

## **Brief information on the mechanism of providing financial support to entrepreneurs affected by the coronavirus (COVID-19) pandemic in Azerbaijan**

The Cabinet of Ministers of the Republic of Azerbaijan adopted Action Plan in accordance with the paragraph 10.2 of the Order #1950 of the President of the Republic of Azerbaijan dated March 19, 2020.

The **Action Plan** dated April 4, 2020 is focused on reducing the negative impact of the Coronavirus (COVID-19) pandemic and, consequently, sharp fluctuations in world energy and stock markets on the economy of the Republic of Azerbaijan, macroeconomic stability, employment and entrepreneurship.

The implementation of the measures in the Action Plan entrusted to the Ministry of Economy is divided into 3 stages. At the initial stage, **the following measures** to be implemented:

- to pay employees working in the areas affected by the pandemic a part of the salary,
- to provide financial support to individual (micro) entrepreneurs,
- tax benefits in order to protect economic activity.

For the provisions of these measures, the following areas of activity affected by the pandemic have been identified:

- In the industrial sector:
  - Manufacturing sector (excluding food, medicine, tobacco and beverage production)
- In the trade sector:
  - Wholesale and retail trade (excluding selling of food, medicine and petroleum products)
- Tourism, catering and other services sector:
  - Operation of hotels, motels, hostels and similar facilities, which are considered accommodation facilities.
  - Activities of tour operator and tour agent:
  - Transportation and (or) delivery of goods on orders, including food, food and non-food products
  - Public catering activities;
  - Organization of exhibitions, operation of stage, recreation and entertainment (game), cinema, theater, museum and concert halls;
  - Operation of sports and health facilities;
  - Activities of training (education) and professional development courses, children's education and development centers, children's clubs, psychological centers;
  - Activities of barbershops, beauty salons;
  - Private educational institutions (including kindergartens);
  - Car maintenance and repair.
- Transport sector:
  - Domestic freight and passenger transportation (including taxi).

### **I. PAYMENT OF A PART OF THE SALARY TO EMPLOYEES**

*Within the framework of the mechanism of payment of a certain part of the salary to employees working on the basis of an employment contract, taxpayers shall be informed on the following, in order to prevent the reduction of the number of work places in the areas affected by the pandemic:*

The state will provide a financial support in the amount of AZN 215,000,000 to entrepreneurs to pay part of the salaries of 300,000 employees (on the basis of an employment contract) working in the areas and clusters affected by the pandemic.

Under this mechanism, based on applications submitted by taxpayers through the electronic cabinets available in the Internet Tax Office ([www.e-taxes.gov.az](http://www.e-taxes.gov.az)), a certain part of the salaries will be paid to employees and the relevant social insurance fees will be transferred to the bank accounts of employers.

### **Order of the payments**

*Payments will be made in the following order:*

All registered taxpayers will be notified about “*The Pandemic Financial Support Program*” in their personal electronic cabinet or SMS upon this will be sent to their mobile phone.

Taxpayers must enter the “*Salary Payments Application*” sub-section through the “Pandemic Financial Support Program” section in the personal cabinet of the Internet Tax Office and fill in the online application form in the relevant sub-section.

The following **registry information** is automatically reflected in the online application form:

- Name of the tax authority where the taxpayer is registered;
- TIN;
- Active bank accounts;
- Number of employees under employment contracts as of March 1, 2020 and the date of application.

The following **information** is filled in by the taxpayer in the online application form:

- Area of activity affected by the pandemic;
- List of employees in the field affected by the pandemic on the basis of active employment contract notices as of April 1, 2020;
- Bank account to which the funds are to be transferred.

This information is automatically checked by the accounting database. If the system does not detect any discrepancies, the information is automatically received and a notification is sent to the taxpayer.

**NOTE:** Discrepancies may be detected by the system during the check of data. The following discrepancies may be detected during data verification:

- Non-compliance of the taxpayer's field of activity and economic entity (object) with the area affected by the pandemic,
- The number of employees on the date of application decreased compared to the number of employees on March 1, 2020;
- No active bank accounts;
- Transactions with risky taxpayers.

If the discrepancy in the registry information is eliminated, the taxpayer will be able to re-apply online through his personal account. Payments to taxpayers will be made in two (2) stages, including April and May.

*Special note:* financial support funds allocated from the Bank may be transferred only on salary purposes. Taxpayers cannot use these funds for any other purposes and this issue will be closely monitored.

The average monthly salary in the country (AZN 712) will be taken as the main criteria for the payment of a certain part of the salary of employees. If part of the employees of the enterprise receives a salary higher than the average monthly salary, then their compensation will be calculated as long as it does not exceed the average monthly salary.

Information on taxpayers to whom the funds are allocated will be announced to the public through the Internet resources of the Ministry of Economy and its agencies, and the media.

## **II. PROVISION OF THE FINANCIAL SUPPORT TO INDIVIDUAL (MICRO) ENTREPRENEURS**

*Within the framework of the mechanism of providing financial support to individual (micro) entrepreneurs operating in the areas affected by the pandemic, taxpayers shall be informed on the following:*

The state will provide a financial support in the amount of AZN 80,000,000 to 300,000 individual entrepreneurs engaged in entrepreneurial activities in areas affected by the pandemic.

This financial support applies to the following individual (micro) entrepreneurs:

- payers of the simplified tax at the rate of 2 %;
- operating by obtaining a fixed receipt;
- engaging in transportation activities;
- payers of taxes, mandatory state social insurance and unemployment insurance fees during 2019.

To ensure financial support as soon as possible, individual entrepreneurs shall submit an application through the electronic cabinet available in the Internet Tax Office ([www.e-taxes.gov.az](http://www.e-taxes.gov.az)), and the funds allocated from the state budget are transferred to the bank accounts of those individual entrepreneurs.

### **Order of payments**

*Payments will be made in the following order:*

All registered taxpayers will be notified about “*Pandemic Financial Support Program*” in their personal electronic cabinet or SMS upon this will be sent to their mobile phone.

Taxpayers must enter the “*Individual Entrepreneur Payments Application*” sub-section through the “Pandemic Financial Support Program” section in the personal cabinet of the Internet Tax Office and fill in the online application form in the relevant sub-section.

The following **registry information** is automatically reflected in the online application form:

- Name of the tax authority where the taxpayer is registered;
- TIN;
- Active bank accounts;
- Taxes, mandatory state social insurance and unemployment insurance fees paid during 2019.

The following **tax regime information** is filled in by the taxpayer in the online application form:

- being a 2 % simplified taxpayer;

- operating with a fixed receipt;
- engaging in transportation activities;
- being a micro-business entity with income tax liability;
- bank account to which the funds will be transferred.

This information is automatically checked by the accounting database. If the system does not detect any discrepancies, the information is automatically received and a notification is sent to the taxpayer.

**NOTE:** Discrepancies may be detected by the system during the check of the application. The following discrepancies may be detected during data verification

- non-compliance of the tax regime chosen by the taxpayer with the existing tax regime in the database,
- suspension of the taxpayer's activities before March,
- failure to make tax payments to the budget in 2019.

In these cases, the taxpayer will be given the opportunity to eliminate the identified discrepancies and re-apply.

If there is an order in the bank accounts of a taxpayer who is an individual entrepreneur in connection with his debt to the state budget or extra-budgetary state funds, it will be ensured that the transferred funds are not frozen or written off.

If the amount of payment of an individual (micro) entrepreneur to the state budget in 2019 is less than AZN 250, he/she will be provided with financial support in the amount of AZN 250. The maximum amount of financial support will be AZN 5,000.