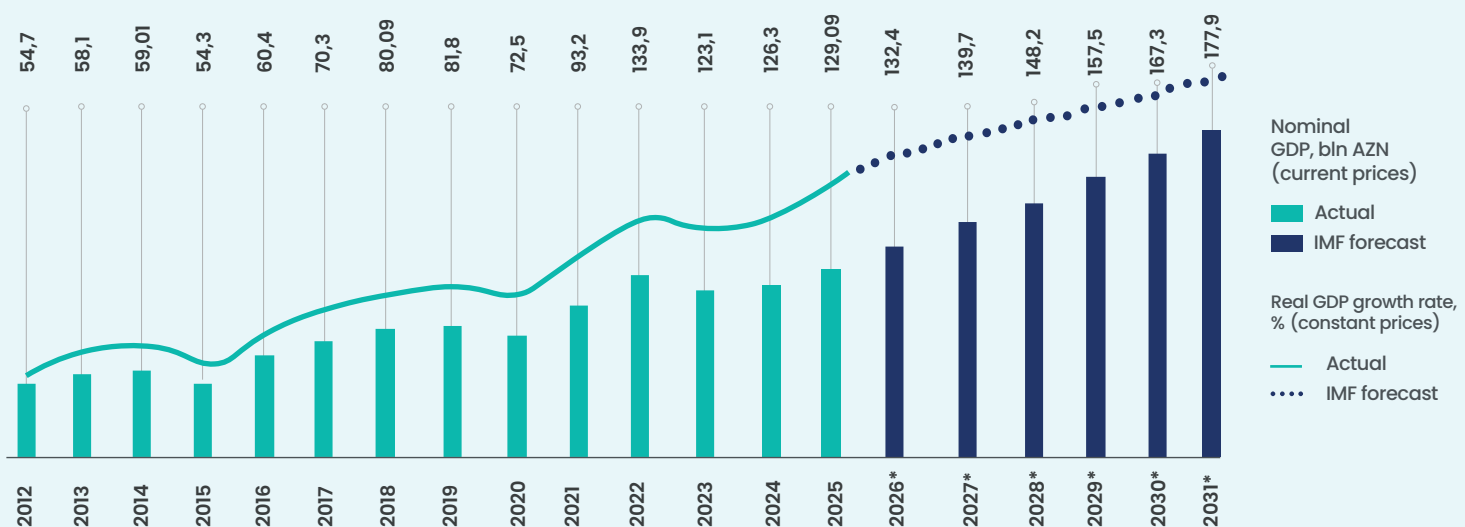
Agency	Rating	Outlook	Date
Fitch	BBB-	Stable	26 July 2024
Moody's	Ba1	Positive	05 July 2024
S&P	BB+	Stable	07 June 2024



In 2025, Azerbaijan’s sovereign credit profile reflected continued investor confidence and improved fiscal resilience, as highlighted by several key rating agency actions:

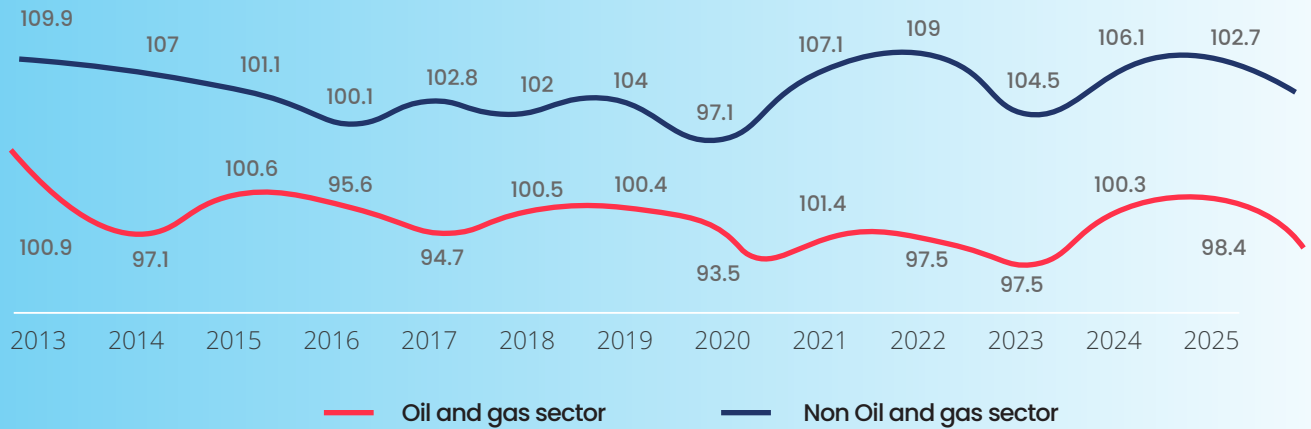
- **Fitch Ratings (June 2025):** Affirmed Azerbaijan's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'BBB-' with a Stable Outlook.
- **Moody's Ratings (July 2025):** Upgraded the Government of Azerbaijan's issuer and foreign currency senior unsecured ratings to Baa3 from Ba1, maintaining a positive outlook. Concurrently, Moody's upgraded the foreign currency-backed senior unsecured rating of Southern Gas Corridor CJSC (SGC) to Baa3 from Ba1.
- **Standard & Poor's (S&P) (December 2025):** Revised its outlook for Azerbaijan from stable to positive while affirming the country's long-term and short-term foreign and local currency sovereign credit ratings at "BB+/B".

## Gross domestic product (GDP) ▷ ▷ ▷ ▷ ▷



Source the State Statistical Committee of the Republic of Azerbaijan,  
International Monetary Fund (IMF)

## GDP growth by sectors %



Source: The State Statistical Committee of the Republic of Azerbaijan,  
International Monetary Fund (IMF)





In 2025, the country's Gross Domestic Product (GDP) reached 129.1 billion manats, marking a 1.4 percent increase over the previous year. Value added in the oil and gas sector decreased by 1.6 percent, while in the non-oil and gas sector it increased by 2.7 percent.

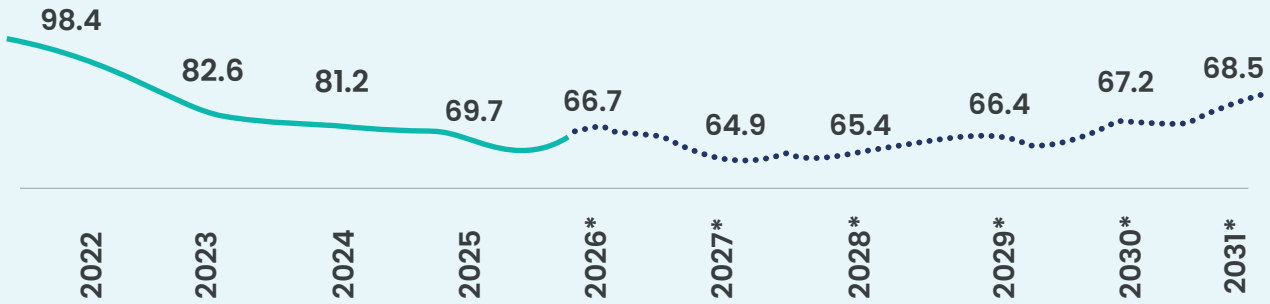
The GDP per capita amounted to 12,602.2 manats (2024: 12,382.5).

## Structure of GDP was as below %:



Sectors	2025	2024	2023
1 Industry	33.0	35.9	51.1
2 Trade and repair of transport	11.3	10.7	8.2
3 Transportation and storage	7.1	7.0	6.2
4 Agriculture, forestry and fishing	5.9	6.7	5.5
5 Construction	6.5	5.7	6.2
6 Information and communication	2.1	2.4	1.7
7 Accommodation and food services	2.8	1.9	2.2
8 Net tax on production and import	9.6	9.8	7.4
9 Social and other sectors	21.7	19.9	18.6

## Assumed Brent oil price, USD/barrel

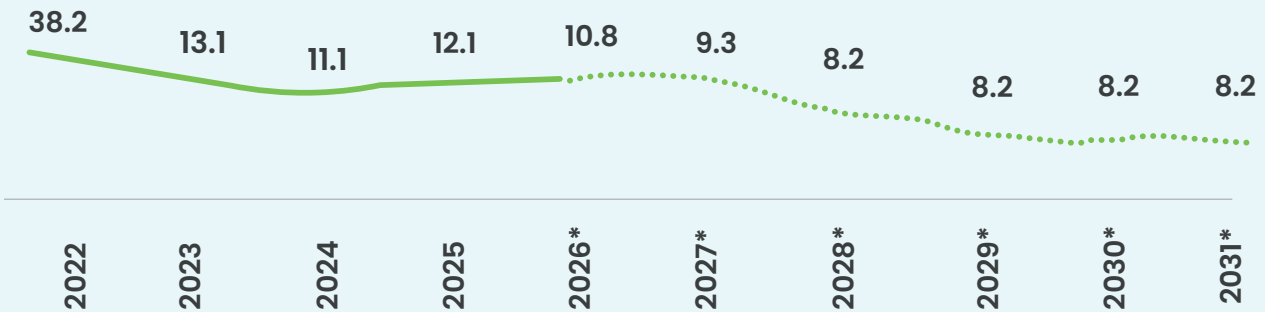


\* Forecast



Source: International Monetary Fund (IMF)

## Assumed natural gas price USD/mmbtu



\* Forecast



Source: International Monetary Fund (IMF)





According to projections by the International Monetary Fund (IMF), the assumed price of oil is expected to gradually decline from \$69.7 per barrel in 2025 to \$68.5 per barrel by 2031. Similarly, the assumed natural gas price is forecasted to fall from \$12.1 per million British thermal units (mmbtu) in 2025 to \$8.2/mmbtu during the 2028–2031 period.

In 2025, a total of 27.7 million tons of oil (including gas condensate) and 51.5 billion cubic meters of natural gas were produced. Gas output rose by 1.1 billion cubic meters, representing a 2.2 percent increase compared to the same period of the previous year.



Source: Ministry of Energy



## Dynamics of Foreign Trade Turnover ▷ ▷ ▷

YEARS	MILLION USD				INCREASE		
	Trade turnover	Import	Export	Saldo	Trade turnover	Import	Export
2013	34,687.9	10,712.5	23,975.4	13,262.9	106.3	109.1	105.1
2014	31,016.3	9,187.7	21,828.6	12,640.9	94.1	85.4	98.0
2015	21,945.8	9,216.7	12,729.1	3,512.4	104.3	99.5	106.3
2016	21,946.7	8,489.1	13,457.6	4,968.5	112.9	89.6	129.7
2017	24,103.3	8,783.3	15,320.0	6,536.7	85.2	83.8	86.1
2018	30,955.0	11,465.9	19,489.1	8,023.2	96.1	100.2	93.8
2019	33,302.7	13,667.5	19,635.2	5,967.7	96.8	93.5	98.8
2020	24,464.6	10,732.0	13,732.6	3,000.6	72.7	64.0	78.8
2021	33,911.2	11,703.2	22,208.0	10,504.8	87.2	90.0	85.0
2022	52,686.5	14,539.8	38,146.7	23,606.9	103.3	101.7	104.2
2023	51,183.9	17,285.3	33,898.6	16,613.3	91.6	101.9	87.7
2024	47,612.1	21,058.0	26,554.1	5,496.1	92.6	103.1	87.2
2025	49,422.6	24,379.7	25,042.9	663.1	91.4	91.5	91.3



Source: The State Statistical Committee of the Republic of Azerbaijan

## Import structure of main products

(in thousand manats)



Food and  
agricultural products



2025

Amount %

2,722,955.47 11%

2024

Amount %

2,593,603.54 12.32%



Chemicals



2025

Amount %

1,193,459.51 5%

2024

Amount %

1,113,224.53 5.29%



Vehicles and  
their parts



2025

Amount %

3,103,977.61 13%

2024

Amount %

2,426,944.19 11.53%



Metals



2025

Amount %

1,130,785.64 5%

2024

Amount %

1,177,677.51 5.59%



Machinery and electrical  
equipment, apparatus



2025

Amount %

3,701,913.10 15%

2024

Amount %

3,872,984.63 18.39%



Other



2025

Amount %

12,526,638.95 51%

2024

Amount %

9,873,609.66 46.89%



Source: The State Statistical Committee of the Republic of Azerbaijan

## Export structure of main products (in thousand manats)



Oil and petroleum  
products



2025

Amount %

21,414,602.79 86%

2024

Amount %

23,197,549.50 87.36%



Agricultural products



2025

Amount %

1,035,780.65 4%

2024

Amount %

818,862.29 3.08%



Chemicals



2025

Amount %

1,003,572.62 4%

2024

Amount %

991,243.84 3.73%



Metals



2025

Amount %

335,791.04 1%

2024

Amount %

288,941.13 1.09%



Other



2025

Amount %

1,253,102.53 5%

2024

Amount %

1,257,460.04 4.74%



Source: The State Statistical Committee of the Republic of Azerbaijan

## Foreign Trade Distribution by Country



**Italy**  
24%



**Türkiye**  
11.58%



**Switzerland**  
3.59%



**Russia**  
9.96%



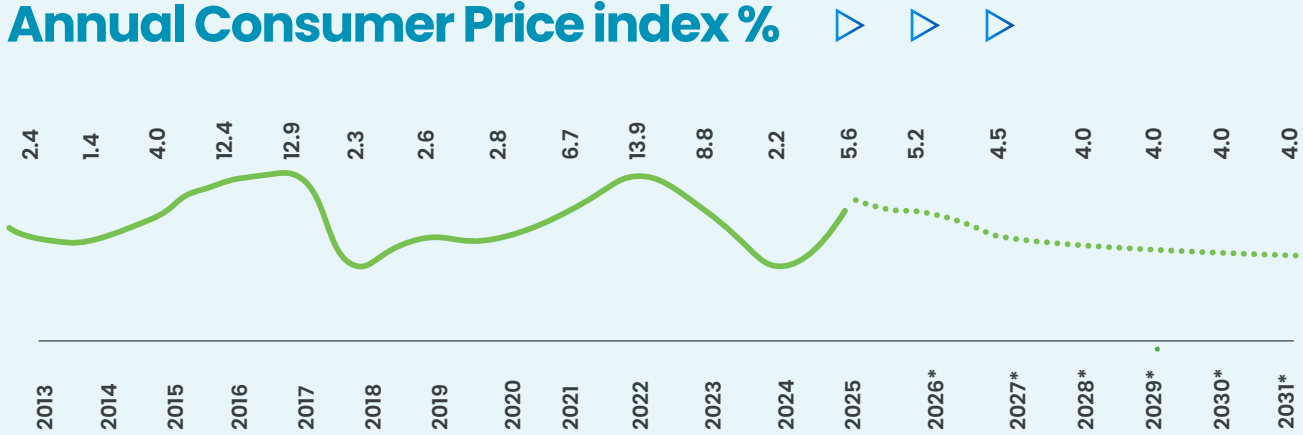
**China**  
9.86%



Source: The State Statistical Committee of the Republic of Azerbaijan



## Annual Consumer Price index %



Source: The State Statistical Committee of the Republic of Azerbaijan, International Monetary Fund (IMF)



Source: The Central Bank of the Republic of Azerbaijan (CBAR)

## "Refinance Rate"

2025		2024		
12/11/2025	7/24/2025	5/2/2024	3/29/2024	2/1/2024
6.75	7	7.25	7.50	7.75



Source: The Central Bank of the Republic of Azerbaijan (CBAR)





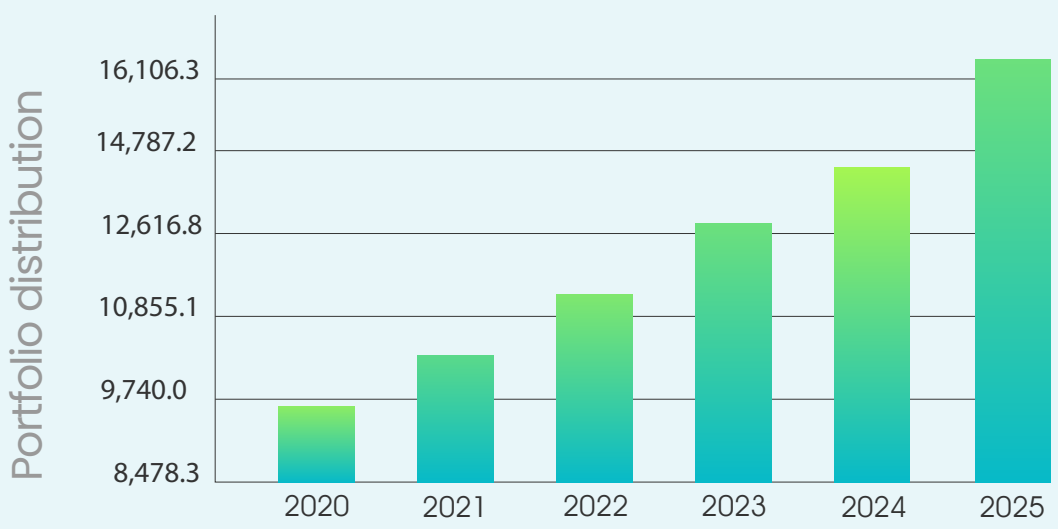
The CBA reduced interest rates as the decline in inflation became well established, continuing a gradual easing cycle that brought the refinancing rate down to 6.5% in February 2026. The rate has been held unchanged since then (most recently confirmed in April 2026) as inflation remains within the target range of  $4 \pm 2\%$ . The CBA has also been making further progress in improving monetary policy transparency and transmission.

## Foreign exchange reserves ▷ ▷ ▷ (in billion US dollars)



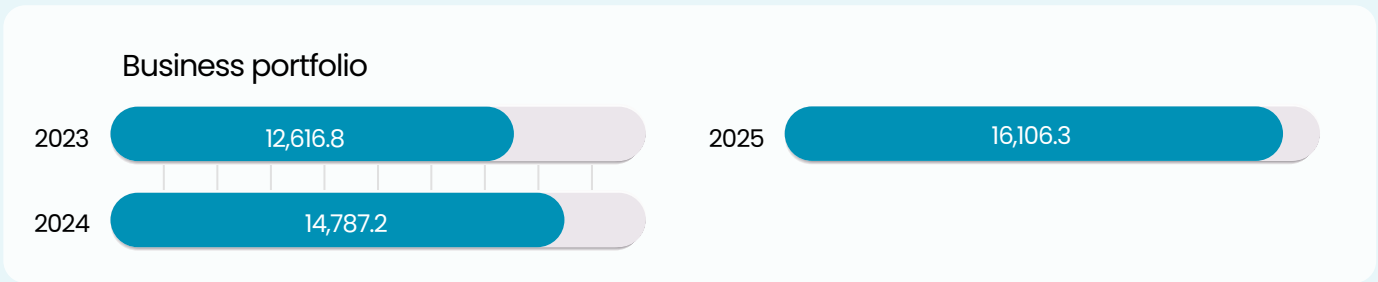
Source: The Central Bank of the Republic of Azerbaijan (CBAR)

## Business loans (in million manats) ▷ ▷ ▷

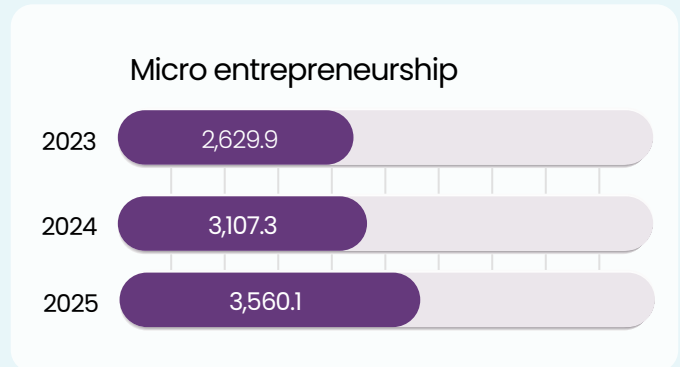
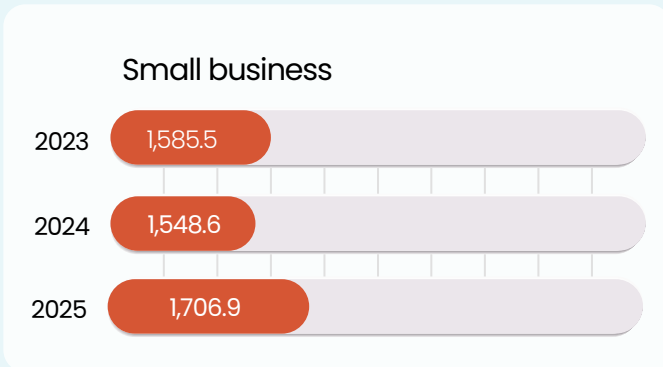
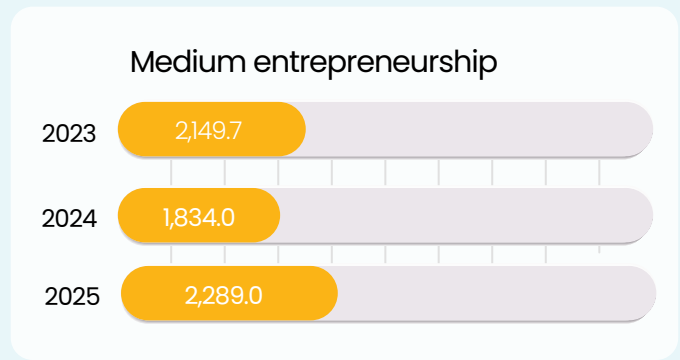
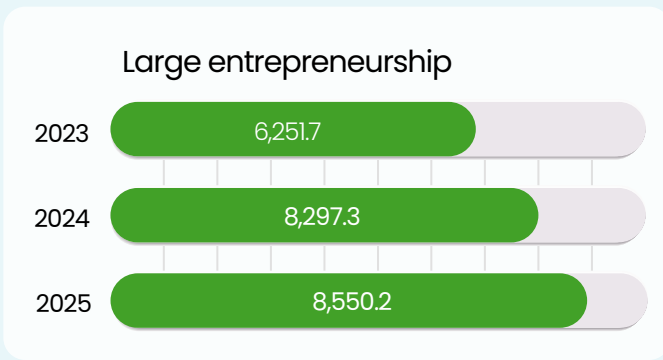


Source: The Central Bank of the Republic of Azerbaijan (CBAR)

Entrepreneurial subjects` types (in million manats)



↓  
including



Source: The Central Bank of the Republic of Azerbaijan (CBAR)



## Average interest rates

On loans

Average interest rate

in national currency (%)

	Average	Legal entities	Individuals
2023	14.13	9.99	16.04
2024	14.31	10.14	16.00
2025	14.66	10.71	16.32
2026	15.44	11.63	17.07

On loans

Average interest rate

in foreign currency (%)

	Average	Legal entities	Individuals
2023	4.85	4.78	5.26
2024	5.12	5.16	4.67
2025	5.57	5.67	4.39
2026	5.80	5.90	4.57



Source: The Central Bank of the Republic of Azerbaijan (CBAR)

On time deposits and savings

in national currency (%)

	Average	Legal entities	Individuals
2023	8.60	5.12	9.28
2024	8.19	5.63	9.26
2025	8.75	6.80	9.74
2026	9.44	7.15	10.26

On time deposits and savings

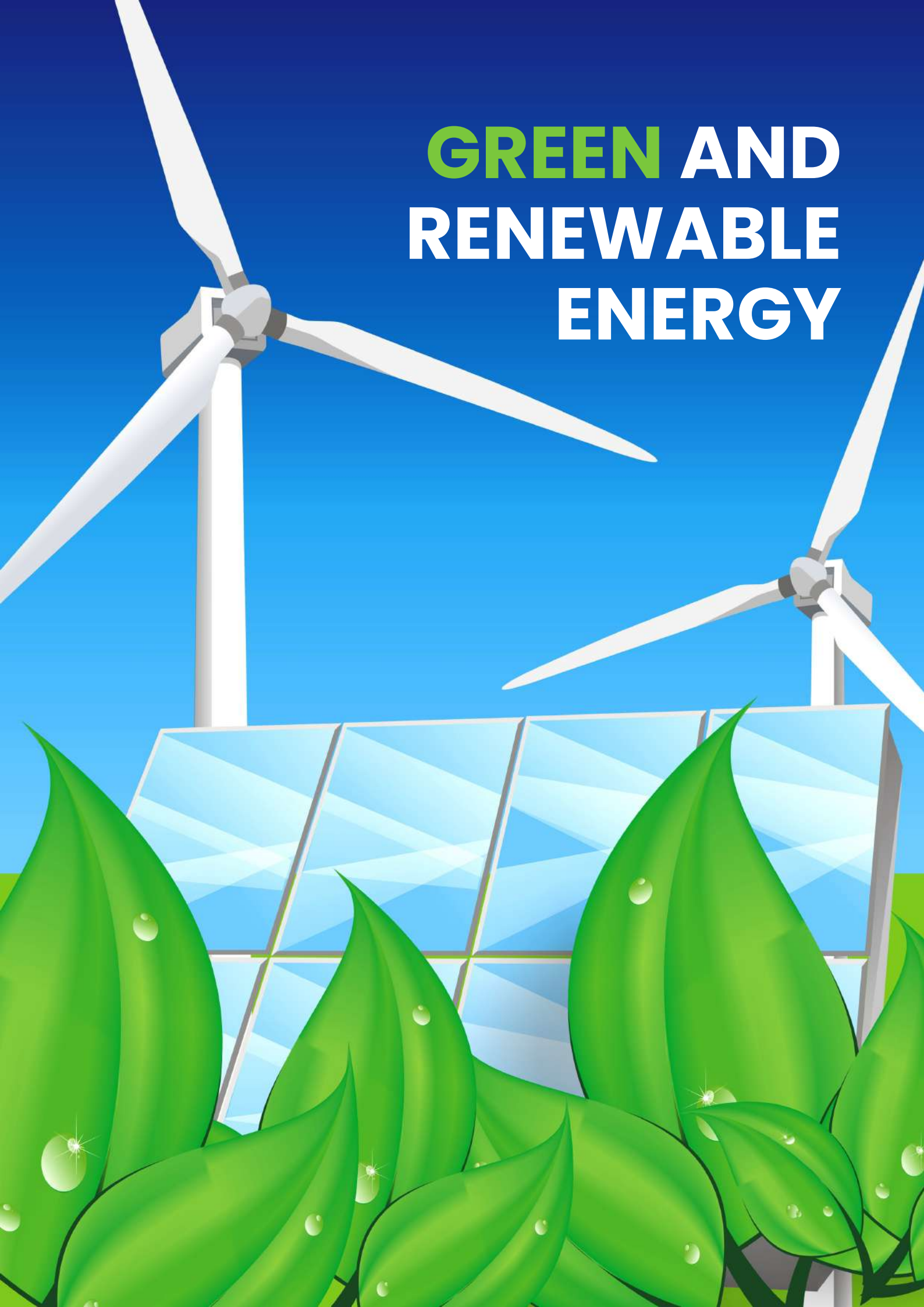
in foreign currency (%)

	Average	Legal entities	Individuals
2023	1.41	0.91	1.79
2024	2.00	1.92	2.08
2025	3.00	3.10	2.90
2026	3.18	3.19	3.16



Source: The Central Bank of the Republic of Azerbaijan (CBAR)

# **GREEN AND RENEWABLE ENERGY**





### **Azerbaijan’s Green Energy Transition: 2026 Status and Outlook**

Azerbaijan has aggressively accelerated its transition from a traditional hydrocarbon supplier to a diversified clean energy producer. While natural gas remains a stabilizing export, the government has successfully moved several massive utility-scale renewable projects from the feasibility stage into full commercial operation throughout 2025 and early 2026.



#### **Updated National Targets & Current Capacity**

Driven by an influx of foreign direct investment and successful public-private partnerships, Azerbaijan has significantly upgraded its medium-term renewable goals.

- **Current Installed Capacity:** By the end of 2025, Azerbaijan’s total renewable energy capacity reached 1,826 MW, marking a 54% increase over the last decade.
- **Upgraded Future Targets:** In March 2026, the Azerbaijan Renewable Energy Agency (AREA) officially raised its deployment targets, aiming to commission 6 Gigawatts (GW) of renewable capacity by 2030 and 8 GW by 2032.



#### **Flagship Projects and Current Status (As of 2026)**

The backbone of Azerbaijan's green energy strategy relies on utility-scale solar and wind farms, heavily concentrated in the Absheron peninsula and the liberated Karabakh and East Zangezur Green Energy Zones.

Project Name	Type	Capacity	Developer / Partner	2026 Status & Key Milestone
Khizi-Absheron Wind Farm	Wind	240 MW	ACWA Power (Saudi Arabia)	<b>Operational.</b> Officially inaugurated in January 2026. Largest wind farm in the Caucasus
Garadagh Solar Plant	Solar	230 MW	Masdar (UAE)	<b>Operational.</b> Has generated over 1 billion kWh since commissioning, saving 110M cubic meters of gas.
Bilasuvur & Neftchala PVs	Solar	760 MW	Masdar (UAE) & SOCAR	<b>Under Construction.</b> Groundbreaking occurred in June 2024; active development ongoing.
Ufug & Shams Solar PVs	Solar	100 MW	Nobel Energy	<b>Under Construction.</b> Groundbreaking in Jabrayil took place in October 2025.
Shafag Solar Complex	Solar	240 MW	BP (UK) & SOCAR	<b>Under Construction.</b> Sited in the Jabrayil district to decarbonize Sangachal terminal operations.
Giz Galasi HPP	Hydro	140 MW*	Iran- Azerbaijan Joint	<b>Operational.</b> Commissioned in mid-2024 on the Aras River (Capacity reflects Azerbaijan's share).



## Export Strategy and Grid Integration

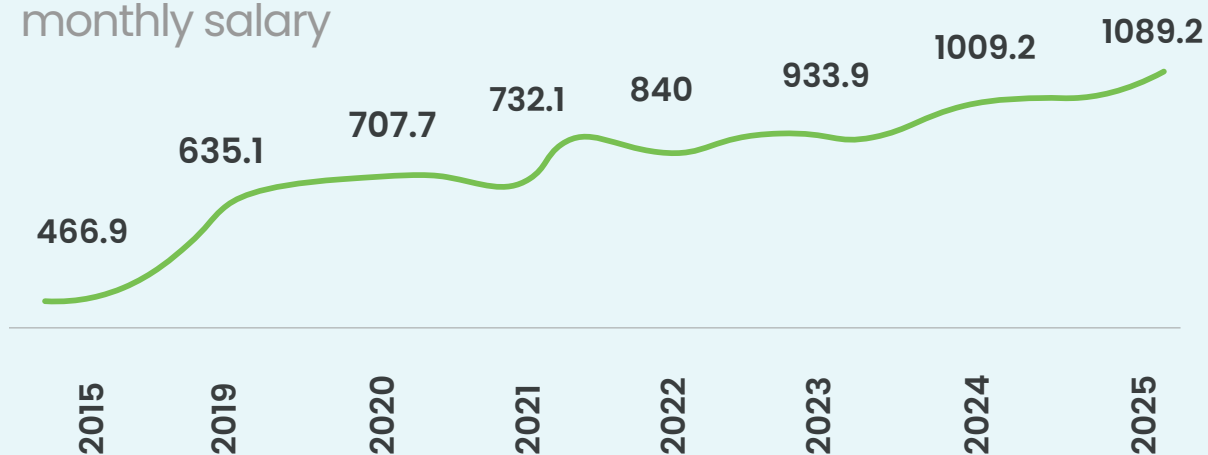
Azerbaijan is building out its domestic green capacity not only to free up domestic natural gas for export, but to directly export electricity to European markets.

- **The Black Sea Submarine Cable:** This 1,155-kilometer joint project between Azerbaijan, Georgia, Romania, and Hungary will eventually transmit 1,300 MW of renewable energy to Europe. In December 2025, the EU officially granted it "Project of Mutual Interest" status, unlocking vital regulatory support and financing for a targeted 2032 completion.
- **Nakhchivan Grid Integration:** Construction is currently underway on the Zangezur high-voltage transmission line, which will integrate the Nakhchivan Autonomous Republic into Azerbaijan's unified grid and eventually connect a 400 kV line to Turkey.



# EMPLOYMENT INCOME

Nominal average  
monthly salary



Source: The State Statistical Committee of the Republic of Azerbaijan



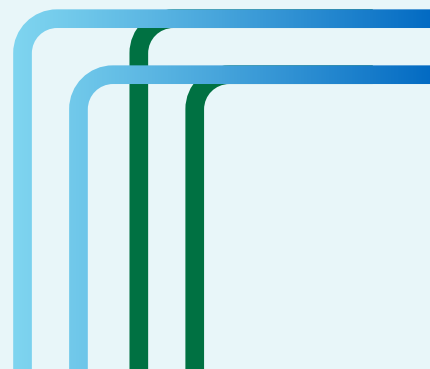


As of January 1, 2026, the minimum monthly wage in Azerbaijan remains stable at AZN 400, having been increased to this level at the start of 2025. This serves as the baseline for calculating minimum labor costs, social insurance contributions, and unemployment benefits across all sectors.

According to the State Statistical Committee, the nominal average monthly salary in Azerbaijan has demonstrated a consistent upward trend over the past decade. From AZN 331.5 in 2010, the figure rose significantly to AZN 466.9 in 2015, reaching AZN 933.9 by 2023. In 2024, the average monthly salary surpassed the AZN 1,000 threshold for the first time, amounting to AZN 1,009.2. By the end of 2025, official preliminary data indicated a further 9.3% increase, with the average nominal wage reaching AZN 1,089.2. Moving into early 2026, monthly averages have continued to sustain above the AZN 1,100 mark.

This steady growth reflects improvements in income levels across the economy, driven by economic reforms, public sector wage adjustments, and broader structural changes aimed at enhancing labor market conditions and preserving purchasing power against inflation.

With the expiration of that transitional period, significant amendments to the Tax Code and the Law on Social Insurance took effect on January 1, 2026. The new structure adjusts the contribution brackets for high-income earners and permanently lowers the mandatory health insurance threshold for the private sector. Here is the fully updated text reflecting the legal requirements for the end of 2025 and the active framework for 2026:





## Labor and Social Contributions in Azerbaijan

**Non-Oil and Gas, Non-State Sector** Following the expiration of the 2019–2025 transitional tax regime, a new framework came into effect on January 1, 2026. Employees in the non-oil and gas private sector contribute as follows:

- **Social Security (SSPF):** 3% of monthly salary up to AZN 200, and 10% on the portion exceeding AZN 200.
- **Unemployment Insurance:** 0.5% of the total monthly salary.
- **Mandatory Health Insurance:** 2% of income up to AZN 2,500, and 0.5% on the portion exceeding this threshold. (Note: The threshold was lowered from AZN 8,000 to AZN 2,500 at the start of 2026).

### **Employers are required to contribute:**

- **Pension Contributions (SSPF):** 22% of the salary fund up to AZN 200, 15% on the portion between AZN 200 and AZN 8,000, and a reduced rate of 11% on the portion exceeding AZN 8,000.
- **Unemployment Insurance:** 0.5% of the total salary fund.
- **Mandatory Health Insurance:** 2% of salaries up to AZN 2,500, and 0.5% on the amount exceeding this threshold.

*(Furthermore, as of 2026, the 0% personal income tax exemption for this sector concluded. A progressive PIT of 3% up to AZN 2,500, 10% up to AZN 8,000, and 14% above AZN 8,000 is now withheld).*

**Oil and Gas Sector and State Sector** Contributions for the oil and gas and state sectors remain structurally unchanged from 2025 into 2026:

- **Employees:** Contribute a flat 3% for social security, 0.5% for unemployment insurance, and 2% for health insurance up to AZN 8,000 (plus 0.5% on the portion exceeding AZN 8,000).
- **Employers:** Contribute a flat 22% for pension contributions, 0.5% for unemployment insurance, and 2% for health insurance up to AZN 8,000 (plus 0.5% on the portion exceeding AZN 8,000).

**General Labor Regulations** The standard workweek is 40 hours. Overtime, weekend, public holiday, and national mourning day work is subject to additional compensation as regulated by the Labor Code. Termination of employment due to redundancy requires the employer to give 2 to 9 weeks’ notice depending on the employee’s work experience, while employees may resign with a one-month notice.

### **2026 Statutory Deduction Calculator**

Because the shifting brackets at AZN 200, AZN 2,500, and AZN 8,000 can make manual payroll modeling tedious, I have built an interactive calculator below. You can use this to instantly stress-test the exact employer and employee social contributions based on the finalized 2026 laws.



# SETTING UP A BUSINESS





## Setting Up a Business in Azerbaijan: Streamlined Entry, Strategic Opportunity

As Azerbaijan continues its transformation into a regional economic hub, supported by rising non-oil growth, public investment, and green energy transition, the regulatory landscape for establishing a business has evolved to become more transparent, investor-friendly, and technologically advanced.



## Legal Forms and Market Entry Options ▷ ▷ ▷

Foreign and local investors may establish a presence in Azerbaijan through several legal forms:

Entity Type			Description
Limited Liability Company (LLC)	⇒	Most common and flexible form; may have foreign or domestic shareholders	
Joint-Stock Company (JSC)	⇒	Suitable for public share offerings; can be Open (OJSC) or Closed (CJSC)	
Representative Office / Branch	⇒	Non-resident entities may operate without separate legal status	
Public-Private Partnership (PPP)	⇒	Increasingly used in infrastructure, energy, and health sectors	

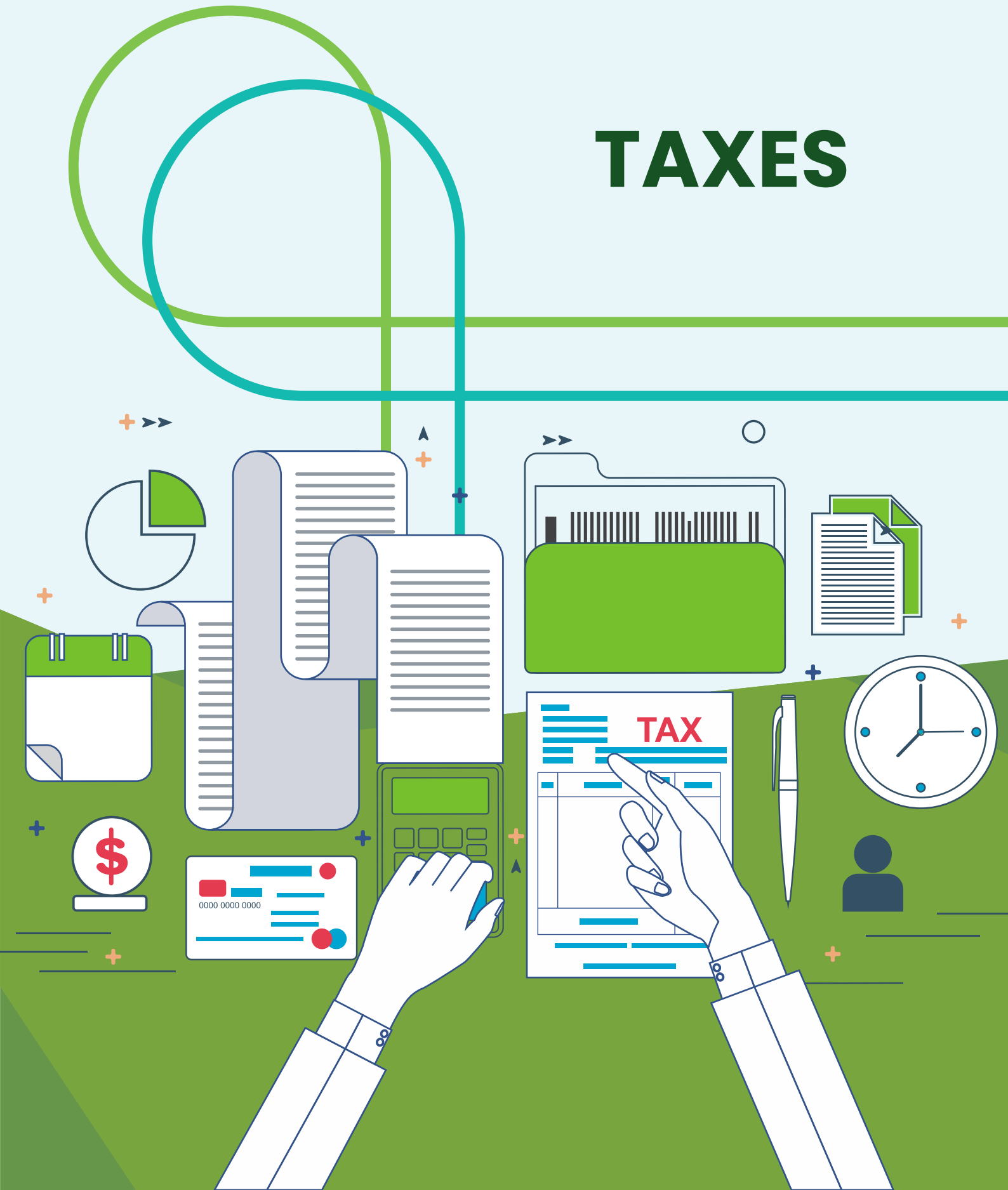
As of 2025, Azerbaijan's "One-Stop Shop" registration system, administered by the State Tax Service (Ministry of Economy), enables businesses to register online within 1–2 working days using the ASAN Login e-government portal. Foreign investors may now submit notarized and apostilled documents electronically.

## Minimum Capital and Fees ▷ ▷ ▷

Charter capital for LLCs must be fully paid within 3 months after state registration.

Legal Form	Minimum Charter Capital	Registration Fee
LLC	No minimum (recommended ≥100 AZN)	AZN 15 (electronic); AZN 20 (paper)
CJSC	AZN 2,000	AZN 15
OJSC	AZN 4,000	AZN 15
Rep. Office/Branch	-	AZN 300

# TAXES





## Tax Registration and Licensing

**Upon registration, companies automatically receive:**

- Tax Identification Number (TIN)
- VAT status, if applicable
- Social fund and employment registry codes



Companies operating in **regulated sectors** (e.g. pharmaceuticals, finance, mining) must obtain licenses via the **Electronic Licenses and Permits Portal**, managed by **ASAN Service**.

Licenses must be issued within **10 working days**; permits within **7 working days**, per the Law on Licenses and Permits.



## Special Economic Zones and Incentives

**Azerbaijan offers several investment incentive regimes, including:**

- **Industrial Parks and Technological Parks** – offering tax holidays, customs exemptions, and land access.
- **Liberated Territories (Karabakh, East Zangezur)** – 10-year exemptions from profit tax, land/property tax, simplified tax, and VAT on certain imports.
- **Investment Promotion Certificates** – provide VAT and customs duty exemptions on imported equipment and materials for up to 7 years.



## Ease of Doing Business Reforms

In recent years, Azerbaijan has:

- Digitalized company registration, customs, and tax filings
- Joined the **International Centre for Settlement of Investment Disputes (ICSID)**
- Enhanced protections under **BITs (Bilateral Investment Treaties)**  
with over 50 countries
- Introduced **double tax treaties** with 55+ countries to avoid taxation overlaps

### Outlook

With strong legal infrastructure, rapid digitalization, and access to expanding regional markets, Azerbaijan offers a compelling gateway for businesses seeking scalable growth in the Caucasus, Central Asia, and beyond. Government-led reforms, ease of incorporation, and targeted tax incentives make the country an increasingly attractive destination for entrepreneurs, SMEs, and multinational investors alike.



# 1

## Corporate & Business Taxes

Tax Type / Area	2025 Framework (Transitional)	2026 Framework (Active)	Status
Corporate Profit Tax	20%	20%	Unchanged
Simplified Tax Regime	2% – 8% (Depending on sector/turnover)	2% – 8% (Depending on sector/turnover)	Unchanged

# 2

## Personal Income Tax (PIT)

Tax Type / Area	2025 Framework (Transitional)	2026 Framework (Active)	Status
PIT: Oil/Gas & State Sectors	14% up to AZN 2,500/month; 25% on the excess	14% up to AZN 2,500/month; 25% on the excess	Unchanged
PIT: Private Non-Oil Sector	0% up to AZN 8,000/month; 14% on the excess. (7-year exemption)	Progressive:3% up to AZN 2,500; 10% from AZN 2,500 to AZN 8,000;14% on the excess	CHANGED

# 3

## Social Security Contributions (SSPF)

Tax Type / Area	2025 Framework (Transitional)	2026 Framework (Active)	Status
SSPF Employee (Oil/Gas & State)	Flat 3%	Flat 3%	Unchanged
SSPF Employer (Oil/Gas & State)	Flat 22%	Flat 22%	Unchanged
SSPF Employee (Private Non-Oil)	3% up to AZN 200;10% on the excess	3% up to AZN 200;10% on the excess	Unchanged
SSPF Employer (Private Non-Oil)	22% up to AZN 200;15% on the excess	3-Tiered Bracket:22% up to AZN 200; 15% from AZN 200 to AZN 8,000;11% on the excess	CHANGED

# 4

## Mandatory Health & Unemployment

Tax Type / Area	2025 Framework (Transitional)	2026 Framework (Active)	Status
Unemployment Insurance	0.5% (Employee) + 0.5% (Employer)	0.5% (Employee) + 0.5% (Employer)	Unchanged
Health Insurance (Oil/Gas & State)	2% up to AZN 8,000 (plus 0.5% on excess) for both employer and employee.	2% up to AZN 8,000 (plus 0.5% on excess) for both employer and employee.	Unchanged
Health Insurance (Private Non-Oil)	2% up to AZN 8,000 (plus 0.5% on excess) for both employer & employee.	2% up to AZN 2,500 (plus 0.5% on excess) for both employer & employee.	CHANGED

# 5

## Withholding Taxes (WHT)

Tax Type / Area	2025 Framework (Transitional)	2026 Framework (Active)	Status
Dividends	5%	5%	Unchanged
Interest	10%	10%	Unchanged
Royalties / Lease Income	14%	14%	Unchanged
Insurance Premiums (Foreign)	4%	4%	Unchanged
International Transport	6%	6%	Unchanged
Other AZ-Source Income	10%	10%	Unchanged

# 6

## Value Added Tax (VAT) & Duties

Tax Type / Area	2025 Framework (Transitional)	2026 Framework (Active)	Status
VAT (Standard Rate)	18% (0% for exports/exemptions)	18% (0% for exports/exemptions)	Unchanged
Customs Duties	0% – 15% (Tiered clearance fees)	0% – 15% (Tiered clearance fees)	Unchanged

# 7 Other Taxes

Tax Type / Area	2025 Framework (Transitional)	2026 Framework (Active)	Status
Property Tax	1% of average annual residual value	1% of average annual residual value	Unchanged
Land Tax	Fixed rates based on location/size	Fixed rates based on location/size	Unchanged
Excise Tax	Varies (Applies to fuel, alcohol, tobacco)	Varies (Applies to fuel, alcohol, tobacco)	Unchanged
Road & Minerals Tax	Varies based on volume/vehicle specs	Varies based on volume/vehicle specs	Unchanged



## Tax returns submission dates ▷▷▷

Tax Type	Deadline	Notes
<b>Corporate Profit Tax</b>	<b>31 March</b>	Legal entities and permanent establishments must file by this date following the end of the calendar year.
(Advance Payments)	15 days after quarter	Advance payments: 25% of previous year's tax or based on actual income.
<b>VAT</b>	20th of the month	Filed monthly (following the reporting month).
<b>Income Tax (Individuals)</b>	31 March	Applies to individuals earning non-salary or untaxed income.
<b>Withholding Tax</b>	Monthly / Upon payment	Withheld at source; schedules vary by transaction type.
<b>Final Tax upon Liquidation</b>	Within 30 days	Applies to non-resident entities and liquidating Azerbaijan businesses upon termination.




### **Tax Incentives for Liberated Territories**

Eligible taxpayers include legal entities and individuals registered for tax purposes and conducting active business in the liberated territories.

#### **The 10-Year Exemptions (Starting Jan 1, 2023):**

- Income (Profit) Tax, Property Tax, Land Tax, and Simplified Tax are fully exempt for 10 years.
- VAT on Imports: Exemption applies to imported machinery, technological equipment, installations, and raw materials used in permitted sectors (requires official documentation).
- Dividend Income: Dividends paid to shareholders of resident legal entities in these territories are tax-exempt.

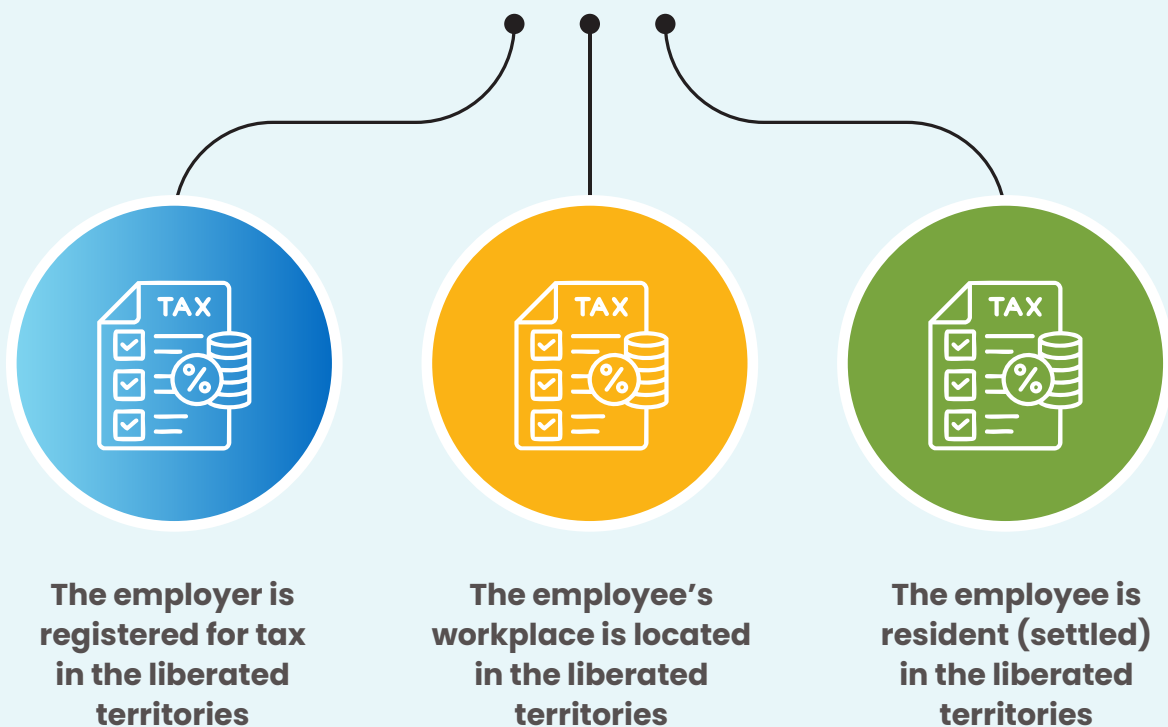


### **Exceptions to the Exemptions:**

These tax holidays do not apply to financial services, cargo transportation by motor vehicles, or goods/works provided by state-funded contractors (unless they are resident contractors carrying out production activities in the territories).

## Labor Incentives & Conditions:

Qualifying "specialists working in liberated territories" receive 5 extra calendar days of leave and specific salary increase coefficients. To qualify for these labor incentives and tax reliefs, all three of the following conditions must be met:



# AUDIT ENVIRONMENT



## Audit Environment in Azerbaijan

Azerbaijan’s audit environment is evolving in response to national priorities for **financial transparency, investment attraction, and the formalization of private sector practices**. The country’s legal and institutional framework—anchored by the **Law on Audit Services**, the **Civil Code**, and oversight from the **Chamber of Auditors of the Republic of Azerbaijan**—mandates both compliance and quality assurance across audit activities.



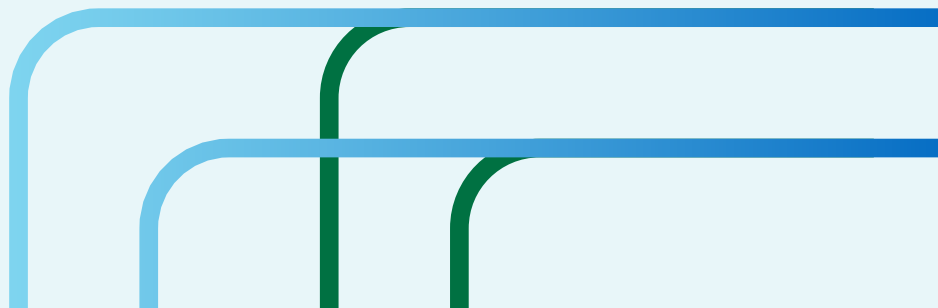
### Regulatory Enforcement & Penalties

Non-compliance with the statutory audit requirement may lead to **administrative fines** of **AZN 1,500–2,500** for legal entities, and **AZN 300–600** for company officials. Repeated violations may incur further penalties and impact eligibility for public procurement or financing.



### Recent Developments

As of late 2022, the Chamber of Auditors introduced **mandatory minimum fees for audit services**, indexed by company turnover (e.g., AZN 6,000 for a company with AZN 3 million turnover). This move aims to **prevent underpricing, ensure fair competition, and enhance audit quality**.





## Professional Standards

Audits in Azerbaijan must be performed in accordance with the **International Standards on Auditing (ISA)**. The Chamber of Auditors oversees **licensing, compliance, and quality control** for audit firms and individual auditors, ensuring alignment with international practices.

**According to current legislation and regulatory practice, the following entities are subject to mandatory annual audit:**

Entity Type	Audit Requirement
Limited Liability Companies (LLCs)	If not classified as micro or small enterprises (i.e., exceeding 50 employees or AZN 3 million in turnover) – Article 91.4 of the Civil Code
Open Joint Stock Companies (JSCs)	Mandatory audit under company law
Public Interest Entities (PIEs)	Including banks, insurance companies, and listed companies – audited under sector-specific laws
State-Owned Enterprises (SOEs)	Audited in line with state ownership and budget accountability requirements
Companies receiving public funds or grants	May be audited depending on funding conditions and donor requirements
Non-resident branches and rep offices	Often subject to audit for tax, regulatory, or home-country reporting purposes



# INCENTIVES FOR STARTUPS & TECH COMPANIES

To accelerate digital transformation and foster an ecosystem of innovation, the Azerbaijani government has introduced highly competitive tax incentives aimed at IT companies, early-stage startups, and small enterprises.





## The "Startup Certificate" (KOBIA)

Administered by the Small and Medium Business Development Agency (KOBIA), the Startup Certificate is designed to eliminate early-stage financial friction for innovative micro and small enterprises.

- **The Benefit:** Qualifying businesses receiving a Startup Certificate are fully exempt from profit tax and entrepreneurial income tax for a period of 3 years.
- **Scope:** This exemption specifically applies to revenues generated from their innovative activities.



## Technology & Industrial Park Residency (The 10-Year Exemption)

For established tech companies, software developers, and industrial innovators (both local and foreign), obtaining "Technopark Resident" status provides some of the most competitive tax advantages in the broader Eurasia region:

- **Corporate & Asset Taxes:** Residents enjoy a **10-year exemption** from corporate profit/income tax, property tax, land tax, and dividend withholding tax.
- **Import Exemptions:** Residents receive VAT and customs duty exemptions on the import of qualifying machinery, technological equipment, and construction materials for up to 10 years.
- **IT Employee Tax Breaks:** For system integration and software development residents, employees enjoy 0% Personal Income Tax on monthly salaries up to AZN 8,000 (or they may elect a flat 5% on the entire salary) for 10 years. Furthermore, social security (SSPF) contributions for these employees can optionally be calculated based on the national minimum wage (AZN 400) rather than their actual gross salary, massively reducing employer payroll burdens.



## General Micro-Business & SME Incentives

Outside of the specialized tech parks, the standard Tax Code provides strong support for smaller enterprises:

- **Simplified Tax Regime:** Eligible businesses with an annual revenue of AZN 200,000 or less may opt to pay a flat **2% simplified tax** on their gross revenue, replacing standard profit tax, VAT, and income tax.
- **Micro-Business Deductions:** Micro-businesses are entitled to a **75% deduction** on profit/income tax derived from entrepreneurial activities. *(Note: Under recent tax code amendments, this 75% deduction is conditional upon the business maintaining at least three formal employees and having no outstanding mandatory social insurance debts).*
- **SME Equipment Imports:** Qualifying SMEs are exempt from profit, land, property tax, and VAT on equipment imports, typically for a period of 7 years.



## The Local Incubation Ecosystem

Beyond statutory tax relief, foreign and local founders entering the Azerbaijani market have access to a rapidly maturing support network. This includes state-of-the-art incubation hubs and accelerators—such as SABAH.HUB, INNOLAND, and PASHA Innovations—which provide direct seed capital, mentorship, and vital B2B networking pipelines to connect new tech platforms with Azerbaijan's largest financial and energy conglomerates.

# STARTUP



# CONTACTS



**Vasim Musayev**  
Audit Director



**Kamran Murvatov**  
Tax and Legal Partner



**Nazrin Azizova**  
Tax Manager

# Contact us



8 Central Boulevard Street, White City, Baku, AZ1025, Azerbaijan.



+994 12 480 1362



[info@uhy-az.com](mailto:info@uhy-az.com)

