

**Chandrawat
& Partners**

Guide to do business in

AZERBAIJAN





ABOUT AZERBAIJAN

Azerbaijan is a country located in the South Caucasus region of Eurasia. It is bordered by Russia to the north, Georgia to the northwest, Armenia to the west, Iran to the south, and the Caspian Sea to the east. The capital and largest city of Azerbaijan is Baku.

Azerbaijan has a population of approximately 10 million people and covers an area of 86,600 square kilometres. The country is known for its rich cultural heritage, ancient history, and natural resources, particularly its oil and gas reserves.

Azerbaijan gained independence from the Soviet Union in 1991 and has since made significant progress in developing its economy and infrastructure. The country has a mixed economy with a focus on the energy sector but also has a growing non-oil sector, including agriculture, tourism, and technology.

Azerbaijan is a secular republic with a president as its head of state and a unicameral parliament. The country is known for its diverse ethnic and linguistic groups, including Azerbaijanis, Russians, Armenians, and Lezgins, among others.

ADVANTAGES

Natural resources

Azerbaijan is rich in natural resources, particularly oil and gas. The country is one of the largest oil producers in the Caspian region and has recently invested in renewable energy sources such as wind and solar power.

Economic growth

Azerbaijan has experienced rapid economic growth in recent years, with an average growth rate of 3-5% annually. This growth has been driven by investments in infrastructure, tourism, and non-oil sectors.

Investment incentives

The Azerbaijani government offers various investment incentives, including tax breaks, customs exemptions, and access to free economic zones. There are also opportunities for public-private partnerships and foreign investment in state-owned enterprises.

Skilled workforce

Azerbaijan has a highly educated and skilled workforce, particularly in the fields of engineering, technology, and finance. The government has also implemented various initiatives to promote education and training in these areas.

Strategic location

Azerbaijan's location between Europe and Asia makes it a strategic hub for regional trade and investment. The country has developed strong economic ties with neighbouring countries such as Turkey, Georgia, and Iran.

Favorable tax environment

Azerbaijan offers a competitive tax regime, with low corporate tax rates and various incentives for foreign investors.

The tax regime in Azerbaijan is relatively simple and straightforward. Here is an overview of the main taxes in Azerbaijan:

Corporate income tax

The standard corporate income tax rate in Azerbaijan is 20%. There are no separate taxes on dividends, capital gains, or other forms of income. However, certain incentives and exemptions may apply to specific industries and regions.

Value Added Tax (VAT)

The VAT rate in Azerbaijan is 18%. Businesses that have an annual turnover of less than AZN 200,000 are exempt from VAT registration.

Personal income tax

The personal income tax rate in Azerbaijan is a flat rate of 14%. This applies to all income earned by individuals, including salaries, wages, and other forms of income.

Social security contributions

Both employers and employees are required to contribute to the social security system in Azerbaijan. The employer contribution rate is 22%, while the employee contribution rate is 3%.

Property tax

Property tax is levied on real estate and land at a rate of 1% of the cadastral value.

Excise tax

Excise tax is levied on certain products, including alcohol, tobacco, and petroleum products.

Import/Export taxes

Azerbaijan imposes import and export duties on certain goods. The rates vary depending on the type of product and its value.

There are also various tax incentives available for businesses operating in certain industries and regions. These incentives may include tax holidays, reduced tax rates, and other benefits. The government of Azerbaijan is committed to improving the tax system and creating a favourable business environment for foreign investors.

INDIVIDUAL TAX RATES: -

From 1 January 2019, monthly income of employees who are engaged in employment for non-oil-gas and non-government sectors shall be exempt for a seven-year period, as follows:

Up to AZN 8,000 - 0%

Above AZN 8,000 - 14% of the amount exceeding AZN 8,000

The standard rates that are applicable to the employees of the oil and gas and government sectors and that will be applied after the seven-year grace period are as follows:

Up to AZN 2,500 - 14%

Above AZN 2,500 - AZN 350 + 25% of the amount exceeding AZN 2,500

CORPORATE TAX RATES: -

The corporate income tax rate in Azerbaijan is a flat rate of 20%, regardless of the income group.

Azerbaijan companies are primarily governed by the Law of the Azerbaijan Republic "On Entrepreneurship" and the Civil Code of the Azerbaijan Republic. The Law on Entrepreneurship sets out the legal framework for doing business in Azerbaijan, including the rules and regulations for company formation, management, and operations.

Limited Liability Company (LLC)

An LLC is the most common type of company in Azerbaijan. It is a separate legal entity with limited liability for its shareholders. The minimum number of shareholders is one, and the maximum is 50. The minimum share capital required to set up an LLC is AZN 10,000.

Joint-Stock Company (JSC)

A JSC is a type of company that is owned by shareholders who hold shares in the company. There are two types of JSCs in Azerbaijan: open and closed. The minimum number of shareholders required to set up a JSC is two, and the minimum share capital is AZN 50,000 for a closed JSC and AZN 100,000 for an open JSC.

Sole proprietorship

A sole proprietorship is a business owned and operated by one person. The owner is personally liable for all the debts and obligations of the business. There is no minimum capital requirement to set up a sole proprietorship.

Branch office

A branch office is a legal extension of a foreign company in Azerbaijan. It is not a separate legal entity and is subject to the laws and regulations of the foreign parent company.

Representative office

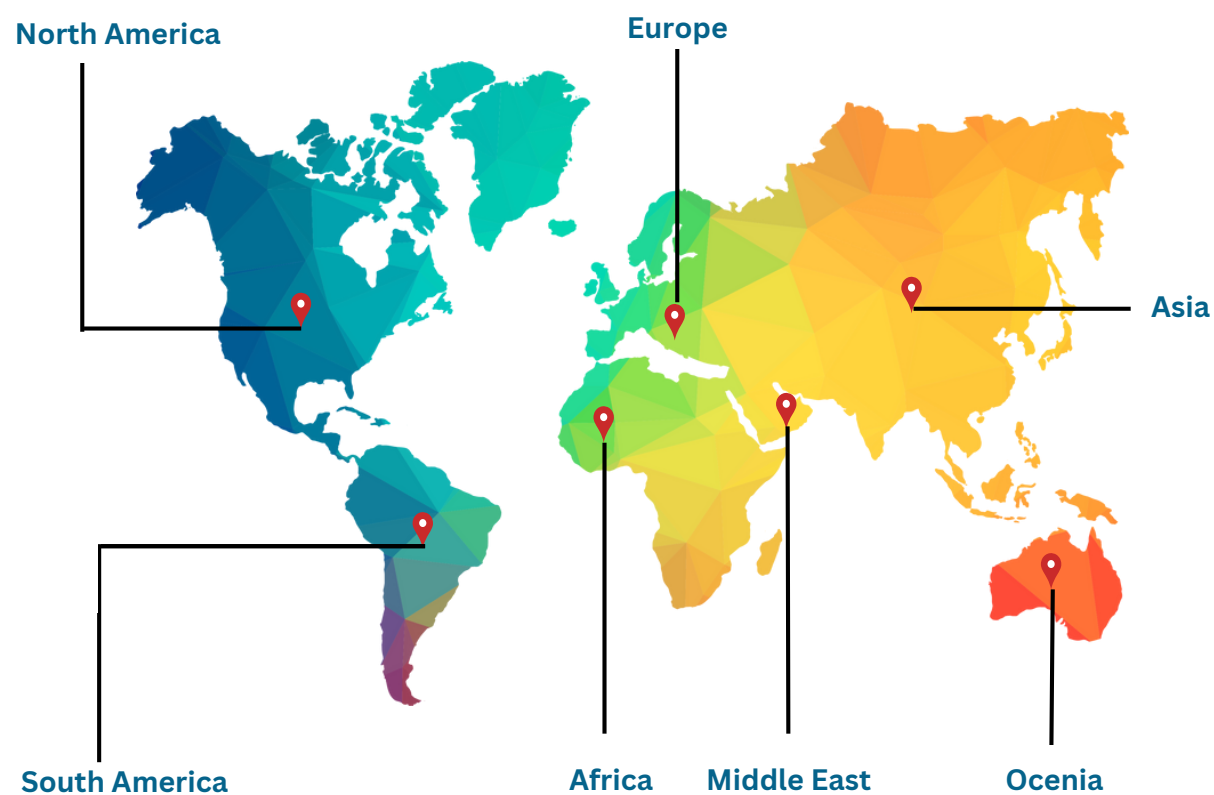
A representative office is a non-profit organization that represents a foreign company in Azerbaijan. It is not allowed to engage in commercial activities but can carry out promotional and marketing activities.

Partnership

There are two types of partnerships in Azerbaijan: general partnerships and limited partnerships. In a general partnership, all partners have unlimited liability for the debts and obligations of the partnership. In a limited partnership, there are general partners who have unlimited liability and limited partners who have limited liability.

The choice of company type depends on various factors, such as the size of the business, the nature of the activities, and the level of liability the owners are willing to assume.

SERVING CLIENTS WORLDWIDE



The information contained herein is of a general nature. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. The information is not offered as an advice on any matter, and no one should act or fail to act based on such information without appropriate legal advice after a thorough examination of the particular situation. The information does not make us responsible or liable for any errors and/or omissions, whether it is now or in the future. We do not assume any responsibility and/or liability for any consequences.

Key Contact



Surendra Singh Chandrawat

Managing Partner

✉ surendra@chandrawatpartners.com

Connect Surendra on



Chandrawat & Partners is a leading and rapidly growing full-service firm providing high quality professional and corporate services to foreign and local clients, representing companies and individuals in a wide range of sectors through separate entities established in various countries worldwide.

Copyright © 2023 | All rights reserved | Chandrawat & Partners | Email: enquiries@chandrawatpartners.com | Website: www.chandrawatpartners.com

Follow us on:

