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Criteria for determination of oil and gas activities and non-public sector

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By Resolution #56 dated 18 February 2019, the Cabinet of Ministers approved criteria for determination of oil and gas activities and non-public sector for the purposes of article 101.1-4 of the Tax Code and 14.7 of Social Insurance Law.

Oil and gas sector will cover the activities of:

- (i) State Oil Company of the Republic of Azerbaijan (including its structural subdivisions), and contractors and operating companies that are engaged in Production Sharing Agreements (PSAs);
- (ii) Local and foreign subcontractors, which provide services to the legal entities indicated above (1). The activities of this group of persons will be regarded as the oil and gas activities for Personal Income Tax and Social Security Contribution purposes, if certain conditions are met as per Resolution#56.

Definition of non-public sector will cover the legal entities established in accordance with laws of the Republic of Azerbaijan and individuals, except for public legal entities established by the state, budget organizations and other entities and organizations funded by the state budget, as well as state-owned funds in the Republic of Azerbaijan, and legal entities in which the state directly or indirectly holds controlling package of shares (51% or more).

Starting from January 1, 2019 for the 7 years period, personal income tax rates for non-oil and gas activities and non-public sector are as follows:

	Taxable monthly income	PIT rate
1	up to AZN 8,000	0%
2	over AZN 8,000	14% of the amount exceeding AZN 8,000

It should be also noted that starting from January 1, 2019, for the 7 years period, social security contribution rates for non-oil and gas activities and non-public sector are as follows:

Accrued monthly income	SSC rate		
	Total	From insured (employees)	From insurers (employers)
AZN 200	25%	3%	22%
Over AZN 200	25%	10% of the amount exceeding AZN 200 plus 6 AZN	15% of the amount exceeding AZN 200 plus AZN 44

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