



Tax and Legal updates

In this release, we would like to bring to your attention an overview of the following:

- The Tax Code of the Republic of Azerbaijan has been amended.
- The Law of the Republic of Azerbaijan on Social Insurance has been amended.
- Legal requirements for obtaining temporary residence and work permits have been relaxed for the residents of the technology park and the information and communication technology specialists recruited by them.

The Tax Code of the Republic of Azerbaijan has been amended

On 27 December 2022, the Law of the Republic of Azerbaijan on Amendments to the Tax Code of the Republic of Azerbaijan ("Law") was adopted.

According to the Law, residents of a technology park that carry out the activities of system integration, software preparation, and development outside of the technology park (including the system upgrade, technical support, and training services provided to buyers as a result of such activity) will also be considered as the residents of technology park ("outside residents").

Outside residents are granted the following tax exemption privileges for 10 years starting from the accounting year in which the technology park registration certificate is received:

- Corporate income tax (CIT)
- Withholding tax on dividends distributed by them
- Property and Land tax

Also, the personal income tax of the natural persons engaged by outside residents will be levied as follows:

- In the period of 3 years from 1 January 2023, if the monthly income is up to 8,000 manats, 0 percent, and 5 percent of the amount exceeding 8,000 manats.
- 5 percent of monthly income for 7 years from 1 January 2026.

It should be noted that CIT, Property, and Land tax privileges are also applied to natural persons engaged in entrepreneurial activities without establishing a legal entity that are outside residents of the technology park.

This Law came into force on 1 January 2023.

The Law of the Republic of Azerbaijan on Social Insurance has been amended

On 27 December 2022, the Law of the Republic of Azerbaijan on Amendments to the Law of the Republic of Azerbaijan on Social Insurance ("Law") was adopted.

According to the changes, the residents of a technology park (including persons carrying out system integration, software development, and development activities), their contractors, and subcontractors, as well as natural persons engaged by them for the purposes of that activity will have the following options to pay social insurance for 10 years from 1 January 2023:

- In the amount equal to four times the minimum monthly salary
- In the standard way – i.e., from income derived from paid work

It is also worth mentioning that, according to the Law, foreign nationals and stateless persons engaged in the residents of technology park (including persons engaged in system integration, software development, and development activities), their contractor, and subcontractors for the purposes of that activity will be exempt from paying social insurance for 10 years starting from 1 January 2023.

Legal requirements for obtaining temporary residence and work permits have been relaxed for the residents of the technology park and the information and communication technology specialists recruited by them

On 27 December 2022, the Law of the Republic of Azerbaijan on Amendments to the Migration Code of the Republic of Azerbaijan ("Law") was adopted.

According to the amendment, foreign nationals and stateless residents of the technology park (in relation to a legal entity, those holding the position of a head of such entity and their deputies) and specialists with experience in the field of information and communication technologies recruited by that resident can work in the territory of the Republic of Azerbaijan without obtaining a work permit. Also, according to the change, the mentioned individuals are entitled to a temporary residence in the territory of the Republic of Azerbaijan without obtaining a work permit.

This change came into force on 1 January 2023.

Contacts

We hope that you will find this overview helpful.
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