



Tax and Legal messenger

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

- Certain Decisions have been Adopted in Relation to the Competition Code
- Amendments to Customs Duties Applicable to Electric Vehicles for Goods Transportation
- New Rules for Banks and Local Branches of Foreign Banks
- AI Strategy of the Azerbaijan Republic has been Approved
- Central Bank: Parameters of Interest Corridors

Certain Decisions have been Adopted in Relation to the Competition Code

- i. *On March 10, 2025, the Decision "On the approval of Rules for calculating market shares in the relevant market, determining the product and geographical boundaries, volume, structure, and participants of the relevant market" (the "Rules") was adopted by the Cabinet of Ministers of the Republic of Azerbaijan.*

The Rules outlines the following methods and their definitions for establishing product boundaries of the relevant market:

- Demand substitutability
- Supply substitutability

Additionally, the Rules clarifies the criteria for assessing market concentration using the Herfindahl-Hirschman Index.

Furthermore, the procedures for determining the geographical boundaries and the structure of the market are detailed in the Rules.

The Rules intends to ensure fair competition and effective market analysis.

The Rules came into force on March 11, 2025.

- ii. *On March 10, 2025, the Decision "On the approval of the cases, areas of activity, and products where the requirements of the Competition Code of the Republic of Azerbaijan are not applied or are limitedly applicable" (the "Decision") was adopted by the Cabinet of Ministers of the Republic of Azerbaijan.*

The Decision specifies the circumstances, activities, and products to which the Competition Code of the Republic of

Azerbaijan is not applied or is applied restrictively during military or emergency situations.

The Decision came into force on March 11, 2025.

- iii. *On March 10, 2025, the Decision "On the approval of the criteria and Rules for the calculation and application of financial sanctions in accordance with the Competition Code of the Republic of Azerbaijan" (the "Rules") was adopted by the Cabinet of Ministers of the Republic of Azerbaijan.*

The Rules determines the calculation method for financial sanctions related to violations of the Competition Code, based on the nature of the cases.

Pursuant to the Rules, the sanction amount for violations can be reduced to between 40% and 90% when cumulative mitigating factors are considered. If cumulative aggravating factors are applied, in certain cases, the sanction amount is increased by 25% for each factor; however, it should not exceed the upper limit of the sanction.

The Rules entered into force on March 11, 2025.

- iv. *On March 10, 2025, the Decision "On the approval of the criteria for ensuring that agreements comply with the conditions stated in the Competition Code of the Republic of Azerbaijan, as well as the exclusion of agreements related to technology transfer, market research and development" (the "Decision") was adopted by the Cabinet of Ministers of the Republic of Azerbaijan.*

The Decision establishes the criteria for specific types of agreements that are not prohibited based on their nature. Such agreements are referred to as "exempted agreements" in the competition legislation.

For instance, agreements may be exempt if they benefit consumers and meet certain conditions, such as increasing production or reducing costs.

Additionally, technology transfer agreements can also be exempt if they adhere to all of the specific limits determined in the Decision. These limits include, but are not limited to, market share of the parties and the innovative nature of the transferred technology.

The Decision also determines certain conditions under which the exemptions do not apply.

The Decision entered into force on March 11, 2025.

- v. *On March 10, 2025, the Decision "On the approval of the criteria for determining whether agreements cause or may cause anti-competitive effects" (the "Decision") was adopted by the Cabinet of Ministers of the Republic of Azerbaijan.*

The Decision outlines the criteria for assessing whether agreements restrict competition when they do not include conditions specified in the Competition Code for horizontal and vertical agreements.

According to the Decision, horizontal agreements are deemed restrictive if they cause significant market share losses for non-participants, harmful price increases, reduced product variety, or decreased innovation.

Also, vertical agreements are considered restrictive if they limit resale prices, reduce sales to specific customers, or create barriers to market entry.

The Decision entered into force on March 11, 2025.

Amendments to Customs Duties Applicable to Electric Vehicles for Goods Transportation

On March 4, 2025, the Decision "On the amendments to the Decision on the approval of commodity nomenclature for foreign economic activities of the Republic of Azerbaijan, import customs duty rates, and export customs duty rates" (the "Amendments") was adopted by the Cabinet of Ministers of the Republic of Azerbaijan.

Following the Amendments, electric vehicles designated for the transport of goods that are no more than 3 years past their factory release date will be exempt from customs duties (generally, customs duty rate for these electric vehicles is set at 5%). This exemption will remain in effect until January 1, 2028.

The Amendments entered into force on April 4, 2025.

New Rules for Banks and Local Branches of Foreign Banks

On February 25, 2025, the Decision of the Management Board of the Central Bank of the Republic of Azerbaijan "On the approval of the Rules for the form, content, and submission of prudential reports prepared by banks and local branches of foreign banks" (the "Rules") was adopted.

The Rules determines the form, content, and submission procedures for prudential reports prepared by banks and local branches of foreign banks in Azerbaijan.

Pursuant to the Rules, reports should be submitted monthly, covering transactions up to the last business day of the month, and should comply

with specific formatting and rounding requirements. The content and format of reports are outlined in Appendix 1 of the Rules.

These reports are electronically signed and submitted to the Central Bank by the end of the 5th business day of the following month.

The Rules will be effective on April 11, 2025.

AI Strategy of the Azerbaijan Republic has been Approved

On March 19, 2025, Presidential Order of the Republic of Azerbaijan "On the approval of the Artificial Intelligence Strategy of the Republic of Azerbaijan for the period of 2025 - 2028" (the "Strategy") was adopted.

The Strategy focuses on increasing public awareness and promoting artificial intelligence ("AI") research. It includes measures such as fostering collaboration between industry and government, as well as improving technological infrastructure to support AI development.

Furthermore, tax incentives and financial support are planned to be provided to entities operating in the field of AI.

The Strategy entered into force on March 19, 2025.

Central Bank: Parameters of Interest Corridors

On March 12, 2025, 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 interest rate remains unchanged at 7.25%. Additionally, the upper and lower limits of the interest corridor remain unchanged at 8.25% and 6.25%, respectively.

The Decision to keep the interest rate unchanged was made considering the actual and forecasted inflation being within the target range ($4\pm 2\%$) and the analysis of macroeconomic trends.

Contacts

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



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