



STATE TAX SERVICE  
UNDER THE MINISTRY OF ECONOMY  
OF THE REPUBLIC OF AZERBAIJAN



ANNUAL REPORT  
**2024**





*«If we are moving along the path of a market economy and have already achieved many accomplishments in this field, then we must pay great attention to the work of tax authorities — the most essential component of the market economy.»*

Heydar ALIYEV  
*National Leader*





*«...Entrepreneurs must pay their taxes in full because taxes ensure the life of our country and the well-being of our people. Of course, the reforms carried out in the tax authorities also provide great support to entrepreneurs. Entrepreneurs now clearly understand what the rules are. The rules are very simple: they must conduct their activities in accordance with the law, conclude employment contracts, and must not exploit workers.»*

Ilham ALIYEV  
*President of the Republic of Azerbaijan*





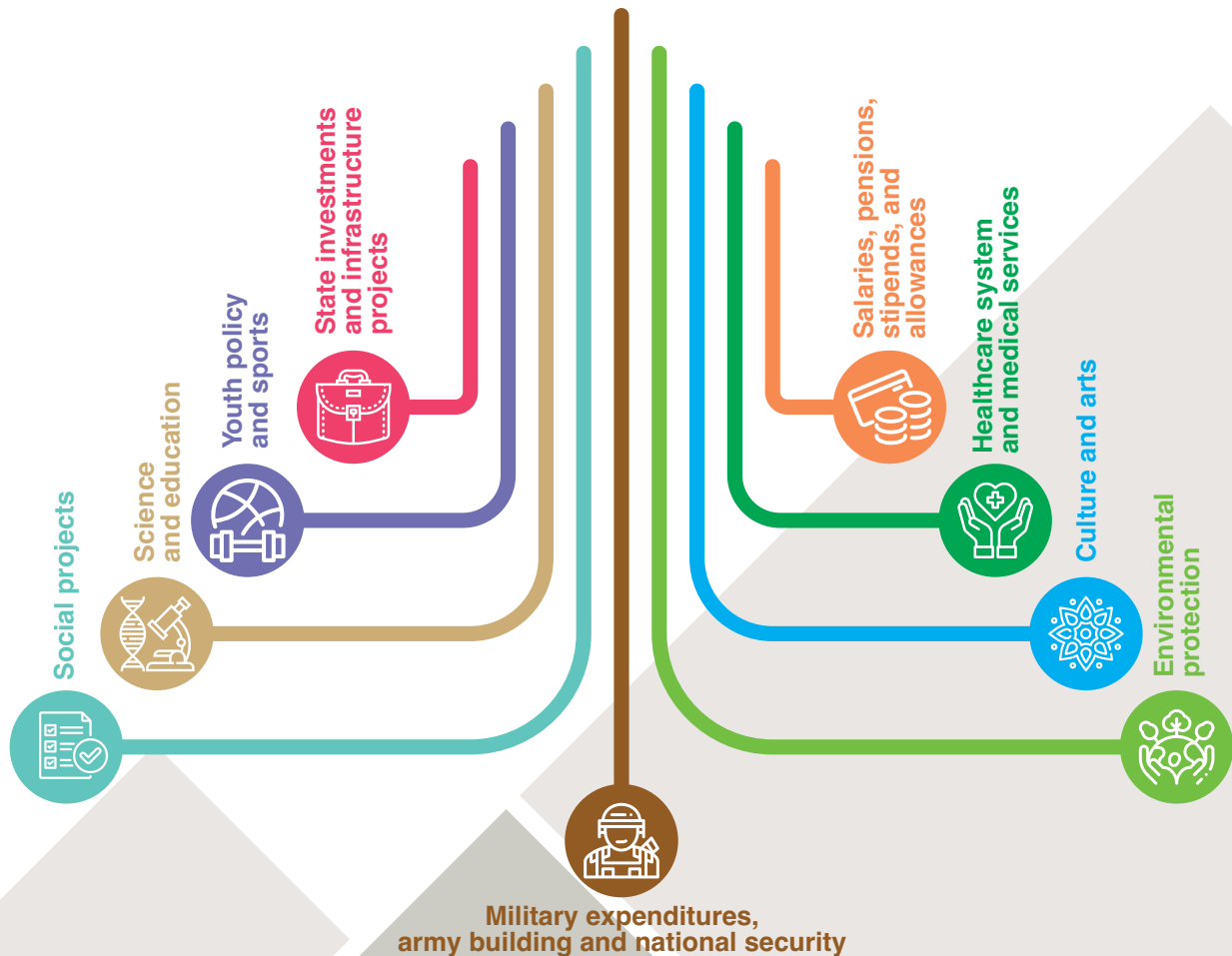
## Accountability is our response to trust!

We express our deep gratitude to you for reviewing our annual report! Our special thanks go to every taxpayer — individuals, entrepreneurs, and entities — who fulfill their tax obligations conscientiously and responsibly. The taxes you pay are the primary source of our country's economic progress, infrastructure development, public welfare, education, healthcare reforms, and army building. The trust and cooperation you demonstrate give us additional strength to provide more transparent, efficient, and accountable services.

In the coming years, within the framework of the continuous reforms carried out under the leadership of President Ilham Aliyev, we are determined to build a stronger, more sustainable, and more prosperous future together with you.

With deep respect,  
State Tax Service

### Tax-funded expenditures





*The reforms carried out in the tax system under the leadership of the President of the Republic of Azerbaijan, Mr. Ilham Aliyev, have led to significant positive changes. Improvements in tax legislation, the transformation of the tax system through innovations, the reduction of the “shadow economy,” the creation of effective control mechanisms, and other factors have produced positive results for the economy.*

*The country's tax system encourages voluntary and transparent compliance with tax obligations by providing convenient administrative conditions. With increased transparency and a stronger tax culture, a steady rise in tax revenues has been observed.*

*The tax system plays an important role in improving the business environment, promoting public–private partnerships, and ensuring economic security. The progress achieved in this area makes significant contributions to the implementation of social projects, citizens' welfare, and overall socio-economic development in general.*

*The progress made in developing the tax system and the growing satisfaction of taxpayers indicate that we are on the right path. The availability of essential resources and technological solutions serves as a guarantee of a clear, future-oriented strategic vision.*

**Mikayil Cabbarov**  
*Minister of Economy  
of the Republic of Azerbaijan*

## PREFACE



*The successful implementation of the strategic development course realized in the country has significantly increased the role of the tax system in economic regulation. Modern tax policy, to being aimed at improving the business ecosystem, also enhances its role in the development, growth, and strengthening of entrepreneurship, while supporting a transparent and competitive business environment.*

*In 2024, the State Tax Service (STS) ensured the fulfillment of the fiscal obligations falling upon it, mobilized more than 15.8 billion manats of tax revenues to the state budget, and fiscal collections gathered through the STS amounted to 22.8 billion manats. Over the past year, the STS continued its activity in the direction of processes related to the fulfillment of tax obligations becoming*

*simpler and easier. 93% of tax declarations were submitted voluntarily.*

### **Achievements and challenges**

*The report presented for your consideration reflects the main activity results as well as the key economic and analytical indicators of the STS for 2024. These indicators represent part of our achievements, demonstrating the transformation of the tax system into a new quality, the impact of improved business environment conditions on fiscal results, the continuous development of human capital, the expansion of modern services, and the strengthening of our international relations.*

*We continue our active strategy in the direction of narrowing the "shadow economy," and tax discipline is changing in a positive direction. Our intensive discussions carried out with taxpayers contribute to our steps in the direction of improving the business environment in the country and add even greater value to the development of entrepreneurship. We are working in the direction of increasing the variety and coverage network of our digital tools to provide modern services to entrepreneurs. Our strategic goal is to increase transparency, fairness, and efficiency in tax administration. And we ensure this through the application of digital technologies and innovations.*

*Simplifying mutual relations with taxpayers, accelerating tax collection processes, and ensuring that taxes are paid correctly and on time are among our main objectives.*

*Despite the achievements we have made, the challenges ahead are also significant. One example of these challenges is the increase in the volume of unpaid debts. Our observations show that the debts of business entities established to be used in various tax evasion schemes, VAT fraud, and other illegal actions are one of the main reasons for this increase.*

*In several cases, the involvement of ordinary citizens - outside of their will - into this work through deception and abuse of trust further increases the danger of these actions. To prevent such cases, tax administration is regularly improved, the application of digital tools in registration and accounting processes is expanded, and preference is given to a risk-based approach and other combat methods.*

### **International cooperation**

*The past year was also remarkable from the perspective of increasing international reputation for the tax system. In 2024, the entrusting of the presidency of the Intra-European Organisation of Tax Administrations (IOTA) to Azerbaijan proves that our country's tax system also has a regulatory role in international arenas.*

*Another major achievement is that our country was awarded the highest rating*

*for the application and evaluation of international standards on transparency and exchange of information by the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes. The receipt of this rating confirms that the reforms carried out in the domestic tax system are also highly valued at the international level.*

### **Development strategy**

*The results achieved in 2024 are a good foundation for our new development strategy adopted for 2025–2028.*

*“The Strategy of the State Tax Service for 2025–2028” defines our mission, values, vision for the future, and strategic activity directions for the near future.*

*Based on values such as integrity, professionalism, initiative, and cooperation, the STS aims to be a reliable partner that makes voluntary compliance accessible through human-centered and innovative services.*

*In the upcoming period, to achieve voluntary compliance and sustainable development, to prevent tax evasion, and to form strong human capital, the STS will continue its development-focused strategic growth to be beneficial to the business environment and to provide higher-quality, progressive, and innovative services.*



**Orkhan Nazarli**

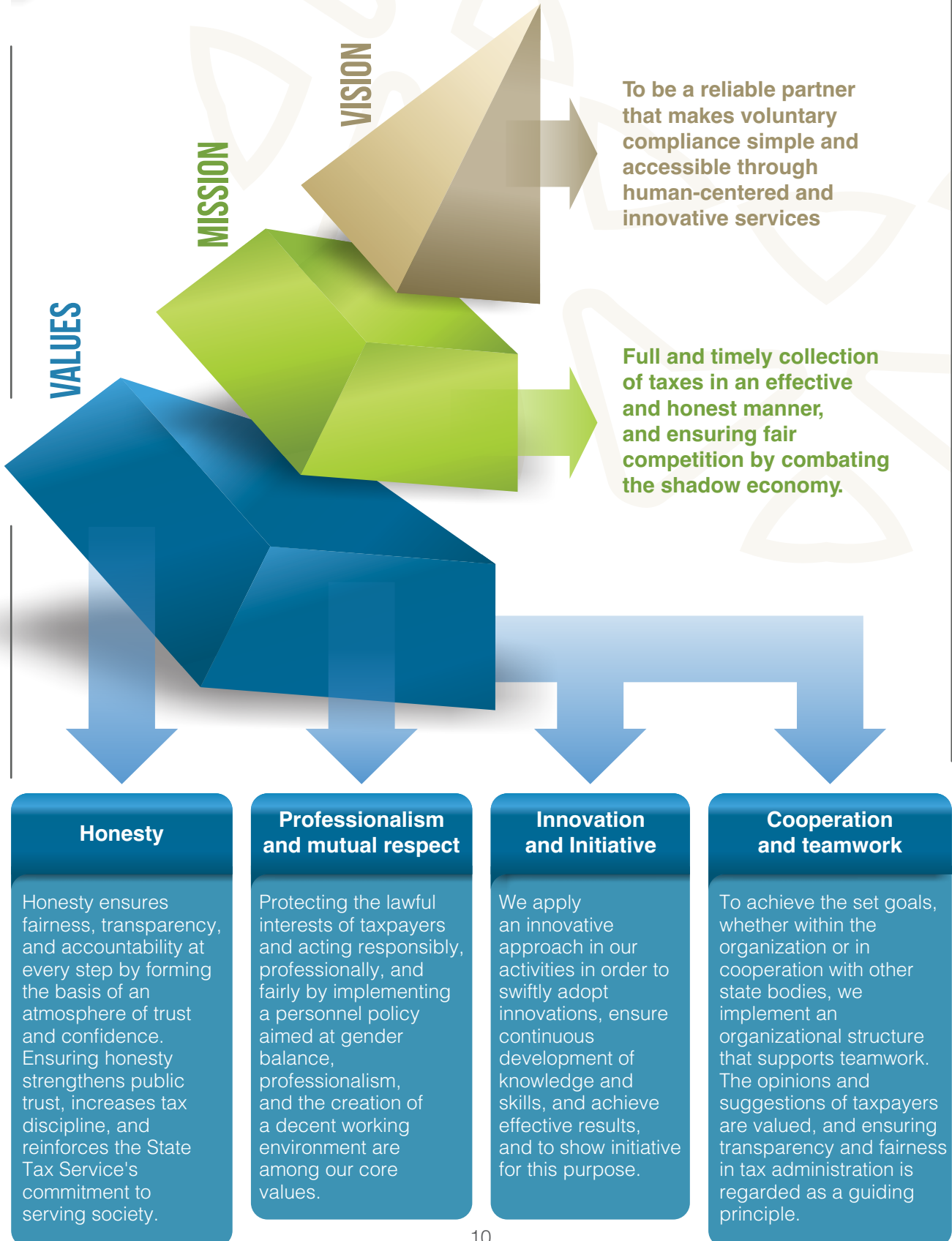
*Head of the State Tax Service*

# TABLE OF CONTENTS

<b>10</b>	<b>Strategy</b>
<b>11</b>	<b>Mission</b>
<b>12</b>	<b>Vision for the Future</b>
<b>13</b>	<b>Areas of Activity</b>
<b>14</b>	<b>Tax Revenues</b>
<b>20</b>	<b>Composition of Taxpayers</b>
<b>21</b>	<b>Tax Policy</b>
<b>24</b>	<b>Services to Taxpayers</b>
<b>26</b>	<b>Digital Tax Administration</b>
<b>28</b>	<b>Tax Ombudsman</b>
<b>30</b>	<b>Administrative Appeals</b>
<b>31</b>	<b>Combating tax violations</b>
<b>33</b>	<b>International Taxation</b>
<b>36</b>	<b>Human Resources</b>
<b>38</b>	<b>Tax reforms in labor market</b>
<b>39</b>	<b>Quantitative and Qualitative Indicators (2018-2024)</b>

FOR A STRONG STATE AND A HIGH-WELFARE SOCIETY

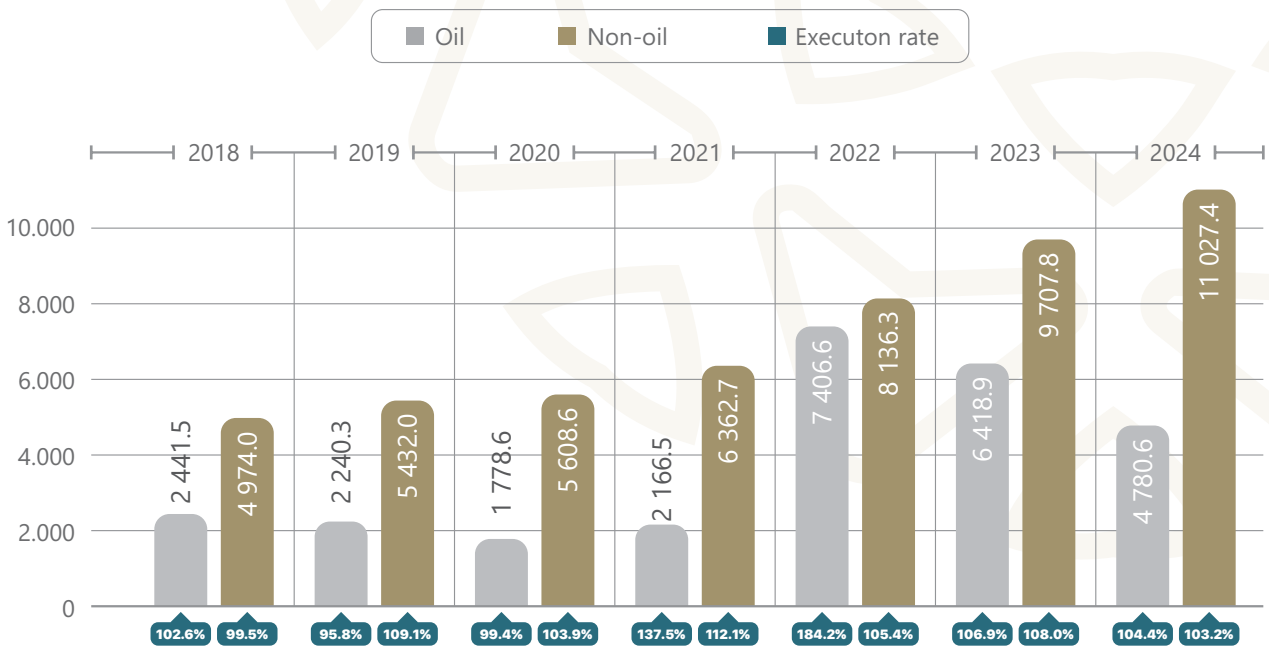
# STRATEGY OF STS FOR 2025-2028



# MISSION

Full and timely collection of taxes in an effective and honest manner and ensuring fair competition by combating the shadow economy

## Execution level of forecast indicators on tax revenues, in million manats



The fulfillment of tax revenues in line with forecasts reflects the effectiveness of the measures taken to ensure the full and timely collection of taxes, as well as the strengthening of budgetary discipline.

## VAT gap reduction index



The “VAT compliance gap” is the difference between the potential VAT that should be calculated and the actual VAT revenues collected. In other words, the reduction of the VAT gap is an indicator of promoting a fair competitive environment that arises as a result of strengthening the fight against the “shadow economy” and ensuring transparent tax administration.

# VISION

To be a reliable partner that makes voluntary compliance simple and accessible through human-centered and innovative services.



### **Human-centered innovative organization**

In line with modern challenges, we make efforts to implement the most advanced technological solutions and working practices. This approach will lead to the creation of a professional, dynamic, and decent working environment for our employees, as well as an organizational structure and organizational culture aimed at serving the interests of the state and society.

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### **A tax system based on high tax culture and voluntary compliance**

We strive to establish an ecosystem in which voluntary tax compliance is easy and accessible, tax evasion is strictly prevented, and a high level of tax culture becomes a social norm. Applying a risk-based approach to taxpayers will ensure the efficient use of state resources, the delivery of necessary services to the recipients, and preventive fight measures against tax evasion.

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### **A reliable and service-oriented partner**

Our goal is to become an exemplary partner for taxpayers, state bodies, and society as a whole by applying transparency, accountability, our core values, as well as the best international practices and standards. We aim to provide our main partners - the taxpayers - with higher-quality, accessible, and innovative services.

## AREAS OF ACTIVITY

### STRONG HUMAN CAPITAL

- Attracting talented personnel and ensuring their professional development, creating an inclusive work environment taking gender factors into account;
- Establishing a fair and transparent incentive system based on professionalism and result-orientation;
- Building of a structure that meets the adopted standards and modern challenges.

### PROMOTION OF ENSURING COMPLIANCE

- Fairness of the tax burden and the tax system;
- Educating taxpayers and increasing tax culture in society;
- Ensuring a customer-oriented tax policy and the rights of entrepreneurs;
- Ensuring of a high quality information database and extensive use of the opportunities of digital transformation in implementing effective administration.



- Ensuring a transparent registration system;
- Preventing tax evasion through advanced risk analysis tools and a risk-based approach;
- Preventive fight against violations;
- Effective investigation of tax crimes;
- Effective collection of tax debts.

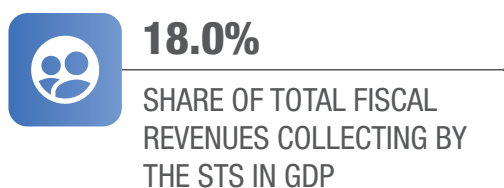
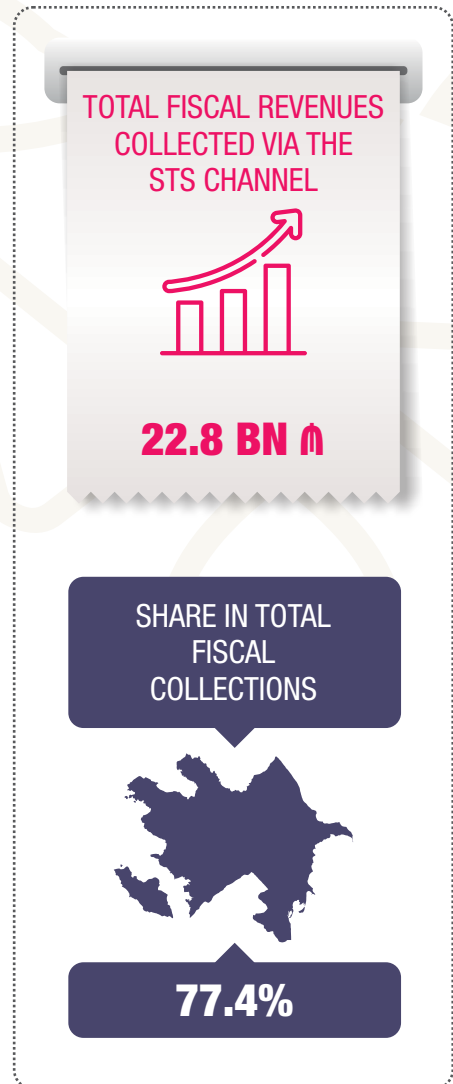
### CONFIDENT FIGHT AGAINST TAX EVASION

- Ensuring a sustainable, uninterrupted, and secure information technology environment;
- Expanding international experience exchange and the coverage of international tax agreements;
- Providing support for the fulfillment of the country's commitments in combating climate change;
- Strengthening effective coordination with state institutions and ensuring an active role of tax policy in socio-economic development.

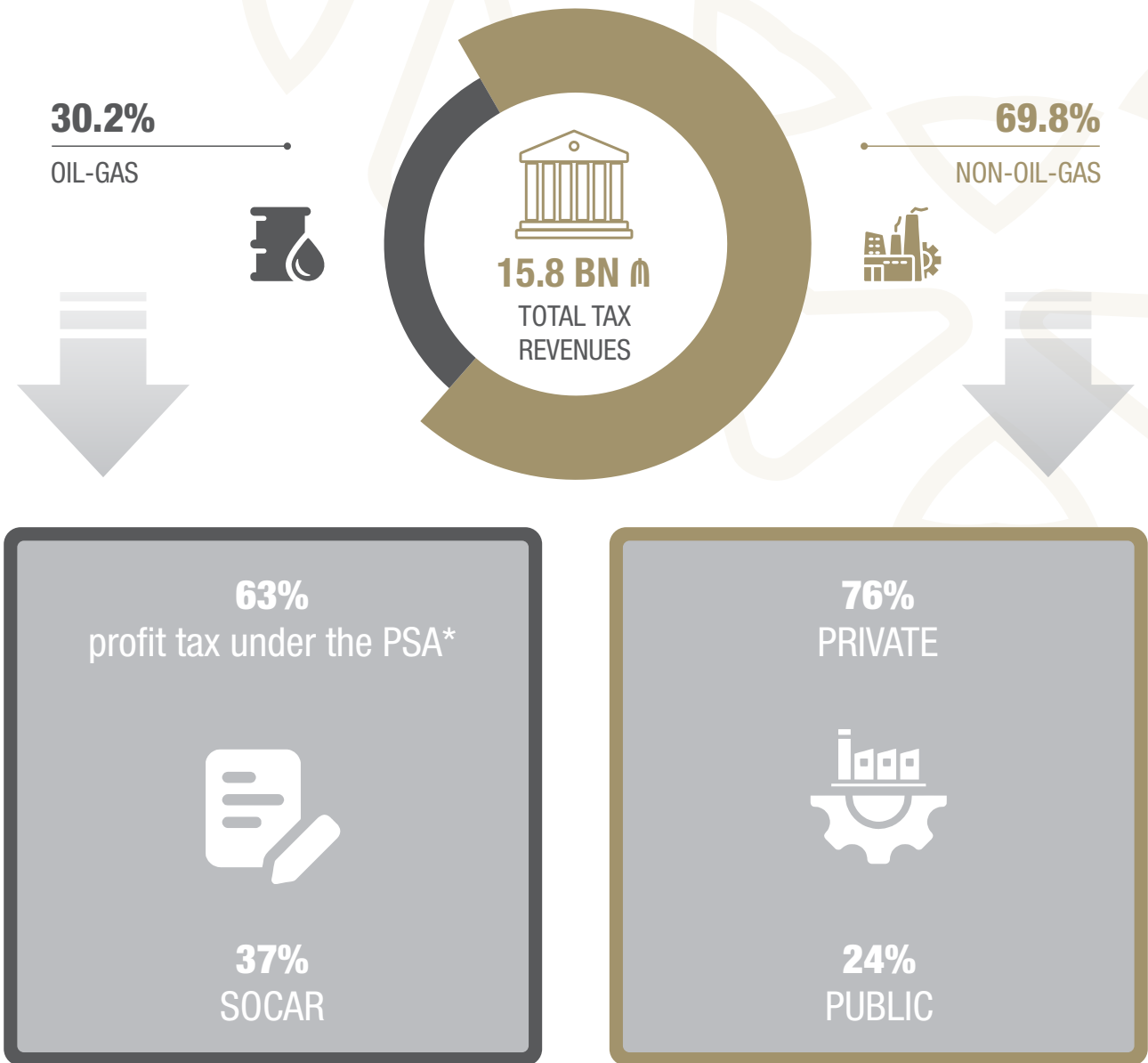
### SUSTAINABLE AND RESILIENT DEVELOPMENT

# TAX REVENUES

Along with tax revenues, the State Tax Service also ensures collections for mandatory state social insurance, unemployment insurance, and compulsory health insurance contributions to the state budget



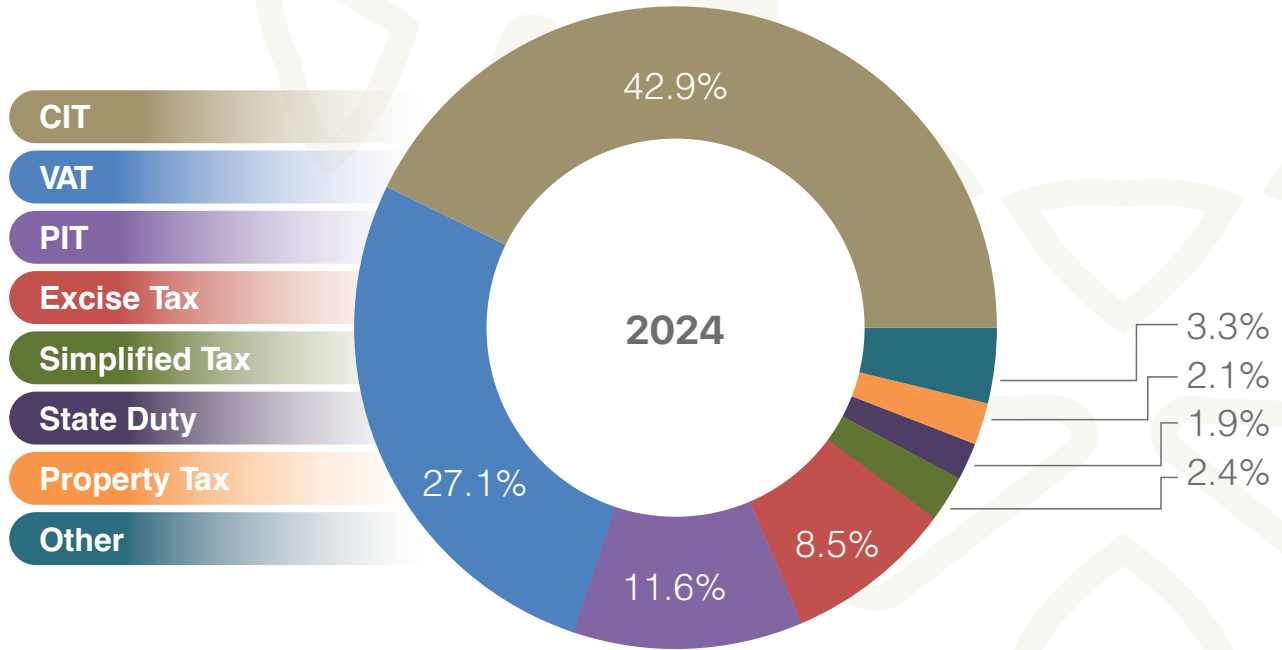
# TAX REVENUES



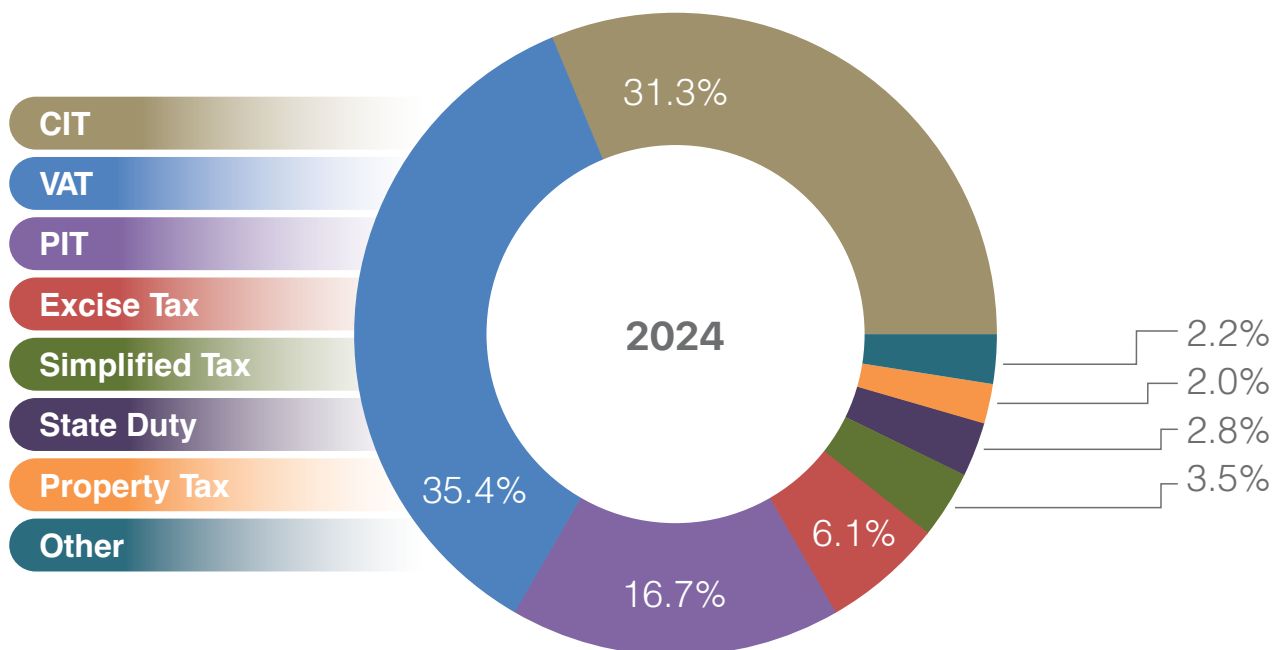
\* The Production Sharing Agreement, the Main Pipeline Agreement, and other similar agreements.

# TAX REVENUES

The share of tax types in total revenues

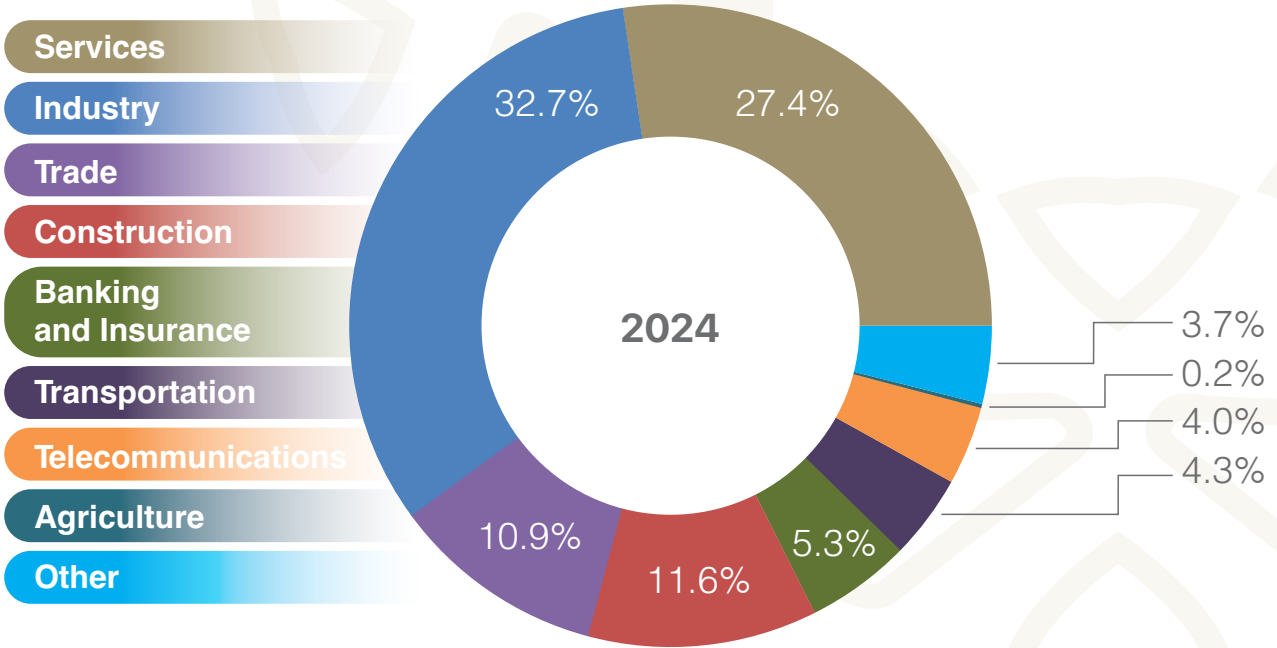


Share of tax types in non-oil sector revenues

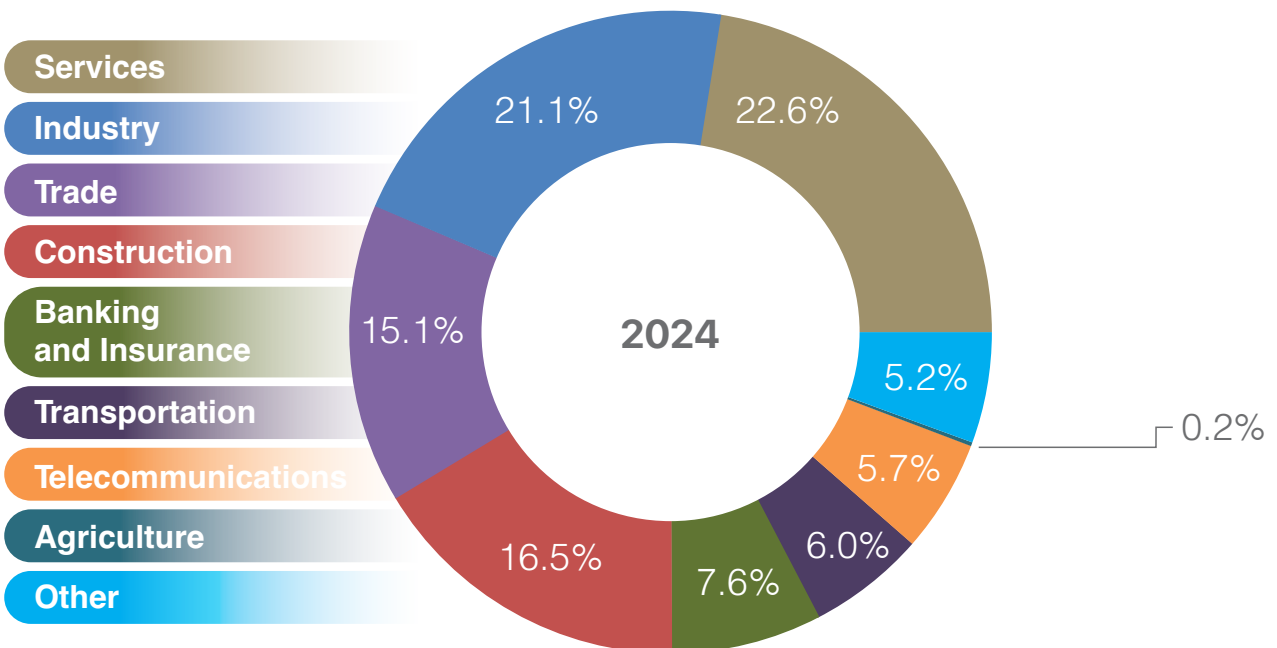


# TAX REVENUES

Share of economic activity types in total revenues



Share of economic activity types in non-oil sector revenues



# TAX REVENUES

As of 1 January 2025



**3 120.4 M ₺**  
TAX DEBT



**2 225.6 M ₺**  
OVERPAYMENT

TOTAL AMOUNT REFUNDED  
ON TAX COLLECTIONS IN 2024



**431.4 M ₺**



**19.7%**  
SHARE OF TAX DEBTS  
IN TOTAL REVENUES

According to the International Monetary Fund's Tax Administration Diagnostic Assessment Tool (TADAT), the administration in the relevant area is assessed as adequate if, in the budget year, the ratio of total tax debts to the total tax revenues as of the end of that year does not exceed 20%.



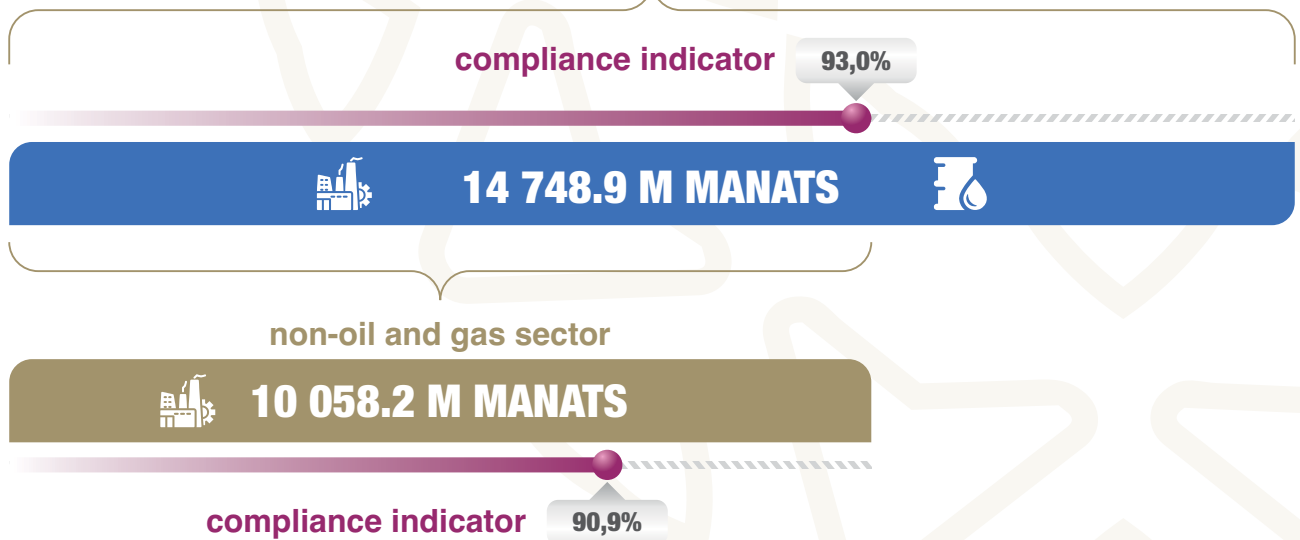
**14.1%**  
SHARE OF OVERPAYMENTS  
IN TOTAL REVENUES

The amount of overpayment is mainly the positive balance arising from VAT offset based on electronic invoices obtained for goods acquired domestically and from the offsetting of VAT paid on imports.

# TAX REVENUES

## Dynamics of Voluntary Compliance for 2024

### Total Collections



Voluntary collections increased 2.1 times in absolute terms compared to 2018, and 2.2 times in the non-oil sector.

## Total number of tax returns submitted by taxpayers

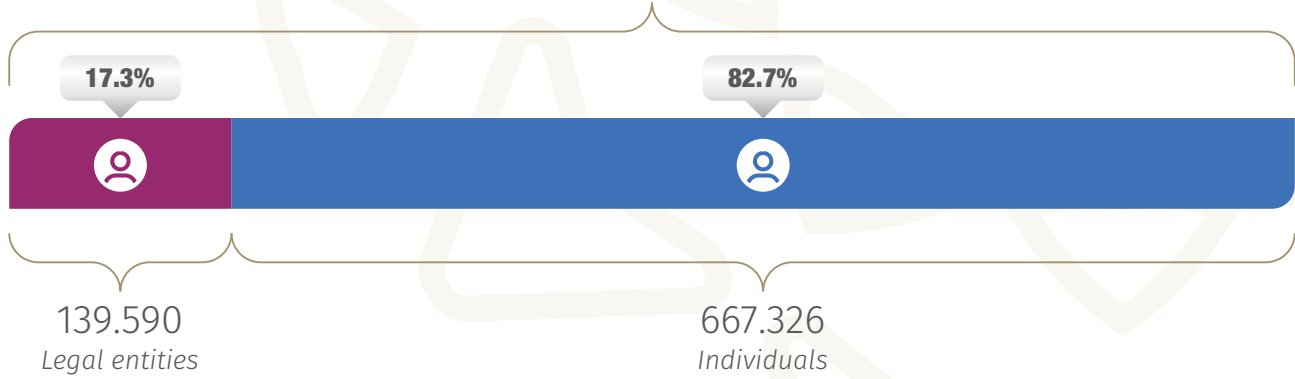


Although an increase was recorded in the share of tax returns submitted late during 2018-2020, this indicator began to decline after social insurance and employment-related reports were combined into a single reporting form in 2020. Over the last four years, the share of tax returns submitted on time has increased by 2.2 percentage points, reaching 89.11%.

# COMPOSITION OF TAXPAYERS

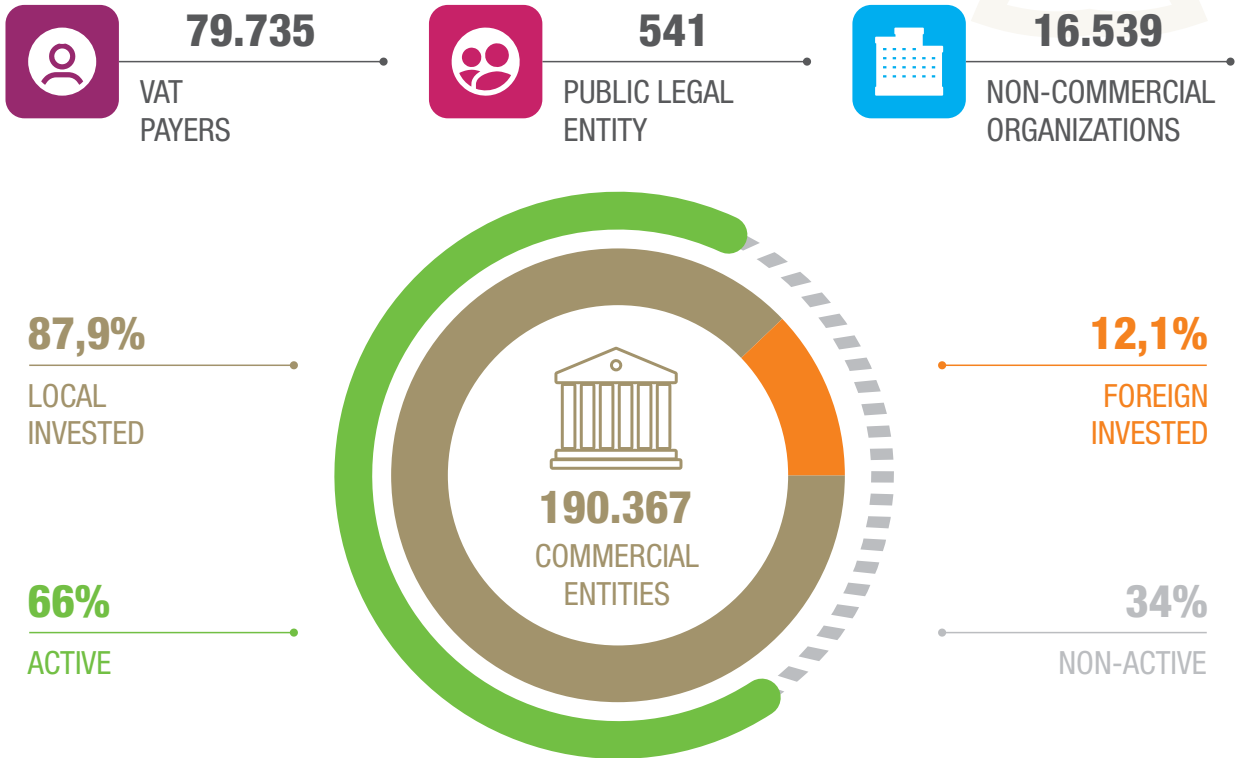
## Composition of active Taxpayers

Total number: 806.916



As one of the main indicators of economic activity, the number of active taxpayers increased by 5.9 percent during 2024 and by 82.6 percent compared to 2018.

## Composition of Registered Taxpayers



Compared to 2018, the number of legal entities increased by 65.3%, the number of commercial entities increased by 73.2%, and the number of public legal entities increased 9.2 times by 2024.

## TAX POLICY

# Birlikdə KÖLGƏDƏN İŞIQLIĞA DOĞRU



SYSTEMATIC FIGHT  
AGAINST THE  
“SHADOW ECONOMY”



SUPPORT FOR CAPITAL-BASED  
(DEVELOPMENT-ORIENTED)  
BUSINESS



NUMBER OF MEETINGS HELD WITH  
ENTREPRENEUR UNIONS AND ASSOCIATIONS

72



NUMBER OF PROPOSALS RECEIVED FROM  
ENTREPRENEURS AND CONSOLIDATED

69



NUMBER OF  
SUCCESSFUL  
INTERNATIONAL  
PRACTICES STUDIED

80

\* The text on the banner reads “Together from shadow to the light”

## TAX POLICY



### DRAFT LEGISLATIVE ACTS PREPARED IN 2024



#### **Amendments were made to the Tax Code to promote business:**

- refund of VAT under the tax-free regime for medical services;
- reduction of the withholding tax rate on the net profit of a non-resident's permanent establishment from 10 percent to 5 percent;
- application of a 75% tax relief on the incomes of micro-entrepreneurs with an annual turnover of up to 45,000 manats in certain service areas (translation, advertising services, courier activities, etc.);
- exemption of freight motor vehicles, trailers and semi-trailers of foreign states from road tax;
- providing tax relief for the activities of theaters, cinemas, museums, and symphonic orchestras.;
- assigning the lessor's of tax payment and return filing to the tax agent;
- amendments to the legislation on market supervision.

#### **Amendments were made to the Tax Code and the Law 'On Social Insurance' regarding the granting of tax and social insurance incentives in the Nakhchivan Autonomous Republic:**

Draft normative legal acts providing for the application to the Nakhchivan Autonomous Republic of the tax regime established for the liberated territories, as well as the mechanism for subsidizing compulsory state social insurance contributions in relation to production sectors, have been adopted.

## TAX POLICY

### **Amendments were made to the Cabinet of Ministers' decision "On the approval of the Criteria for a risky taxpayer, including risky transactions":**

The criteria for risky transactions were abolished, the criteria for a risky taxpayer were reduced from 8 to 3, and procedures related to the rules and conditions for including a taxpayer in the list of risky taxpayers and removing them from this list were established.

### **The "Rules for determining a taxpayer's ability to pay tax debt" have been adopted.**

For the purpose of managing debts, forecasting collections on tax debt, creating favorable conditions for entrepreneurs, and using the debt-restructuring (crediting) tool more intensively, a mechanism has been developed to determine when taxpayers lack the ability to pay; and the requirements related to deferment have been further improved.

### **The "Norms and rules for deducting from income for taxation purposes representation expenses, and housing and meal expenses related to employees" were adopted:**

For the purpose of reducing the tax burden of business entities, formalizing expenses to ensure the whitening of counterparties' turnover, and optimizing expenses that are not allowed to be deducted from income, the norms for deducting representation and meal expenses from income have been determined.

### **Amendments were made to the Tax Code and the Law "On Customs Tariff."**

Tax and customs concessions have been granted for public-private partnership projects and for electricity production projects using renewable energy sources;

Private partners or project companies involved in public-private partnership projects, as well as individual entrepreneurs and legal entities that are producers in electricity production projects using renewable energy sources under a state purchase obligation, have been granted concessions on income tax, profit tax, property tax, land tax, and import VAT for a period not exceeding 30 years.

## TAXPAYERS SERVICES



NUMBER OF PERSONS  
RECEIVED AT SERVICE  
CENTERS  
**631,320**



NUMBER OF SERVICES  
PROVIDED AT SERVICE  
CENTERS  
**960,265**

NUMBER OF MEETINGS  
WITH TAXPAYERS  
**306**



NUMBER OF  
PARTICIPANTS  
**4,268**



NOTIFICATION  
LETTERS AND  
SMS SENT  
**15 143,034**



NUMBER OF  
PERSONALIZED (ON-SITE)  
SERVICES PROVIDED  
**5,586**



NUMBER OF  
REQUESTS ANSWERED  
BY PHONE CALLS  
**386,871**



NUMBER OF  
NEWLY OPENED  
SERVICE CENTERS  
**3**



NUMBER OF  
WRITTEN REQUESTS  
RESPONDED  
**35,263**



NUMBER OF ASAN IMZA  
CERTIFICATES  
ISSUED  
**601,159**

## TAXPAYERS SERVICES

### MAIN PROJECT OF 2024

#### **Within the framework of applying customer-centric values, a laboratory for studying (researching) user experience has been created**

A project has been launched at the STS to apply customer-centric values with the aim of increasing the attractiveness of doing business, promoting and developing a culture of respect for people (taxpayers), their opinions, characteristics, and needs (requirements), creating simpler, more convenient, and proactive interaction between every taxpayer and the STS, and reducing risks related to financial losses that may arise due to violations of tax legislation, the calculation and payment of insurance fees, and mandatory state social insurance and medical insurance legislation — thus reducing administrative costs related to the services provided and work processes carried out in tax authorities.

Within the framework of the customer-centric values application project, a User Experience Research Laboratory has been established at the STS in 2024. At the initial stage, the laboratory has been equipped with the necessary software and equipment.

A standard template of the “Agreement on User Experience Research (Study)” has been approved to regulate relations between the State Tax Service and respondents from the relevant segment (including taxpayers) who will be involved in user experience research related to the implementation of the project.

Starting from April 2024, user-experience studies have commenced with the involvement of respondents from the relevant segment in order to ensure that services are clear, understandable, readable, and user-friendly, aligned with the needs and requirements of taxpayers.



# DIGITAL TAX ADMINISTRATION

## New digital projects implemented at the State Tax Service



- **“TAXESBI” reporting system (data warehouse)**

It enables the formation of various reports and infographics. The main purpose of this project and system is to ensure the establishment of a data warehouse (DWH) that meets new and modern requirements for faster and more accurate processing and analysis of relevant data available in the State Tax Service’s database, as well as the improvement of the “TAXESBI (‘DeepSage’ reporting system)” reporting system connected to this data warehouse.

- **System (DeepSage) for the application of artificial intelligence and machine learning algorithms (DeepSage)**

It includes various types of artificial intelligence and machine learning algorithms for processing online cash register, e-invoice, and other data.

The main purpose of this project and system is to ensure the application of relevant algorithms used in the field of artificial intelligence and machine learning to the data available in the State Tax Service’s database, and the analysis of large-volume data through these algorithms.

- **“CRS Reporting (Common Reporting Standard)” system**

It is used to identify persons from the CRS/FATCA system. The main purpose of this project and system is to obtain and process information on financial accounts held in foreign financial institutions by resident individuals and legal entities for taxation purposes, as well as to ensure the identification of the relevant persons.

## DIGITAL TAX ADMINISTRATION

### ○ **Online cash register system (PKS AIS)**

It carries out the collection, storage, and processing of technical, functional, and other relevant data received from new-generation cash registers. The main purpose of this project and system is to ensure the operation of online cash registers within the territory of the country.

### ○ **Mobile application system (E-tax)**

It enables taxpayers to use various services of the STS through a mobile application. The main purpose of this project and system is to ensure that taxpayers and individuals can use the electronic services provided by the State Tax Service more conveniently and efficiently through the mobile application.

### ○ **Project for updating the Automated Tax Information System (AVIS 2)**

The “AVIS-2” system, based on advanced digital solutions, will support the processing of larger volumes of data and the flexible determination of tax obligations.

The main purpose of this project and system is to improve the existing AVIS 1 system, increase the system’s efficiency, and create software developed on the WEB platform that is more modern and supportive of innovations.

The “Clerical Work” and “Declarations” modules of the system have already been put into use.

### ○ **New E-portal project of the Internet Tax Office**

New applications and functionalities have been made available for use in the live system.

The main purpose of this project and system is to improve the existing internet portal and increase its functional capabilities and efficiency.

### ○ **“Robotics” project**

It covers the execution of standard operations by a robot user by introducing the functionalities available in the AVIS system to the Bot user.

The main purpose of this project and system is to ensure the automated execution of standard processes by a Robot user without the involvement of employees and with resource savings.



CONNECTIONS TO THE  
NEW-GENERATION  
CASH REGISTERS  
**104.000**



TURNOVER THROUGH  
NEW-GENERATION  
CASH REGISTERS  
**24.5 BN ₺**

## TAX OMBUDSMAN

In 2019, the Tax Ombudsman institution was established at the State Tax Service under the Ministry of Economy, and the Tax Ombudsman was appointed in May of the same year. At the end of 2023, the Main Department of the Tax Ombudsman Service within the Apparatus of the State Tax Service was established, and its structure was approved

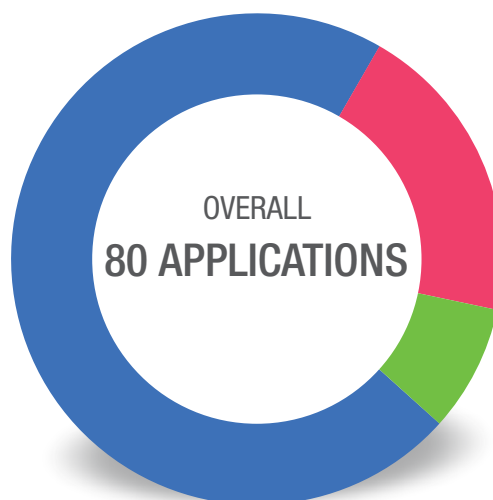
The main purpose and duty of the activity of the Tax Ombudsman institution is to ensure more reliable protection of taxpayers' rights, to achieve the resolution of their complaints and appeals without bringing them to the court level, and to assist in regulating the relations between tax authorities and taxpayers in a format of mutual cooperation.

The main areas of activity of the Tax Ombudsman institution include conducting analyses to prevent violations of taxpayers' rights and to restore violated rights, carrying out monitoring of the quality of work processes, preparing relevant proposals and recommendations, investigating the causes of complaints submitted by taxpayers, and taking preventive measures to prevent complaints.

The work carried out in accordance with the main areas of activity of the Main Department is implemented within the framework of balanced relations between the tax authority and taxpayers.

**57 (71.0%)**

CASES WHERE RIGHTS WERE VIOLATED AND RECOMMENDATIONS WERE MADE



**16 (20.0%)**

CASES WITH NO RECOMMENDATIONS

**7 (9.0%)**

NO VIOLATION OF RIGHTS DETECTED

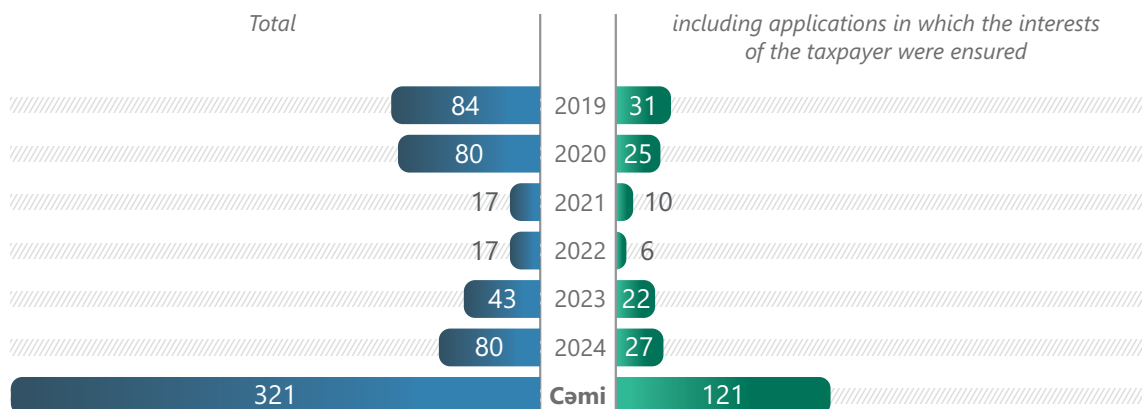
Cases where no recommendation was issued are applications that were resolved before the investigation was completed, applications that do not fall within the competence of the ombudsman service, applications for which the investigation is still ongoing, and applications handled by senior officials.

## TAX OMBUDSMAN

In 2024, 80 applications were submitted to the taxpayer ombudsman by taxpayers. As a result of the conducted investigation, no legal violation was found regarding the applications of 7 taxpayers, in the cases of 57 taxpayers, violations of their rights were identified and recommendations were given to the relevant structural units, and in 27 cases the violated rights were restored. The other applications were explained to the applicants as they did not fall under the authority defined by the charter, some were satisfied before the ombudsman's investigation was completed, and those who applied regarding reception were received by senior officials.

- Based on the analysis of applications received from taxpayers, investigations were carried out in 4 directions for the purpose of identifying cases of violation of taxpayers' rights.
- Based on the assessments and analyses conducted, investigations were carried out in 6 directions for the purpose of identifying the causes of complaints.
- Analyses were carried out in 5 processes implemented within the State Tax Service from the perspective of protecting taxpayers' rights.
- Meetings were held with entrepreneurs for the purpose of studying the difficulties taxpayers face in the field of tax and insurance legislation (administration) and taking measures in this direction.

### Number of applications submitted to the tax ombudsman in 2019-2024



# ADMINISTRATIVE COMPLAINTS

ACTUAL ADMINISTRATIVE COMPLAINTS SUBMITTED TO HIGHER TAX AUTHORITIES

**7.153**

COMPLAINTS RESOLVED POSITIVELY BASED ON AN ADJUSTED (AMENDED) TAX RETURN OR SUPPORTING DOCUMENTS

**3.705**

ACTUAL ADMINISTRATIVE COMPLAINTS FOR WHICH A DECISION HAS BEEN ISSUED

**2.893**



The specific weight (share) of actual complaints resolved positively amounted to 60.5%

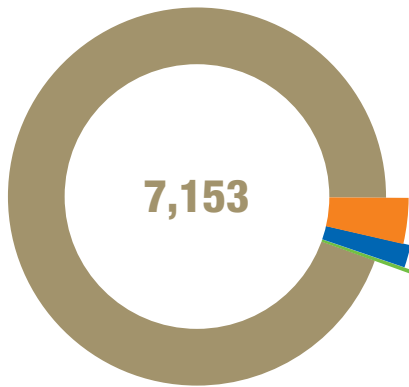
Distribution of administrative complaints

REGARDING DESK AUDIT  
**94.5%**

OTHER  
**3.5%**

**0.2%**  
REGARDING AUDIT

**1.8%**  
REGARDING OPERATIONAL TAX CONTROL



Distribution of administrative complaints for which a decision has been issued

**65.5%**

**15.7%**

**2,893**

**2.4%**

**3.7%**

**12.7%**

- Administrative Complaint Left Unexamined
- Administrative Complaint Not Granted
- Administrative Complaint Granted
- Administrative Complaint Partially Granted
- Termination of Proceedings on the Administrative Complaint

# COMBATING TAX VIOLATIONS



NUMBER OF CRIMINAL CASES IN PROCEEDINGS  
**1,385**



NUMBER OF PERSONS SUBJECT TO PRETRIAL DETENTION MEASURE  
**19**



DAMAGE CAUSED FOR COMPLETED CRIMINAL CASES  
**55,3 M MANATS**



FUNDS PAID TO STATE BUDGET FOR CRIMINAL CASES  
**32,5 M MANATS**

## Distribution of criminal cases according to their nature of origin

**637 (45,9%)**

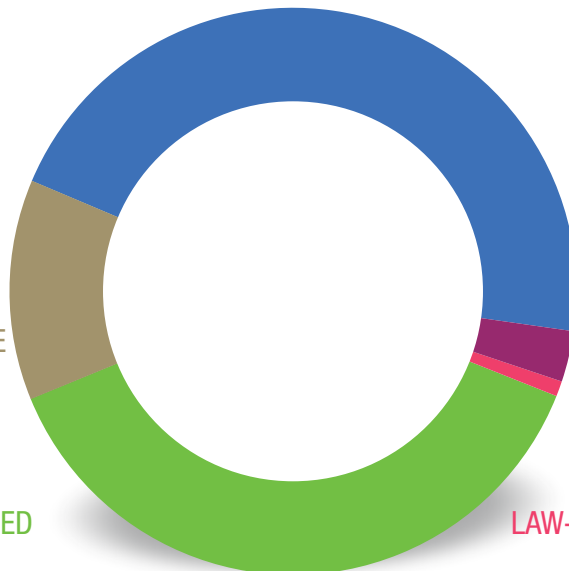
INITIATED

**174 (12,6%)**

REMAINED FROM PROCEEDINGS FROM THE PREVIOUS YEAR

**525 (38%)**

PROCEEDINGS REINSTADED



**42 (3%)**

SEPARATED FROM OTHER CASES

**7 (0,5%)**

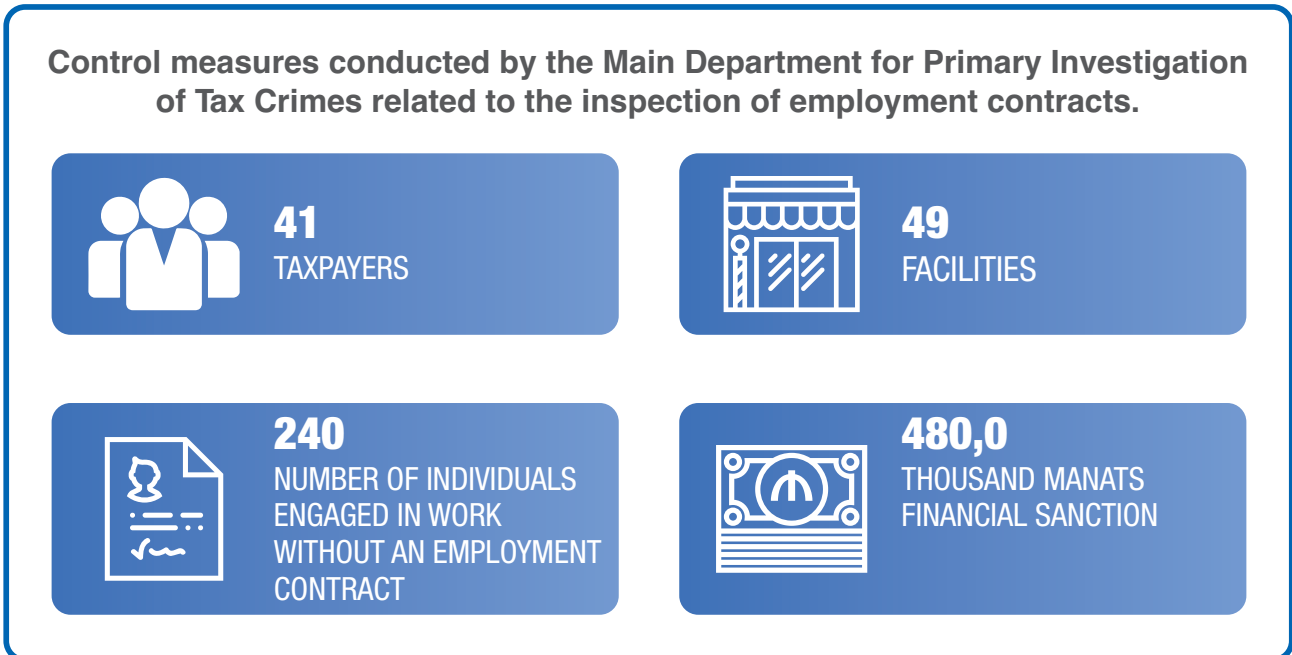
RECEIVED FROM OTHER LAW-ENFORCEMENT AGENCIES

# COMBATING TAX VIOLATIONS

## Composition of criminal cases initiated by the Main Department for Primary Investigation of Tax Crimes



## Control measures conducted by the Main Department for Primary Investigation of Tax Crimes related to the inspection of employment contracts.



# INTERNATIONAL TAXATION

## Fulfillment of international standards

**BEPS Action 5 (Exchange of tax rulings):** Azerbaijan has been highly rated

**BEPS Action 13 (Country-by-Country Reporting):** Azerbaijan has been highly rated

Based on the Exchange of Information on Request (EOIR) peer review, the Republic of Azerbaijan has been awarded the highest rating of “Compliant.” Over the past 5 years, only 4 other jurisdictions have achieved this rating.

**BEPS Action 14 (Dispute resolution):** Azerbaijan has been generally positively rated

**The Common Reporting Standard (CRS)** in Azerbaijan’s legislation has been rated as ‘in place, but needs improvement’

## In the field of international initiatives

- Commitment to implement a new international standard - the “Crypto-Asset Reporting Framework” (CARF) from 2027 has been submitted to the Organisation for Economic Co-operation and Development (OECD).

## In the field of international agreements

- Agreements on the elimination of double taxation have been signed with the Republic of Türkiye and the Kyrgyz Republic, and the Convention with Japan has begun to be applied.
- The National Assembly has approved the “Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (BEPS)”.



# INTERNATIONAL TAXATION

## In the field of International relations



The presidency of the Intra-European Organisation of Tax Administrations (IOTA) for 2024–2025 has been entrusted to Azerbaijan. Orkhan Nazarli, Head of the State Tax Service, has been elected as the president of the organization.

Jointly organized by IOTA and the State Tax Service (STS), the “International Forum on Carbon Pricing” was held in Baku.

Within the framework of COP29, a panel discussion on “Carbon pricing: current challenges and new strategies” was held.

The “Tax Inspectors Without Borders” Programme on transfer pricing and audit between the STS and HMRC continued.

## Tax revenues from the application of transfer pricing

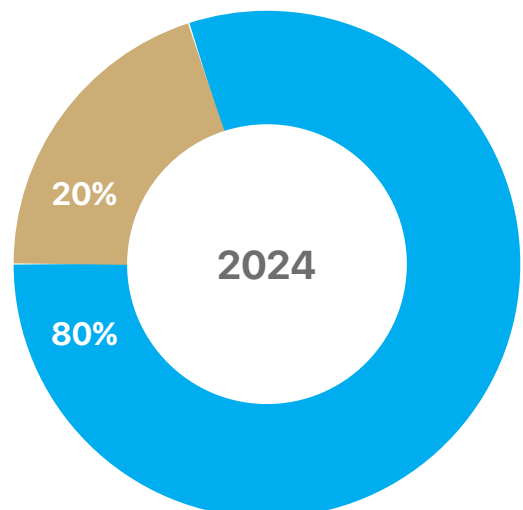


**1.133,6 M ₼**

FROM DESK  
TAX AUDIT

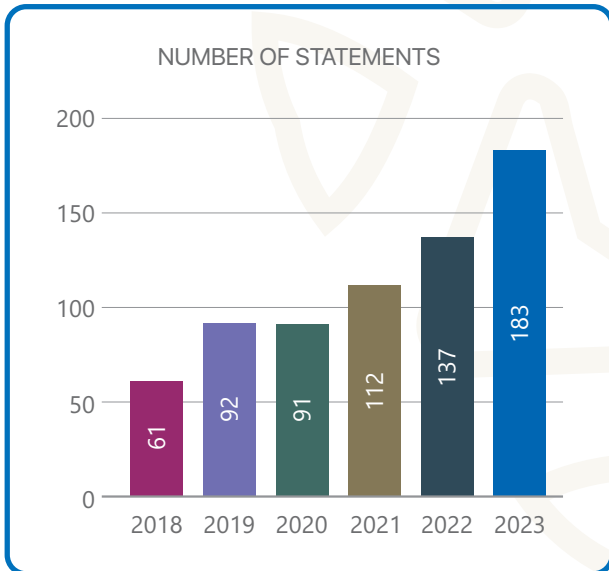
FROM FIELD  
TAX AUDIT

**4.524,2 M ₼**



# INTERNATIONAL TAXATION

## Statements on controlled transactions




NUMBER OF ADDITIONAL STATEMENTS ISSUED FOLLOWING DESK TAX AUDITS

**55**

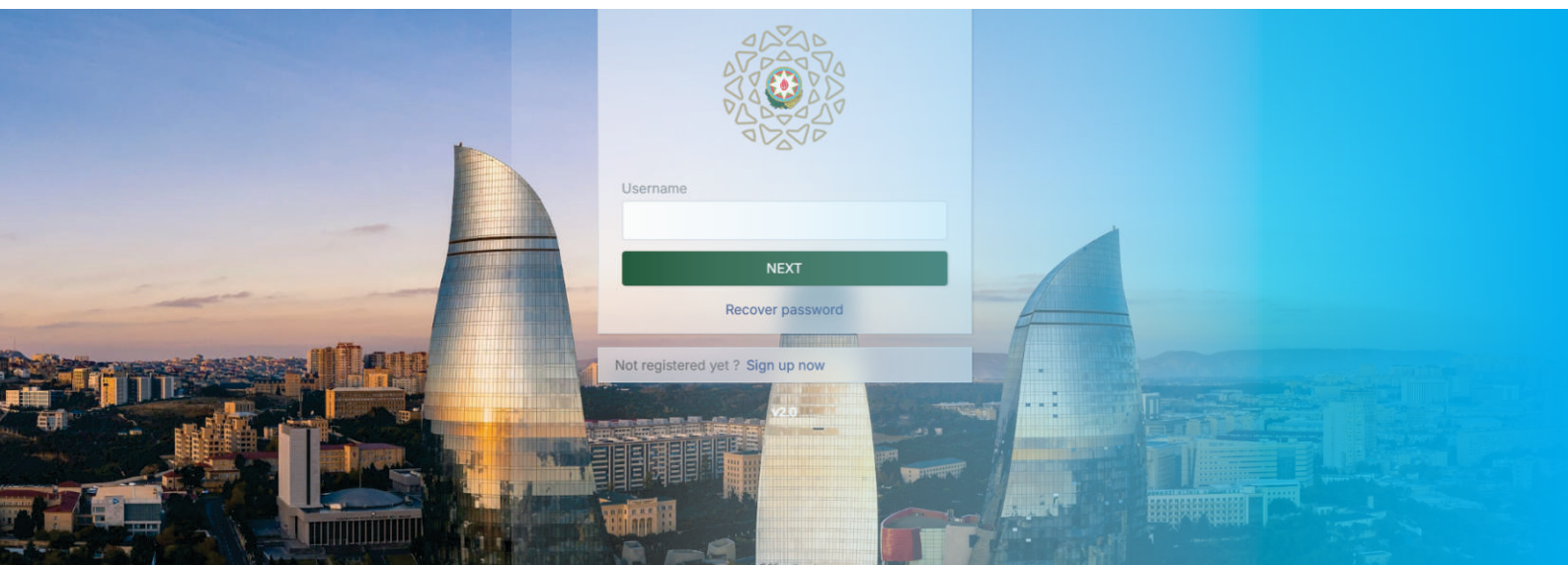


NUMBER OF FINANCIAL SANCTIONS APPLIED BASED ON STATEMENTS ON CONTROLLED TRANSACTIONS

**37**

## In the field of electronic commerce

- A platform has been installed in the Internet Tax Administration of the State Tax Service for the electronic tax registration of non-residents carrying out electronic commerce.
- The companies “Apple Distribution International Limited,” “Adobe Systems Software Ireland Limited,” and “Sony Interactive Entertainment Network Europe Limited” have been registered for tax purposes electronically.



# HUMAN RESOURCES



**2.785**  
NUMBER OF STAFF WORKING  
IN TAX AUTHORITIES

**17%**  
WOMEN  
EMPLOYEES



**163**  
NUMBER OF NEWLY  
RECRUITED STAFF

**24%**  
WOMEN  
EMPLOYEES



**40**  
AVERAGE AGE AT THE  
STATE TAX SERVICE



Our main principle of activity:  
“Engage, develop, and motivate!”

# HUMAN RESOURCES

## Distribution of staff by functions

**36%**

AUDIT, ANALYSIS  
AND RELATED  
ACTIVITY

**9%**

TAX DEBTS AND  
RELATED ACTIVITY



**21%**

REGISTRATION, SERVICES,  
DECLARATIONS,  
AND REVENUES

**34%**

OTHER

## Level of employee participation in trainings



**4.397**

SHORT-TERM  
TRAINING  
PROGRAMS



**358**

PROFESSIONAL  
DEVELOPMENT  
TRAINING



**110**

INDUCTION  
TRAINING

## New projects and trainings:

- Competency model of the State Tax Service
- 360-degree evaluation tool
- “Leadership” trainings for middle and senior management
- “Team building” program for internal trainers
- Adaptation and mentoring program for newly recruited employees
- Implementation of job grading and career path processes

## Performance evaluation process

**82%**

SHARE OF EMPLOYEES’  
EVALUATED USING  
THE KPI SYSTEM

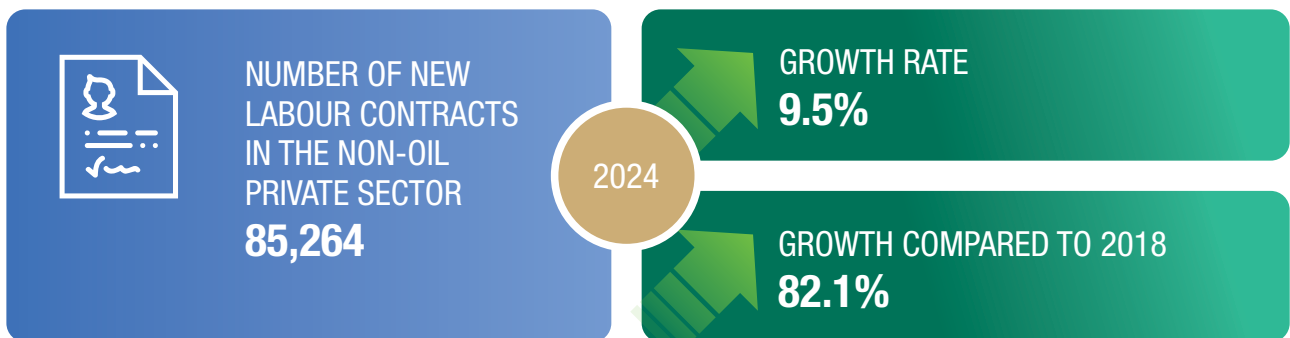
## TAX REFORMS IN THE LABOR MARKET

One of the most effective reforms carried out in the direction of ensuring transparency in the non-oil private sector in Azerbaijan is aimed at achieving transparency in the labor market. As a result of the reform that started in 2019, significant progress has been made in the legalization of labor relations. Thus, due to the exemption of wage incomes up to 8,000 manats from taxation in the non-oil private sector, the tax burden on wages has decreased significantly, increasing the motivation of businesses to formalize labor relations and to declare wage amounts correctly.

Overall, since the start of the reform, a 33.6% increase has been observed in the number of official labor relations; this increase reached 82.1% in the non-oil private sector. This means 471 thousand new labor contracts in total, including more than 443 thousand in the non-oil private sector. If previously the share of the private sector in total labor contracts was 38.5%, after the reform it reached 52.5%.

Naturally, this was accompanied by an increase in the wage fund as well. In 2024, the total wage fund reached 24.1 billion manats, which represents an overall 2.5-fold increase compared to 2018, and a 2.7-fold increase in the non-oil private sector.

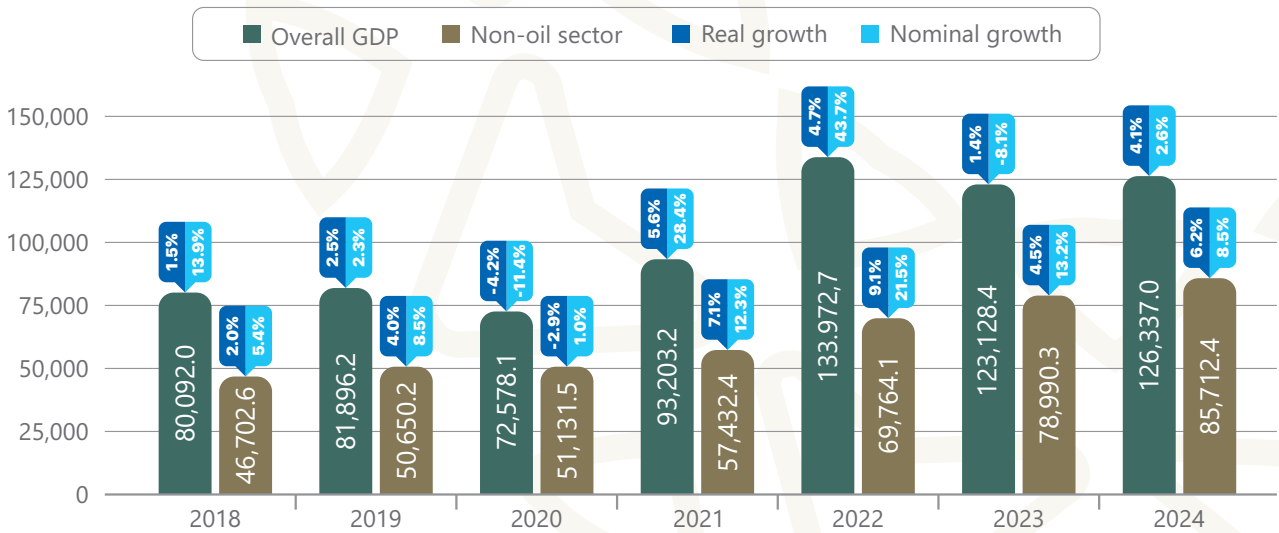
As a result, the volume of social contributions has increased 2.5 times over the past 6 years.



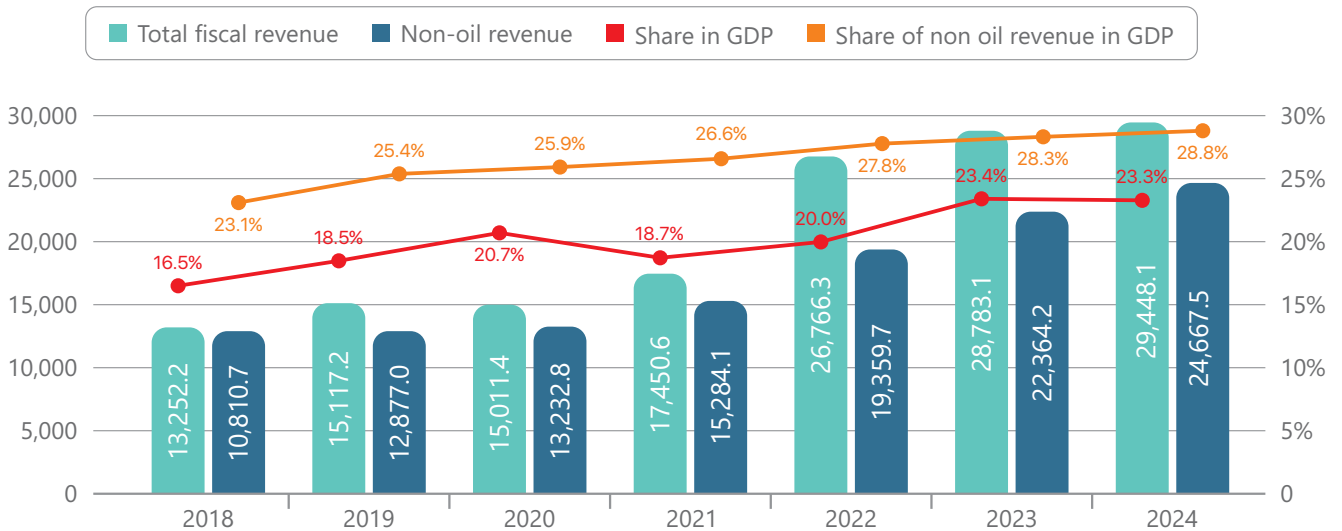
Note: During the diagnostic assessment of the Azerbaijani economy, the Harvard University “Growth Lab” Center described the reforms carried out in the field of transparency in the labor market as an effective reform in the direction of legalization, calling it a “success story” that other states should study. They recommended other countries that facing similar problems examine the “Azerbaijani model.”

# QUANTITATIVE AND QUALITATIVE INDICATORS (2018-2024)

## GDP, in million manats

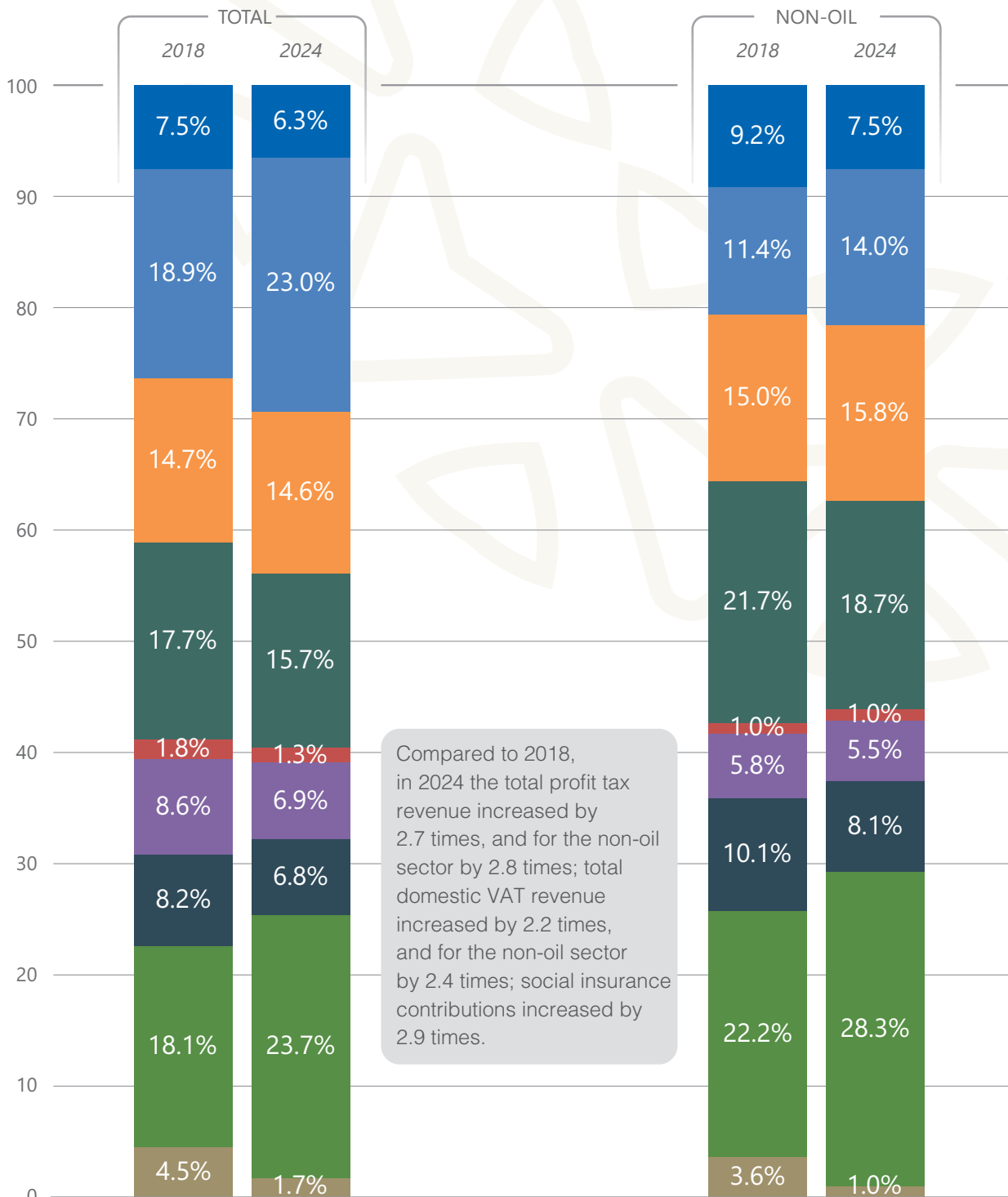


## Dynamics of fiscal revenues, in million manats



Note: Over the past seven years, the share of non-oil fiscal revenues (total fiscal revenues from the State Tax Service and revenues from the State Customs Committee) in non-oil GDP has increased by 5.7%.

## Structural change in fiscal revenues

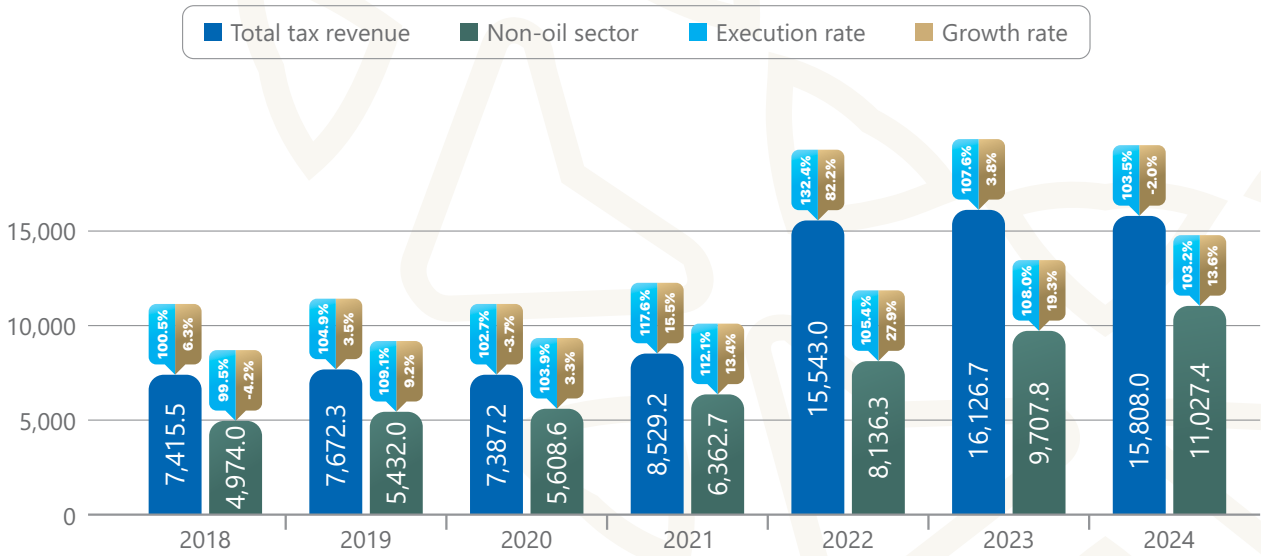


Compared to 2018, in 2024 the total profit tax revenue increased by 2.7 times, and for the non-oil sector by 2.8 times; total domestic VAT revenue increased by 2.2 times, and for the non-oil sector by 2.4 times; social insurance contributions increased by 2.9 times.

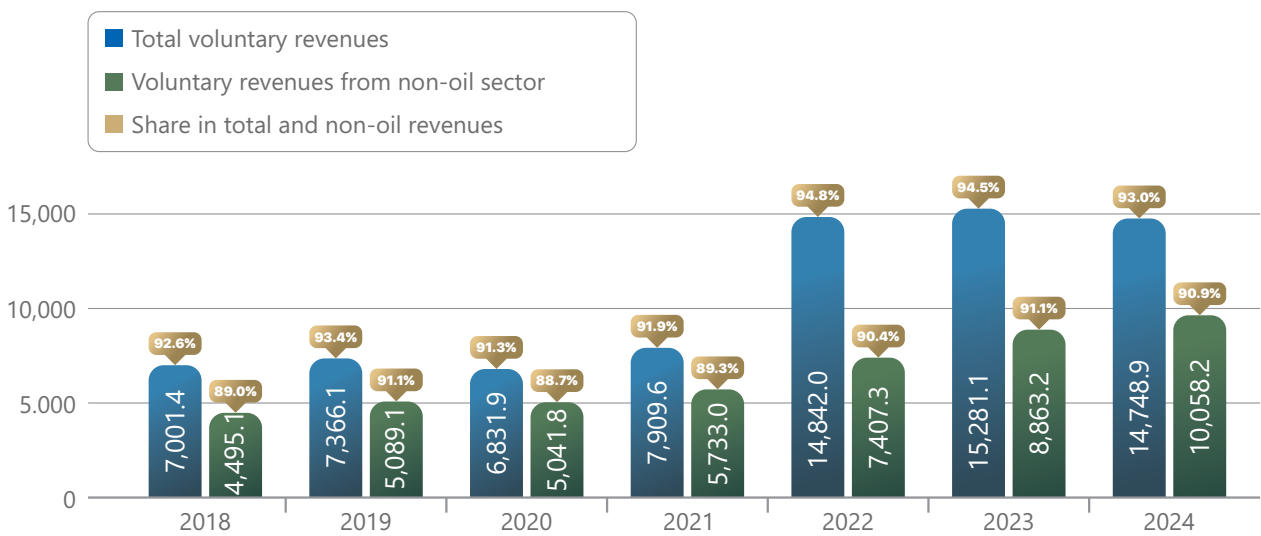
Income tax	Domestic VAT	Property and land tax	Social insurance contributions	Other revenues
Profit tax	VAT on imported goods			
Taxes on Domestic Goods, Work, and Services <i>(Simplified Tax, Excise Tax, and State Duty)</i>			Taxes on Imported Goods, Work, and Services <i>(Excise Tax and Customs Duty)</i>	

# QUANTITATIVE AND QUALITATIVE INDICATORS (2018-2024)

**Dynamics of tax revenues,**  
in million manats

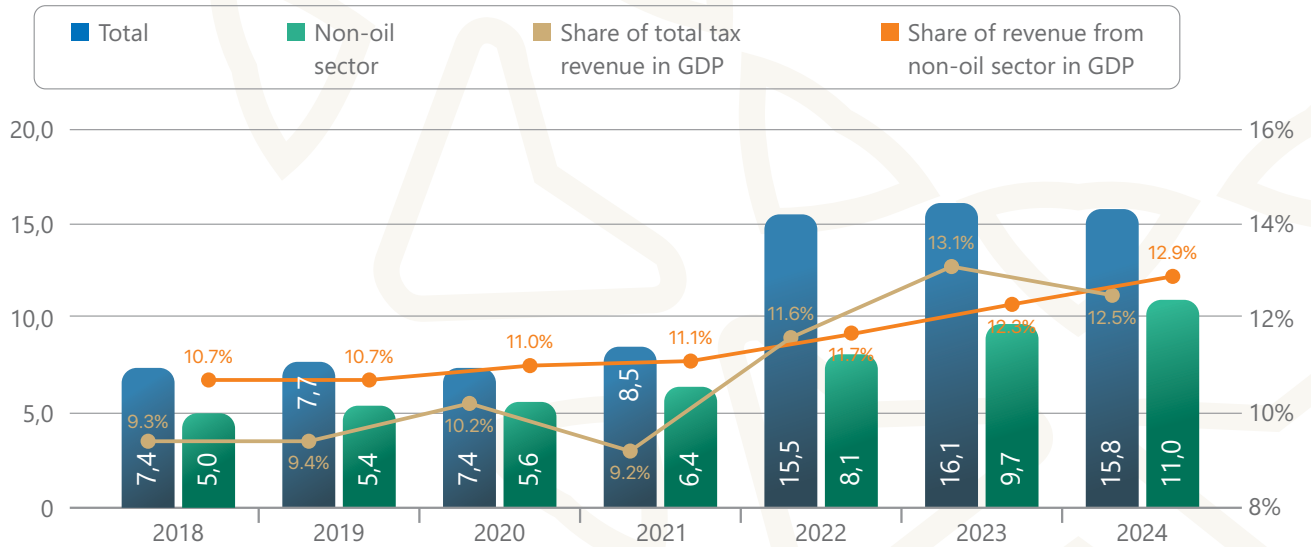


**Dynamics of voluntary tax revenues,**  
total in million manats

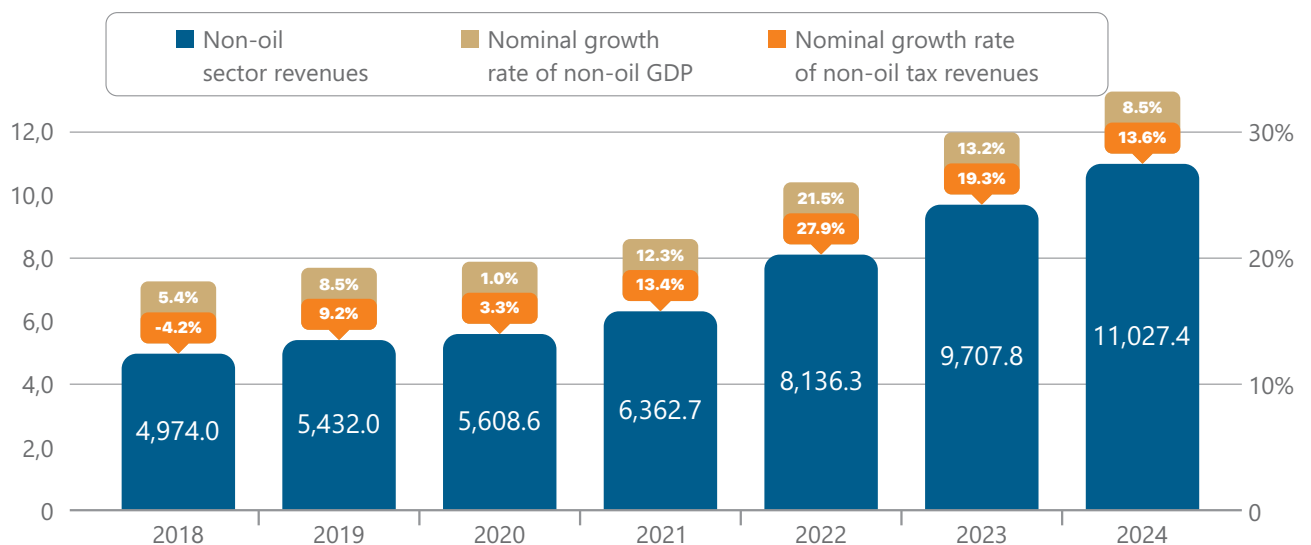


# QUANTITATIVE AND QUALITATIVE INDICATORS (2018-2024)

### The share of tax revenues in GDP, in BN manats

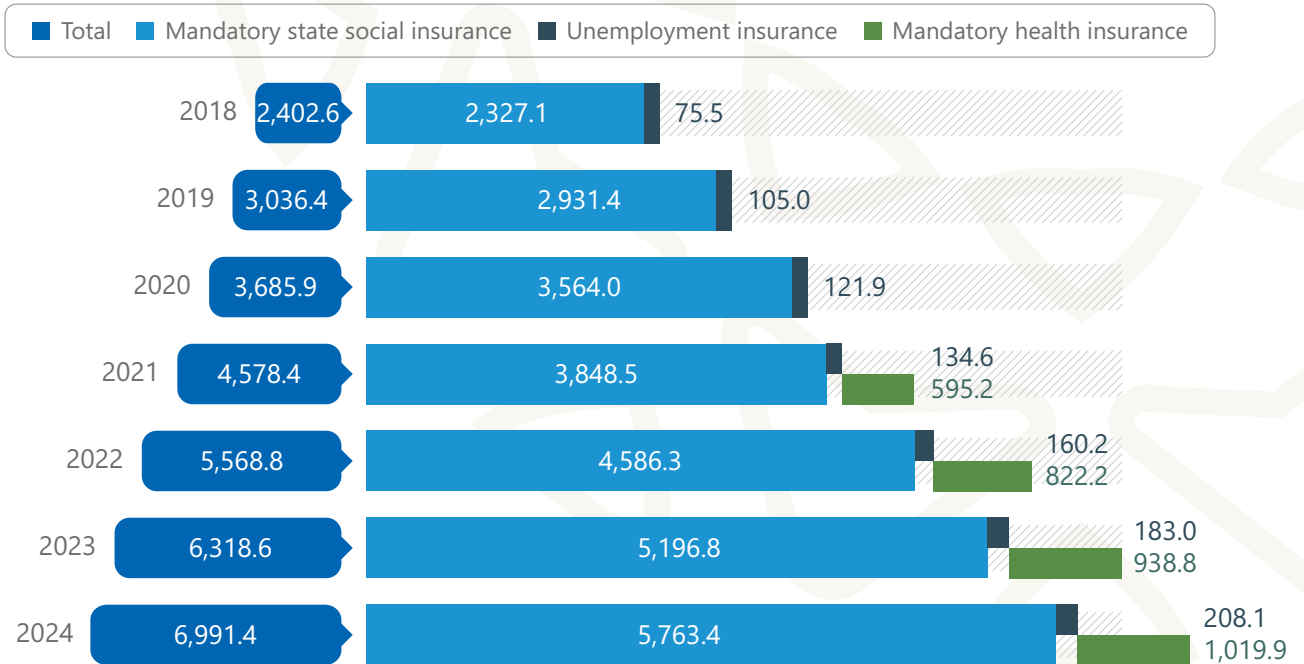


### Growth dynamics of GDP and tax revenues in non-oil-gas sector, in BN manats

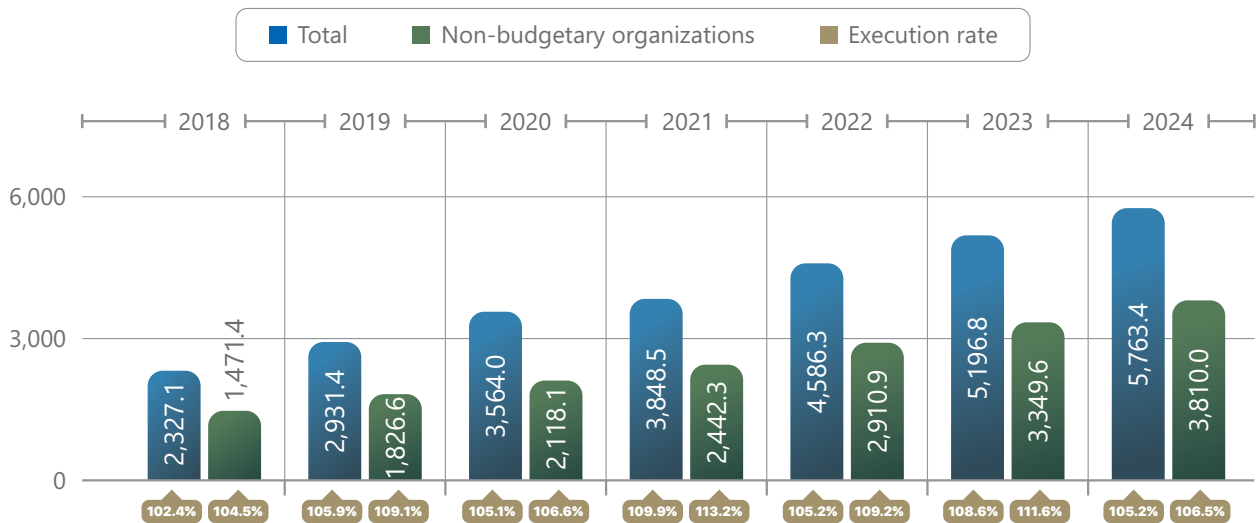


# QUANTITATIVE AND QUALITATIVE INDICATORS (2018-2024)

## Total social revenues, in million manats

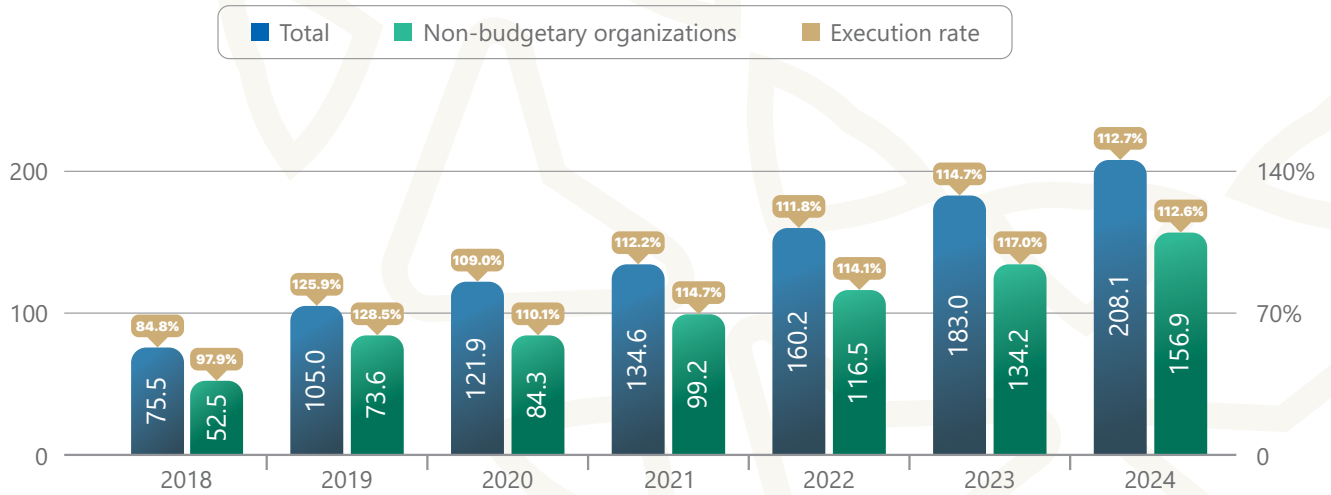


## Revenues from mandatory state social insurance payments, in million manats

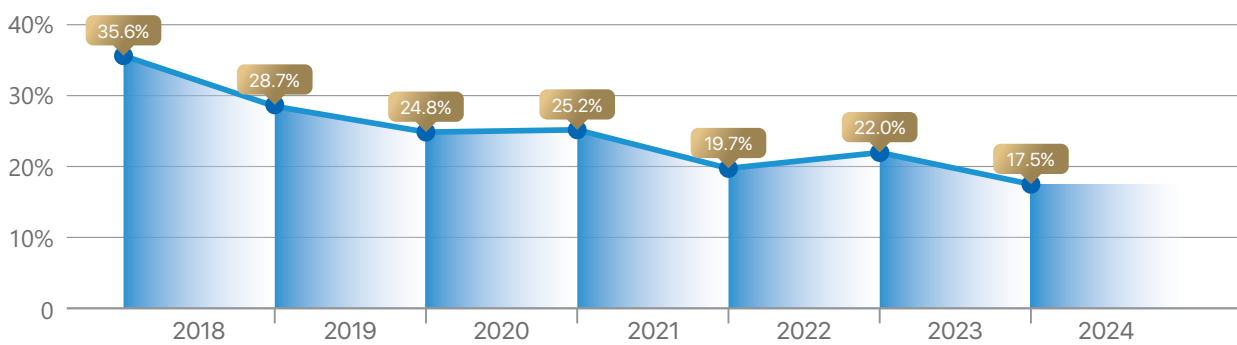


# QUANTITATIVE AND QUALITATIVE INDICATORS (2018-2024)

**Revenues from unemployment insurance,**  
in million manats

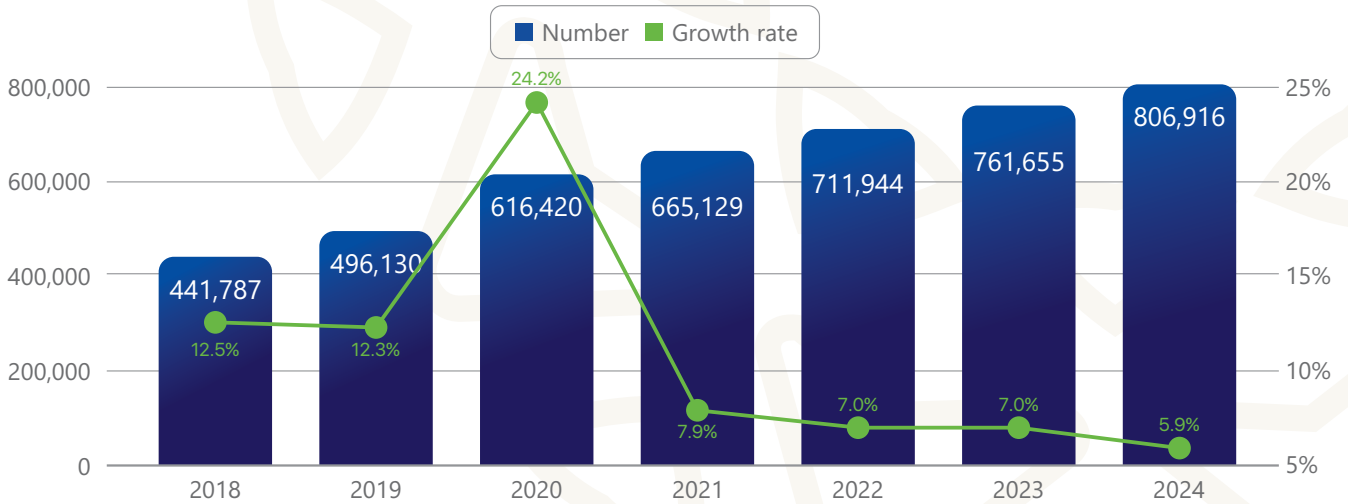


**The share of transfers from the state budget  
to the State Social Protection Fund in the Fund's revenues**

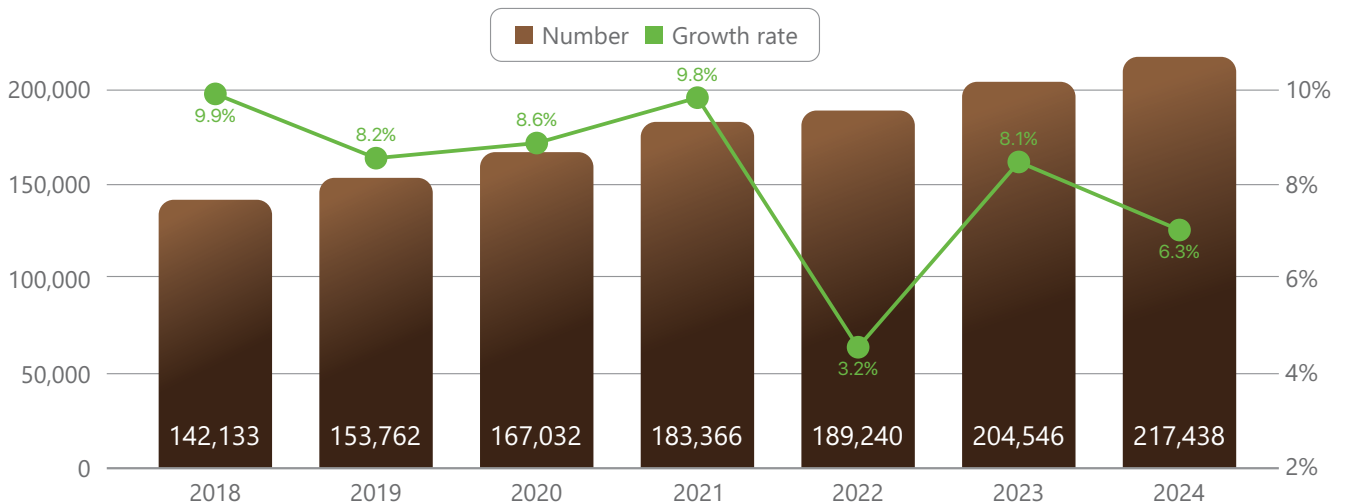


# QUANTITATIVE AND QUALITATIVE INDICATORS (2018-2024)

### Growth dynamics of the number of active taxpayers



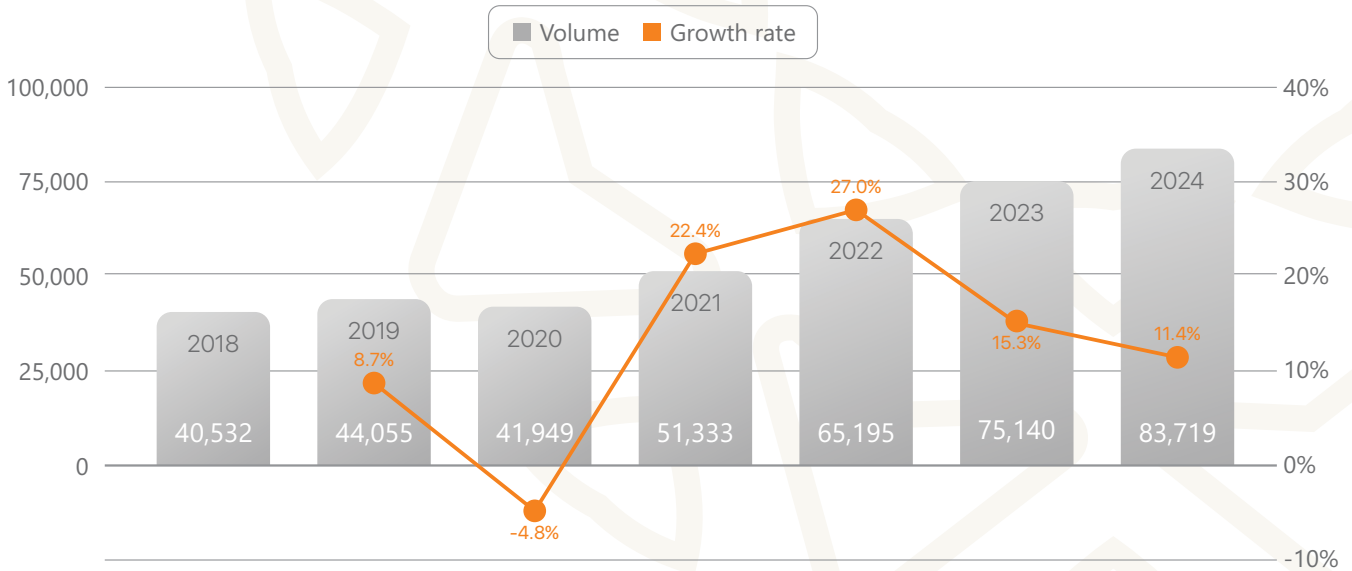
### Growth dynamics of the number of active business premises



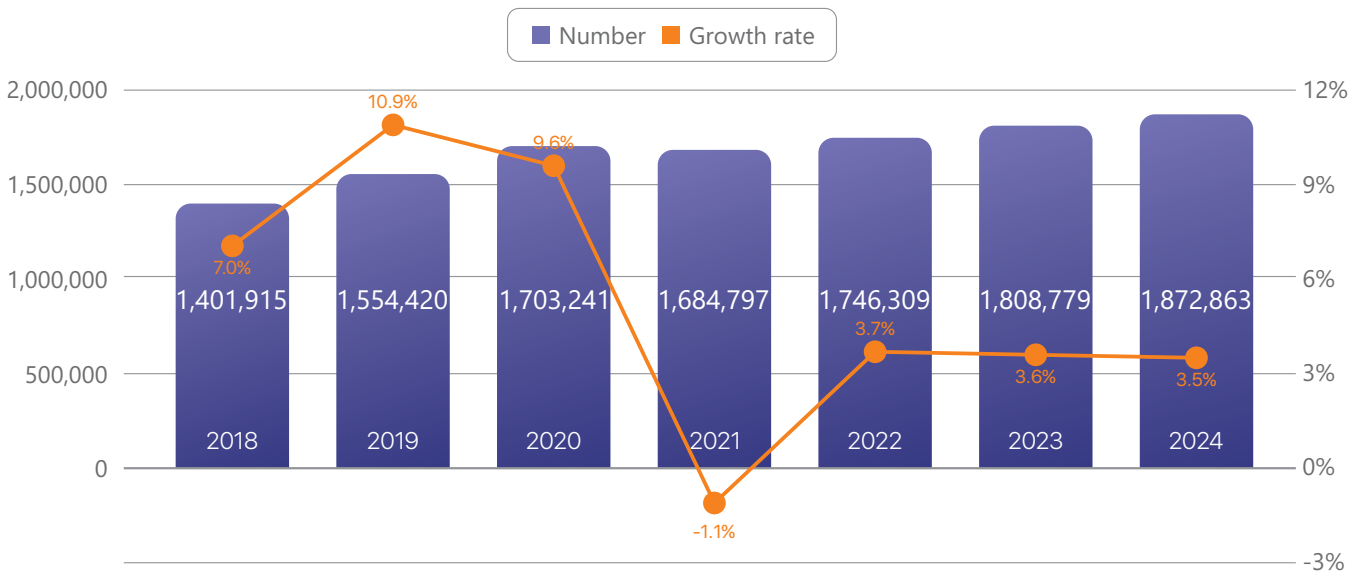
By an active taxpayer or business entity, taxpayers who actually operate in practice, including those taxpayers who, pursuant to Article 16.3 of the Tax Code, do not submit a certificate, are mean

# QUANTITATIVE AND QUALITATIVE INDICATORS (2018-2024)

**Growth dynamics of e-invoice turnover of VAT payers in the non-oil sector, in million manats**

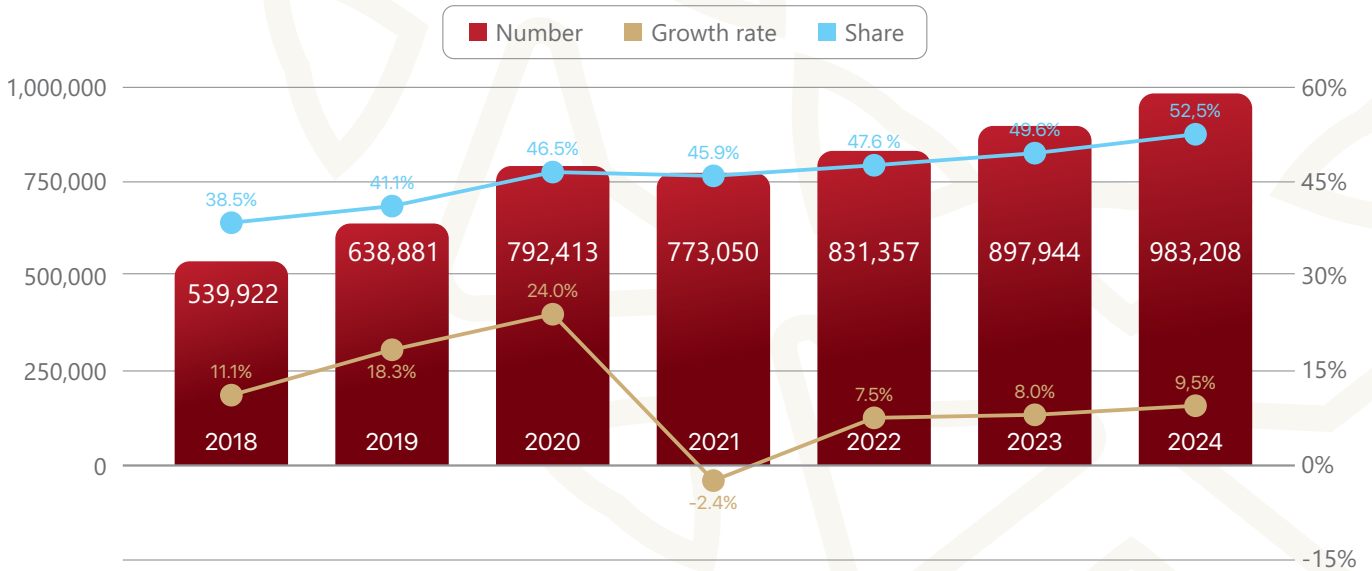


**Growth dynamics in the number of active employment contracts**

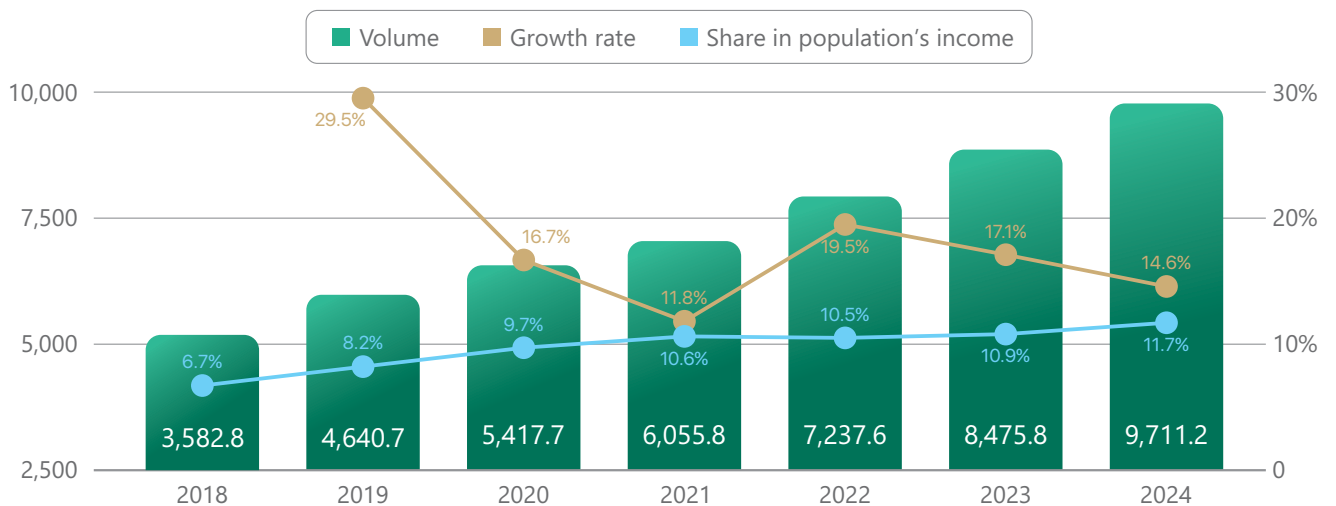


# QUANTITATIVE AND QUALITATIVE INDICATORS (2018-2024)

## Growth dynamics in the number of active employment contracts (private segment of the non-oil sector)

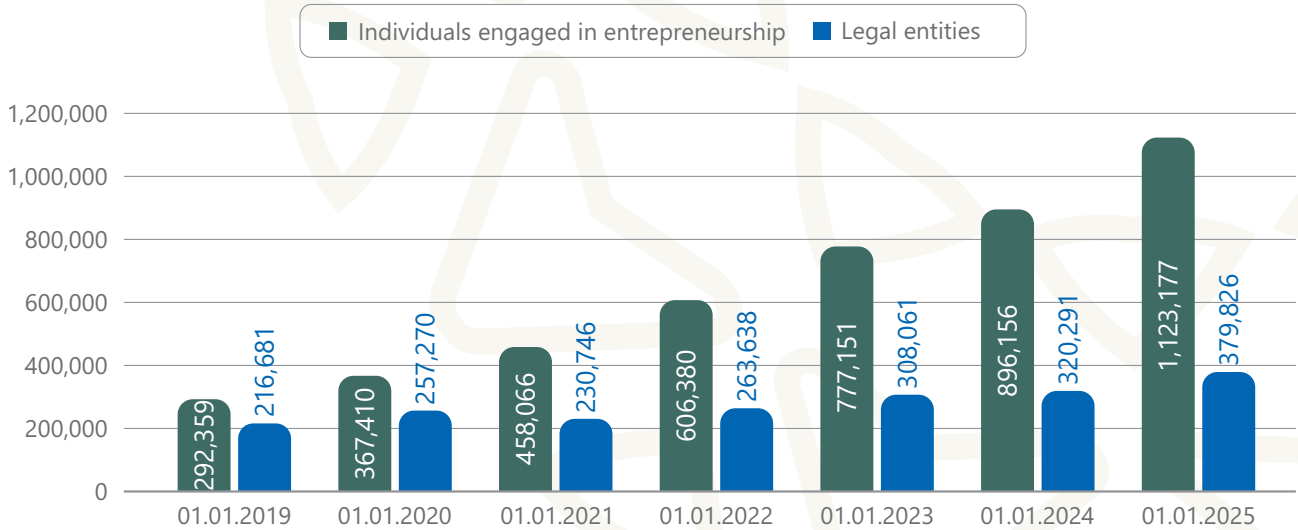


## Wage fund (private segment of the non-oil sector) in million manats

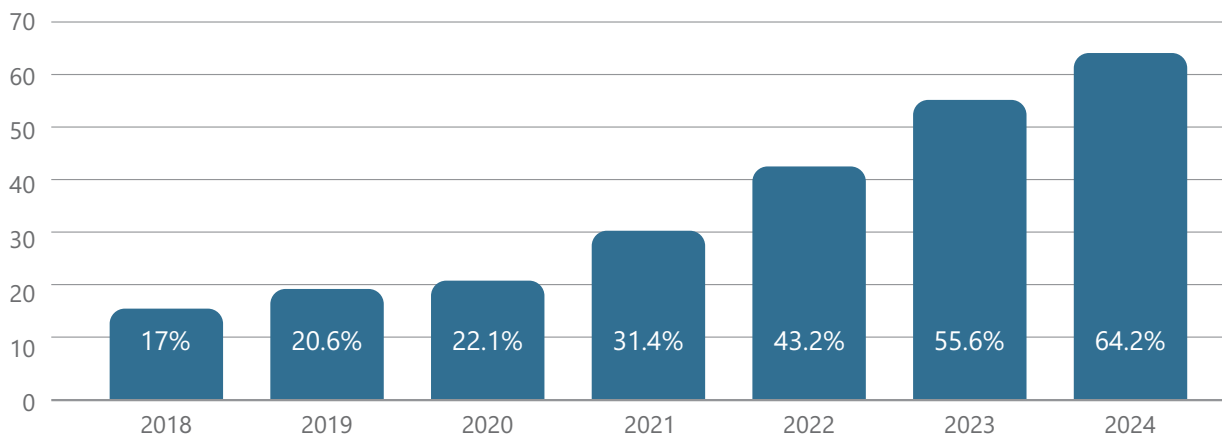


# QUANTITATIVE AND QUALITATIVE INDICATORS (2018-2024)

**Number of current bank accounts of legal entities and individuals engaged in entrepreneurship**



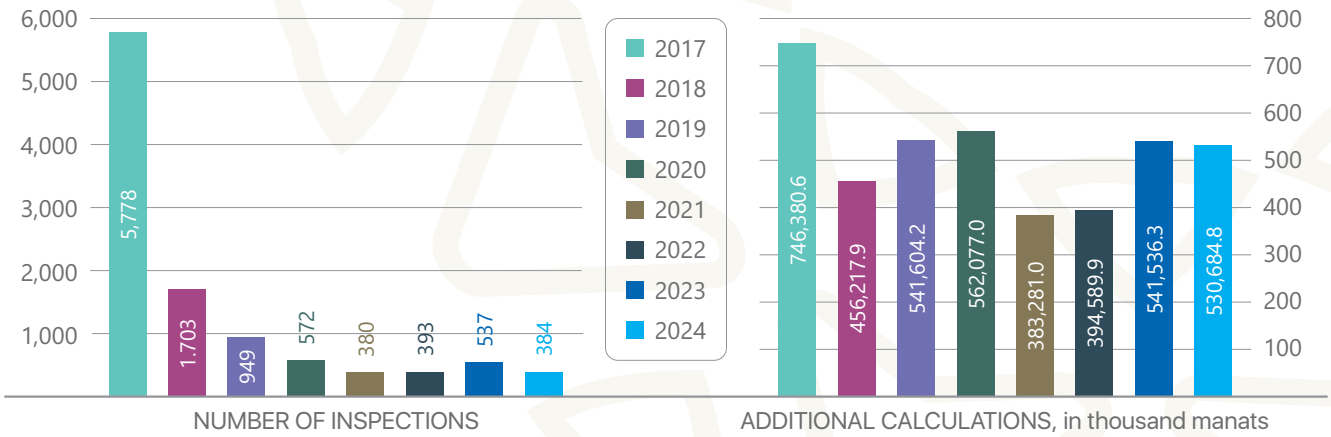
**Share of non-cash payments in domestic transactions made with plastic cards, in percent**



# QUANTITATIVE AND QUALITATIVE INDICATORS (2018-2024)

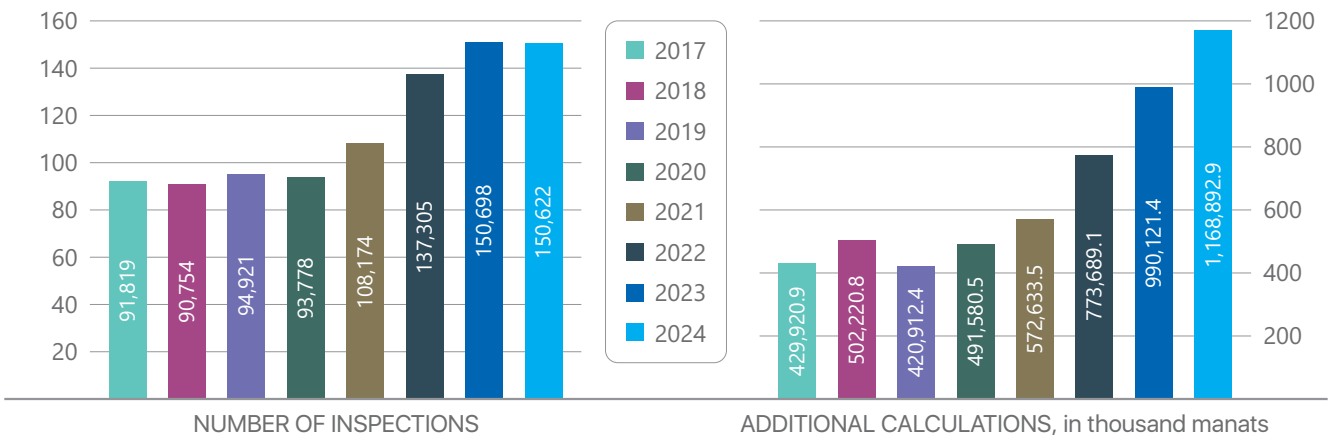
## Results of control measures

### under field Audit



## Results of control measures

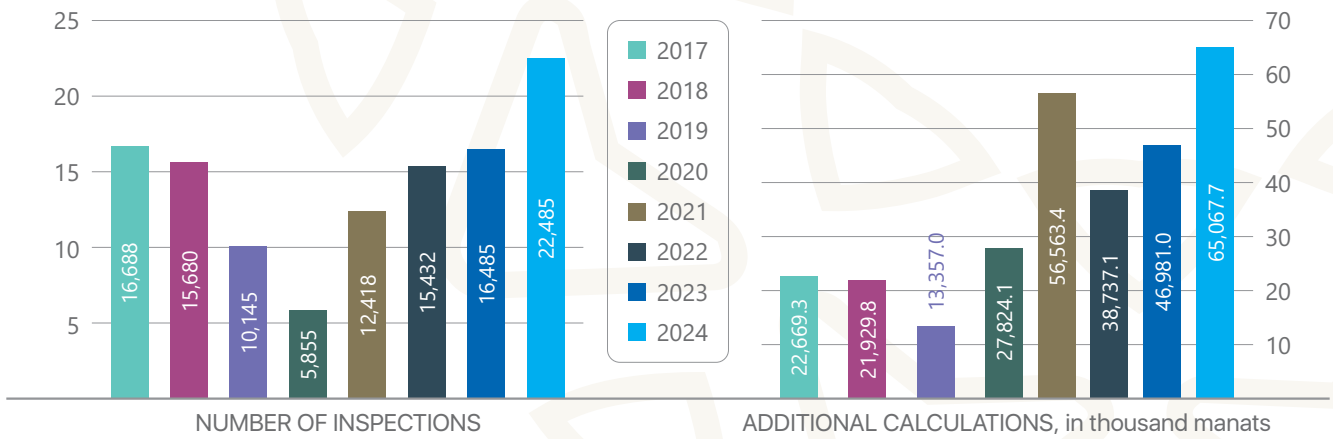
### under desk audits



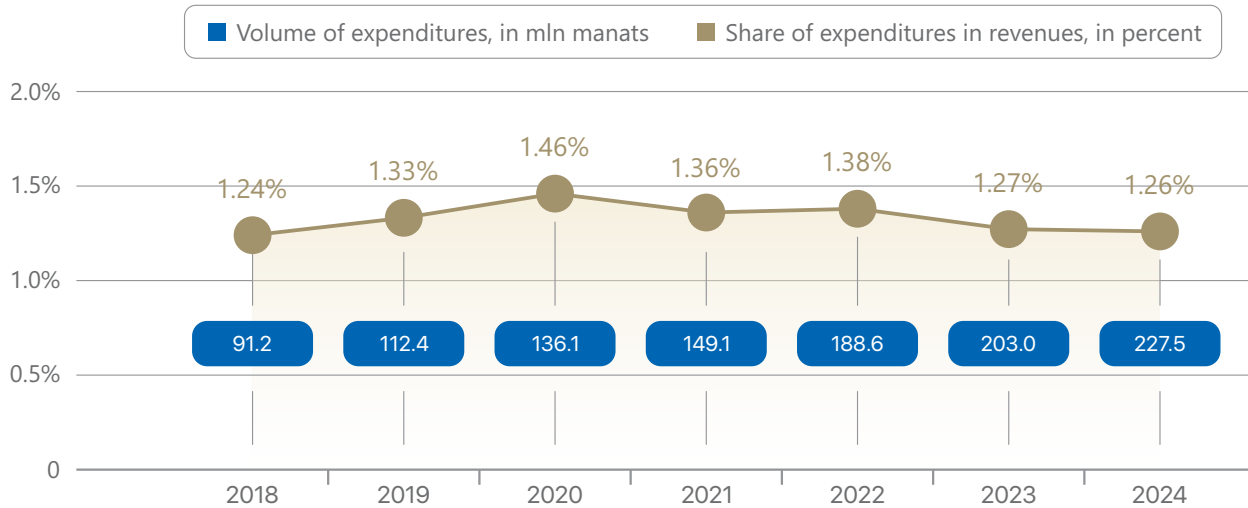
# QUANTITATIVE AND QUALITATIVE INDICATORS (2018-2024)

## Results of control measures

under Operational oversight



## Collection cost indicator



Note: The decrease in the share of the maintenance costs of tax authorities in the total revenues of the non-oil sector indicates that collection costs have been reduced efficiently.

# ABBREVIATION

- STS** – State Tax Service
- IOTA** – Intra-European Organisation of Tax Administrations
- OECD** – Organisation for Economic Co-operation and Development
- SCC** – State Customs Committee
- AVIS** – Automated Tax Information System
- CRS/FATCA** – Common Reporting Standard / Foreign Account Tax Compliance Act
- HMRC** – His Majesty's Revenue and Customs (UK)
- COP29** – 29th Session of the Conference of the Parties to the UNFCCC
- BEPS** – Base Erosion and Profit Shifting
- TADAT** – Tax Administration Diagnostic Assessment Tool
- EOIR** – Exchange of Information on Request
- PSA** – Production Sharing Agreement (PSA)
- CARF** – Crypto-Asset Reporting Framework
- CRS** – Common Reporting Standard
- GDP** – Gross Domestic Product
- VAT** – Value Added Tax
- PIT** – Personal Income Tax
- MSSI** – Mandatory State Social Insurance
- TAXESBI** – TAXESBI Reporting System
  - CR** – Cash Register (ECR / POS system)
  - KPI** – Key Performance Indicators



By publicly sharing its performance indicators, The State Tax Service emphasizes the transparency of its activities and reaffirms its commitment to openness and integrity principles.

These indicators are relevant for the period in which the publication was prepared and may undergo certain revisions as a result of depth analysis.

The indicators used in the publication do not include those related to the Nakhchivan Autonomous Republic (except for social payments).