

## Azerbaijan Tax Knowledgebase

### Employee personal income tax

#### Tax residence

Individuals who stay in Azerbaijan for more than 182 days within a calendar year are considered residents.

If a person spends less than 182 days in Azerbaijan or another country, they may still be recognised as a resident based on certain criteria, such as:

- Their permanent place of residence.
- The centre where their main interests and activities take place.
- Their habitual residence.
- Azerbaijani citizenship.

Additionally, the time spent in Azerbaijan by diplomatic officials, employees of international organisations, or foreign citizens in state service, along with their family members, is not counted as part of their stay unless they engage in business activities in the country.

#### Conditions for the obligation to file the PIT

Residents of Azerbaijan are subject to PIT on their worldwide income, regardless of where the income was earned or paid. They are required to file a PIT return if they receive taxable income, including:

- Employment income,
- Income from entrepreneurial or self-employment activities,
- Passive income (such as interest, rent, dividends, etc.).
- Non-residents are subject to PIT only on income sourced in Azerbaijan.

Individuals are required to file a PIT return if:

- They receive income that is not subject to withholding at source (such as freelance income or foreign earnings),
- They exceed exemption thresholds or lose eligibility for applicable exemptions,
- They intend to claim deductions or tax benefits that require assessment,
- They are entrepreneurs or self-employed individuals not covered by simplified tax regimes.

Several exemptions from PIT exist, for example:

- Employment income up to AZN 8,000 per month is exempt for private sector employees (excluding those in the oil and gas industry) for seven years from 1 January 2019,
- Exemptions of 50%, 75%, or even 100% apply in specific cases, such as holders of investment promotion certificates, entrepreneurs in micro-enterprises, startups, or individuals engaged in specific activities (e.g. software development, research, translation, cultural or educational services, etc.),
- Residents of liberated territories are fully exempt from PIT for ten years starting from 1 January 2023,
- Individuals working in technology parks may be eligible for full or partial exemptions, depending on their roles and income levels.

Please note that filing may still be required, even if the income is exempt, due to administrative or formal reporting obligations.

## Tax report in question (Form name)

Fiziki şəxsin gəlir vergisi bəyannaməsi

## Tax year

For the period from 1 January to 31 December (calendar year).

## Tax rates

Income tax exemption and rates for employment income in Azerbaijan

As of 1 January 2019, employees working in the non-oil-gas and non-government sectors are granted a seven-year income tax exemption, applied as follows:

- Monthly income up to AZN 8,000: Exempt from income tax (0% rate)
- Monthly income exceeding AZN 8,000: Subject to a 14% tax on the amount exceeding AZN 8,000

After the expiration of the seven-year exemption period, or for employees in the oil and gas or government sectors, the standard progressive tax rates apply:

- Monthly income up to AZN 2,500: Taxed at 14%
- Monthly income exceeding AZN 2,500: Taxed at AZN 350 plus 25% of the amount exceeding AZN 2,500

## Tax returns and payment of tax

Not later than March 31 of the year following the reporting year (31/III).

Employers should transfer the withheld taxes on the same day as payment of income to employees.

## Personal deductions (salary)

In Azerbaijan, individuals who are not entrepreneurs or engaged in professional activities can benefit from certain tax exemptions:

### **Exemption of up to AZN 800 per month on salaries:**

Direct family members (parents, widows/widowers, children) of individuals who have received the martyr status due to military operations are entitled to an exemption of up to AZN 800 per month from their salary. This means that they do not have to pay taxes on that amount of their income.

### **Exemption of dividends from companies in technology parks:**

Individuals may be exempt from the dividend tax if they receive dividends from companies that are residents of technology parks. This exemption is valid for 10 years from the year the company obtains the registration certificate in the park. To qualify, the company must be engaged in activities related to system integration, software design, or technology development outside the technology park.

## How to submit the tax return

Tax declarations can be submitted electronically or on paper. The form for preparing a paper income tax declaration and the instructions on how to complete it can be downloaded here:

<https://www.taxes.gov.az/az/page/beyanname-erize-formalari-arayis-hesabat-ve-qerarlar>

The Tax Declaration Preparation Software (TRP) is used to prepare tax declarations electronically. To do this, it is necessary to download the BTP from the "Necessary Programs" section in the "Electronic Declaration" section on the Tax Agency's website and install it on the computer: <https://www.e-taxes.gov.az/>

The process of preparing the income tax declaration for individuals is explained in detail here: <https://www.youtube.com/watch?v=QPWsjxKFjC4>

The completed report is submitted in real time to the Tax Agency through an enhanced electronic signature.

<https://www.e-taxes.gov.az/help/#201>

## Others

The Azerbaijani tax law exempts several types of income from personal income tax. These include:

- **Foreign employment income:** Wages earned abroad by employees on rotation at diplomatic missions, including administrative and technical staff.
- **Non-resident income:** Income earned by non-residents, paid by a foreign employer outside of Azerbaijan, unless paid through a permanent establishment (PE) in Azerbaijan.

### Gifts and inheritance within annual limits:

- Gifts and educational aid: up to AZN 2,500.
- Medical aid (within Azerbaijan): up to AZN 10,000.
- Medical aid (abroad): up to AZN 50,000.
- Inheritance: up to AZN 20,000.
- Support to martyr family members: up to AZN 20,000.
- Assistance to individuals with disabilities from military conflicts: up to AZN 20,000.

Any gift or inheritance from a family member is fully exempt, with no limit.

- **Property sales:** Income from selling movable tangible assets is exempt, excluding sales of precious metals and stones, fine art, antiques, or assets used in business.
- **Compensation for damages received by individuals.**
- **Agricultural income:** Earnings from directly producing agricultural goods are exempt.
- **Traditional crafts:** Income from certain artisanal activities (e.g., coppersmithing, making musical instruments, toys, ceramics, etc.) is tax-free.
- **Alimony payments received.**

### Insurance-related exemptions:

- Compensation for damage to employees' health or property.
- Health insurance premiums (mandatory or voluntary) paid by employers.
- Life or pension insurance premiums paid by employers, provided the policy lasts more than 3 years, and premiums begin at least 3 years after the policy starts.
- Emergency aid granted by the state, foreign governments, or organisations in response to natural disasters or emergencies.

- **Dividends:** Income from dividends is exempt if received from a resident company that is not VAT-registered and has a turnover below AZN 200,000 in any 12-month period.
- **Tax debt relief:** Income from the cancellation of tax debts is not taxed.
- **Capital gains:** 50% of the income from selling shares or business interests is exempt if held for at least three years.

Foreign tax relief allows individual income taxes paid in other countries to be credited against taxes owed in Azerbaijan. However, if the foreign tax credit exceeds the amount due, it cannot be applied to a resident taxpayer's domestic-source income in Azerbaijan, nor can it be carried forward or backwards for future adjustments.

## Employee taxation of income (int, div, royalties)

### Interest income: Tax rates

Earnings derived from interest are subject to a 10% tax, though certain exemptions or treaty reductions may be applicable.

### Dividend income: Tax rates

Individuals receiving dividends are required to pay 5% in taxes, unless a lower rate applies under an existing tax treaty.

### Capital gains: Tax rates

Capital gains are treated as normal income and taxed at the ordinary individual income tax rate

### Royalty income: Tax rates

Income generated from royalties is taxed at 14%, unless a tax treaty provides for a lower rate.

## Withholding

### Withholding tax on interest: Rates

WHT is withheld from Azeri-source interest income at 10%. Interest received by physical persons and taxed at source in Azerbaijan is not subject to further taxation in Azerbaijan.

As of 1 February 2016, physical persons are exempt from tax on interest income from deposits in banks or other credit organisations for seven years.

### Withholding tax on dividends: Rates

WHT is withheld from Azeri-source dividend income at 5%. Dividends received by physical persons and taxed at source in Azerbaijan are not subject to further taxation in Azerbaijan.

### Withholding tax on capital gains: Rates

No WHT system on capital gains (they are self-reported).

### Withholding tax on royalties: Rates

Royalties paid to nonresidents are subject to a 14% withholding tax, unless the rate is reduced under an applicable tax treaty. A 14% rate also applies to royalties paid to resident individuals, but there is no withholding tax on royalties paid to resident companies.

### Fees for technical services:

Fees for technical services: Although Azerbaijan tax law does not specifically address technical service fees, such fees are generally subject to a 10% withholding tax when paid to non-residents, unless the rate is reduced under an applicable tax treaty. There is no withholding tax on technical service fees paid to residents.

## Employee tax - special regimes to apply

### Special tax regimes (if applicable)

Foreign tax relief allows individual income taxes paid in other countries to be credited against taxes owed in Azerbaijan. However, if the foreign tax credit exceeds the amount due, it cannot be applied to a resident taxpayer's domestic-source income in Azerbaijan, nor can it be carried forward or backwards for future adjustments.

Double taxation agreements ( link website)

<https://www.taxes.gov.az/en/page/ikiqat-vergitutmanin-aradan-qaldirilmasina-dair-beyne-lxalq-sazisler>