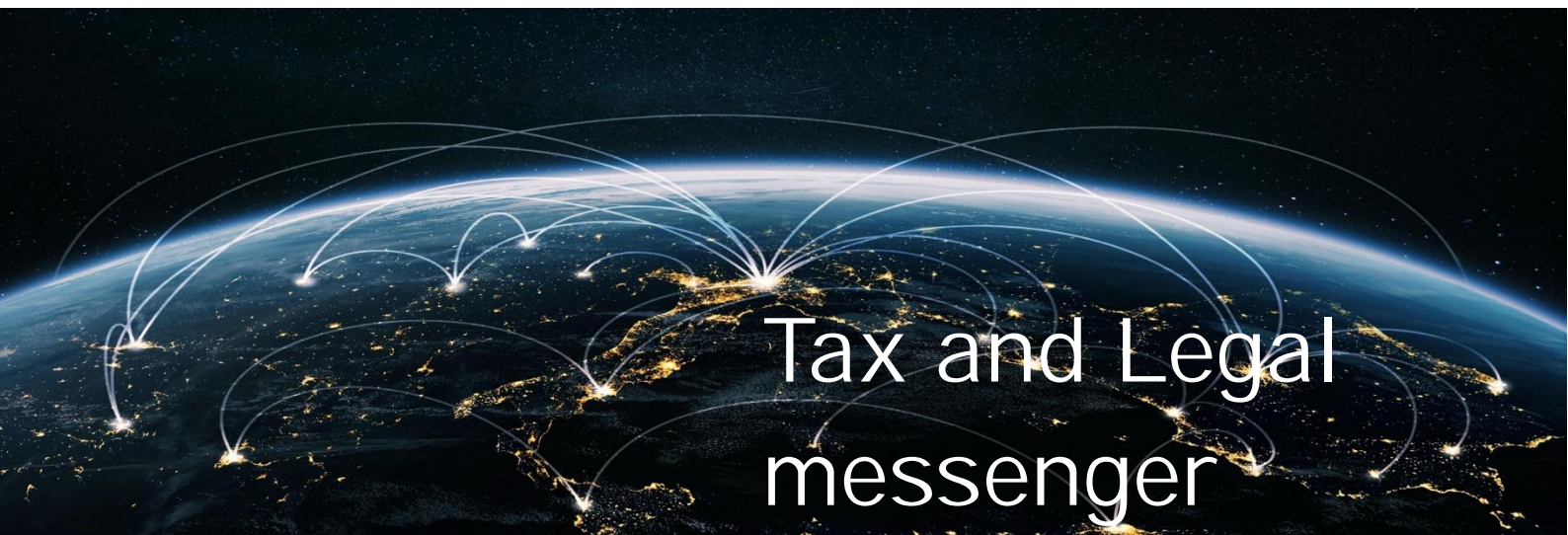


Tax and Legal Messenger

An up-to-the-minute guide to developments in the
legislation of the Republic of Azerbaijan



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

- Amendments to the Labor Code

Amendments were made to the Labor Code of the Republic of Azerbaijan (the "Amendments") on 30 December 2025.

The Amendments entered into force on 16 January 2026.

A summary of the principal amendments introduced to the Labor Code (the 'Code') is set out below:

New concepts have been introduced into the Code

- The concept of an "Employee with Family Responsibilities" has been introduced into the Code. Under the new definition, an "Employee with Family Responsibilities" means an employee whose opportunities to commence employment, perform his or her employment function, or be promoted at work are restricted due to the provision of care (assistance) to a family member (spouse, parents, adoptive parents, children, including adopted children) and to other persons under his or her guardianship or trusteeship, as well as to a child placed with him or her as a foster family (parent) who are in need of care or assistance according to a medical opinion. Employees with family responsibilities have also been included among the categories of persons for whom the determination of benefits, privileges and additional guarantees in labor relations does not constitute discrimination. In addition, when organizing a shift work schedule and assigning employees to night shifts, the specific needs of employees, including those related to the performance of family

responsibilities, where justified and possible, should be taken into account.

- The concept of a “Business Trip” has been introduced into the Code. Under the new definition, a “Business Trip” means an employee’s travel, for a specified period, to a place other than his or her usual place of work, in order to perform the employer’s legal instruction, on the basis of the employer’s order (decision). The right to receive business trip expenses in an amount not less than the approved standards for business trip expenses has been included among the employee’s fundamental rights under the employment contract. Traveling on a business trip at the employer’s instruction has been included among the employee’s fundamental obligations under the employment contract, and correspondingly among the employer’s fundamental rights.
- The concept of “Remote (Distant) Work” has also been introduced into the Code. Under the new definition, “Remote (Distant) Work” means the performance of the employment function outside the premises or the workplaces created by an employer (at another location suitable for the performance of work or the provision of services) by means that enable the remote performance of employment functions (electronic, software-technical, telecommunication means, etc.). Accordingly, the Code has been extended to apply to employees who perform their employment functions in the form of remote (distant) work.
- The concept of ‘Minimum salary’ as provided for in Part 2 of Article 155 of the Code has been amended and defined as follows:
 - a social normative that determines, in accordance with the Law of the Republic of Azerbaijan “On the Living Minimum”, the lowest monthly salary level for unskilled labor and services.

Establishment of Tripartite Commission on Labor and Social Issues

- Pursuant to newly introduced Article 41-1 of the Code, a permanently functioning Tripartite Commission on Labor and Social Issues shall be established in the Republic of Azerbaijan, composed of an equal number of authorized representatives, on the basis of the principle of equality of rights of the parties, by joint decision of the body (institution) designated by the relevant executive authority, trade unions, and nationwide (republic-level)

associations of employers. The Commission is established for the purposes of supporting the regulation of social and labor relations in the Republic of Azerbaijan, maintaining social stability, coordinating activities related to the conduct of collective bargaining and the preparation of the draft General Collective Agreement, holding consultations concerning the preparation of draft normative legal acts in the field of social security, and reconciling the positions of the parties.

Validity of Labor contracts

- Pursuant to Article 43 of the Code, an employment contract that has been concluded without specifying any of the essential terms and information that must be mandatorily included, may only be required to be re-drafted at the initiative of one of the parties. The possibility of declaring an employment contract invalid has been removed from the Code.

New grounds for fixed-term employment contract

- The following additional grounds have been included among the circumstances in which the conclusion of a fixed-term employment contract is permitted:
 - cases in which students undergo industrial training and internships;
 - cases in which foreign nationals and stateless persons are engaged in paid employment activities within the territory of the Republic of Azerbaijan on the basis of a work permit.

Probation period

- Regardless of whether such a condition is specified in the employment contract, the employment contract of an employee who has failed to demonstrate suitability during the probationary period may be terminated during that period by the employer on the basis of a justified order (decision).

New cases of suspension of employee from work

- The employer may suspend an employee from work during the relevant working time in the following newly added cases:
 - where contraindications to the performance of employment functions are identified in a medical

- opinion issued in connection with a mandatory medical examination;
- where the employee refuses to participate in occupational safety training and knowledge assessment conducted in accordance with the established procedure;
- where the employee obstructs the investigation of a breach of employment duties.

Qualification assessment

- The requirement that only employees who have worked at least one year at the workplace may be subject to qualification assessment has been abolished.

Expansion of employee duties concerning confidentiality and personal data

- The obligation to maintain the confidentiality of tax secrets has been included among the employee's fundamental duties.
- The disclosure by an employee of special-category personal data classified as confidential pursuant to the Law of the Republic of Azerbaijan "On Personal Data" has been deemed a gross violation of employment duties. Under that Law, special-category personal data means information relating to an individual's racial or national origin, family life, religious belief or convictions, health, or criminal conviction.

Severance pay for military/alternative service

- Where an employment contract is terminated due to an employee's conscription for military or alternative service, the amount of the severance allowance payable by the employer has been increased and set at not less than three times the employee's average monthly salary.

Removal of work-related disability preference in workforce reduction

- Persons who have disabilities resulting from an industrial accident at the enterprise or occupational disease have been removed from the list of employees granted preferential retention in employment in cases of workforce reduction.

Public Holiday Status for State Sovereignty Day

- State Sovereignty Day (20 September) has been designated as a public holiday that is considered a working day.

Amendments to Annual, Maternity, Paternity, and Unpaid Leave Provisions

- A requirement has been introduced to ensure that, during the period of leave, the employee's average salary is retained in an amount not less than the employee's most recent salary.
- A provision has been added to the Code stipulating that public holidays that are not considered working days, the national day of mourning, and voting day that coincide with the period of annual leave shall not be counted as leave days and shall not be paid, and that the duration of the leave shall be extended by the number of such days.
- The pre-natal portion of maternity leave shall be extended, on a paid basis, by the number of days elapsed from the expected date of childbirth until the actual date of birth, and in such cases the post-natal portion of the leave shall not be reduced.
- In connection with the birth of a child, men shall be granted paid leave for a total duration of 14 calendar days during the pre-natal and post-natal periods, on the basis of a certificate issued by a medical institution.
- The following circumstances shall constitute additional grounds for granting unpaid leave:
 - When an employee is assigned to a business trip by their primary employer, they shall be entitled to unpaid leave from their secondary (additional) workplace for the full duration of such trip;
 - When an employee is assigned to a business trip by their secondary (additional) workplace, they shall be entitled to unpaid leave from their primary workplace for the full duration of such trip.
- Where an employee simultaneously has the right to additional leave under the provisions of the Code relating to working conditions, the specific nature of the employment function, and length of service, the additional leave accrued under each of these provisions shall be combined with the employee's main annual leave.

- It has been established that where the Gurban and Ramadan holidays coincide with other public holidays that are not considered working days, and such coincidence occurs during the period of annual leave, each coinciding day shall be counted as one day.
- If, following the employer's written notification (on paper or via an electronic information system), the employee fails to submit an application to the employer to take annual leave (in full or in part), in violation of the leave schedule and the terms and procedure for rescheduling annual leave, the employee shall be sent on annual leave for the relevant working year by the employer's order (instruction or decision).
- When calculating the average salary for the period of leave, months during which the employee was on partially paid social leave or unpaid leave not initiated by the employee, as well as months not worked or not fully worked due to downtime for reasons beyond the employee's fault, shall be replaced by the nearest fully worked calendar months.
- The list of individuals entitled to annual leave of not less than 46 calendar days has been expanded to include the following additional categories:
 - Persons with disabilities arising from the events of January 20, from military service, or from service at the Chernobyl Nuclear Power Plant;
 - War veterans and military personnel who participated in combat operations outside the country.

Conversely, the following categories have been removed from the list:

- Military personnel who participated in combat operations during the period of 1941–1945;
- Military personnel who served in the armed forces but did not participate in combat operations.
- Employees who take annual leave at their primary workplace have now been added to the categories of employees entitled to take annual leave at a time of their choosing at their additional workplace. Likewise, employees who take annual leave at their additional workplace and also hold a position at their primary workplace are granted the same right.

Salary deduction limits

- A mandatory requirement has been introduced providing that, during the serving of corrective labor, as well as in cases of deductions for alimony, compensation for damage to health, compensation for damage suffered by persons due to the loss of a main income provider, and compensation for damage caused by a crime, the total amount of deductions from an employee's salary may not exceed 70 percent of the salary payable to the employee.

Disciplinary sanction

- Periods during which an employee is temporarily incapacitated for work or on leave, as well as periods during which the workplace and average salary are retained in the cases provided for in Article 179 of the Code, shall not be included in the period within which a disciplinary sanction may be imposed.

Amendments to Workplace Safety Instruction Requirements

- Employees working in hazardous and heavy industry workplaces, occupations (positions), and with machines, mechanisms, and equipment constituting sources of increased danger shall, depending on the characteristics of working conditions, receive occupational safety instruction at least once every three months, and at other workplaces at least once per year. Depending on the characteristics of working conditions, the timing of occupational safety instruction for employees shall be determined by collective agreements. Where no collective agreement is concluded, it shall be determined by employment contracts or by agreements between the employer and the trade union organization (labor collective). The employer shall maintain records of such instruction through an electronic information system or in special registers.
- In enterprises and at workplaces created by employers where the number of employees is fewer than 50, the organization of occupational safety activities shall, with the employee's consent and by making the relevant amendments to the employment contract, be included within the employment function of one of the employees possessing knowledge of occupational safety. Where this is not possible, the employer shall establish the position of an occupational safety specialist.
-

Model Form of the Employment Contract

- Changes have been made in accordance with the Amendments indicated above to Appendix 1 to the Code – the “Model Form of the Employment Contract”. Furthermore, the words “at an enterprise that does not compete with the employer” have been removed from the clause 4.25 in the standard form.

Contacts

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



Arzu Hajiyeve
Partner, Tax & Law
Tel: +994 (12) 490 7020
arzu.hajiyeve@az.ey.com



Mammad Balajanov
Director, Head of Legal, Tax & Law
Tel: +994 (12) 490 7020
mammad.balajanov@az.ey.com

EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multi-disciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

© 2026 Ernst & Young Holdings (CIS) B.V. All Rights Reserved.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

ey.com/az