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Amendments to the Tax Code of Azerbaijan

On June 21, 2021 an amendment was made to the Tax Code of Azerbaijan ("Amendment Law").

Under the Amendment Law, auction organizers are obliged to withhold simplified tax from mortgagee when the mortgagee receives the property of an individual (who is not registered with tax authority), which acts as collateral for a loan facility. If, however, the property of an individual entrepreneur (who is registered with tax authority) acts as collateral for a loan facility, then the individual entrepreneur is obliged to calculate the simplified tax and remit it to the state budget when the collateral is received by mortgagee. In other words, auction organizers are exempted from obligation to calculate taxes and remit it to the state budget when the mortgagor is an individual taxpayer.

In addition, provision of a property granted as security in favor of a bank or other credit institution and transferred to the ownership of a bank or other credit institution by auction, as well as provision of a property acquired in accordance with Article 43 of the Law of the Republic of Azerbaijan "On Mortgage" are not considered as VAT taxable transactions within the value of the outstanding principal debt amount.

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