

Tax and Legal messenger

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

- New Rules for Deducting Representation, Employee Housing and Meal Expenses
- Electronic Work Permits have Replaced Paper-Based Permits
- Renewable Energy Facilities Exempted from Import Customs Duties
- Green Taxonomy has been Approved
- Central Bank: New Parameters of Interest Corridors

New Rules for Deducting Representation, Employee Housing and Meal Expenses

On November 22, 2024, the Decision "On the approval of Rules and procedure for deducting representation expenses, employee housing and meal expenses, as well as expenses related to treatment-preventive meals, milk, and other equivalent products and means provided to employees working in harmful, heavy, and underground conditions from income for taxation purpose" (the "New Rules") was adopted by the Cabinet of Ministers of the Republic of Azerbaijan.

Accordingly, Decision No. 89 of the Cabinet of Ministers of the Republic of Azerbaijan dated June 4, 2007, "On the determination of norms for expenses on treatment-preventive meals, milk and other equivalent products and means, as well as meal expenses provided to the crew in maritime transports" has been repealed.

Meal expenses

New Rules determine the norms for deducting meal expenses for taxation purposes as follows:

- Treatment-preventive meals: The daily meal expense norm for each employee is AZN 5
- Meal expenses in maritime transport:
 - For the crew of ships sailing in the Caspian Sea, the daily meal expense norm is AZN 25 per employee
 - For the crew of ships sailing outside the Caspian Sea, the daily meal expense norm is USD 25 per employee
- Employee meal expenses:
 - If paid directly to the employee, the daily meal expense norms are AZN 5 per employee

- The daily meal expense norms are also AZN 5 per employee in case the catering service is provided by the employer or received from another taxpayer providing public catering activities

It is important to note that the above expenses are deductible for taxation purposes under either of the following conditions:

- meal expenses are paid directly through cashless means
- the employer arranges meal preparation for employees by purchasing the products for this purpose (the purchase of such products should be formalized based on the requirements of the Tax Code)
- catering service is received based on an electronic invoice (electronic delivery note) from another taxpayer providing public catering activities

Housing expenses

Pursuant to the New Rules, 50% of the housing expenses of employees incurred by employers during the tax year, but not more than 1% of the annual income, can be deductible for taxation purposes under the following conditions:

- The rent is paid based on a notarized agreement between the lessor and the lessee (employee or employer)
- The rent is paid by the employer to the employee or the lessee in a cashless manner

Representation expenses

As per the New Rules, 50% of the representation expenses incurred during the tax year, but not more than 1% of the annual income, are deductible for taxation purposes under the following conditions:

- The expenses should be incurred in a cashless manner
- The expenses should be justified and formalized in accordance with the Tax Code

According to the New Rules, representation expenses related to guests and events for establishing mutual cooperation include, but are not limited to, consular services, hotel expenses, transportation services, meals, translation, and other related expenses.

It should be highlighted that the amount of value-added tax is also included in the expense norms determined by New Rules for taxation purposes.

New Rules entered into force on November 23, 2024.

Electronic Work Permits have Replaced Paper-Based Permits

On October 22, 2024, the Law of the Republic of Azerbaijan "On the amendments to the Migration Code of the Republic of Azerbaijan and the Law "On State duty" of the Republic of Azerbaijan" (the "Amendments") was adopted.

Pursuant to the Amendments, from now on, employers will obtain work permits electronically for their expatriate employees upon payment of the state fee.

Work permits issued (or extended) prior to the effective date of the Amendments shall retain their legal validity until expiration. In case these work permits are lost, destroyed, rendered unusable, or if there are changes to the identity documents of expatriate employees or the names of employers, employers can obtain electronic work permits without paying the state fee.

The Amendments came into force on November 1, 2024.

Renewable Energy Facilities Exempted from Import Customs Duties

On November 6, 2024, the Decision "On the amendments to the Decision on Customs duty rates on export-import transactions in the Republic of Azerbaijan" (the "Amendments") was adopted by the Cabinet of Ministers of the Republic of Azerbaijan.

According to the Amendments, devices and equipment for the production and efficient use of renewable energy are now exempt from import customs duties. These include, but is not limited to, facilities for wind-powered electrical installations, hydroelectricity, solar electricity, solar heating stations.

The Amendments are retroactively effective from June 1, 2024, and are valid for a period of 3 years.

Green Taxonomy has been Approved

On November 7, 2024, "Green Taxonomy" was approved by the Decision of the Management Board of the Central Bank of the Republic of Azerbaijan.

The Green Taxonomy is primarily intended to develop sustainable strategies and attract green investments. It aims to create a sustainable financial ecosystem, direct resources to green projects, manage climate risks, and leverage opportunities in the low-carbon economy, thereby contributing to the country's sustainable development.

The Green Taxonomy includes a classification system for identifying green activity types and subtypes. It also provides technical criteria for these activities across economic sectors.

The main target users of the Green Taxonomy are entities monitored by the Central Bank based on laws regulating financial market. Additionally, state bodies, state enterprises, non-governmental organizations, audit, verification, and certification service providers, as well as other legal entities, may use this document.

Central Bank: New Parameters of Interest Corridors

On November 1, 2024, the Decision of the Management Board of the Central Bank of the Republic of Azerbaijan "On the parameters of interest corridors" (the "Decision") was adopted.

According to the Decision, the discount rate remains unchanged at 7.25%. Additionally, the upper limit of the interest corridor remains unchanged at 8.25%, and the lower limit remains unchanged at 6.25%. Information regarding the upcoming decision on the parameters of interest corridors will be publicly announced on December 18, 2024.

Contacts

We hope that you will find this overview helpful. For more detailed information, please contact the following specialists:



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