



The State Tax Service under the Ministry of Economy of The Republic of Azerbaijan

VAT Fraud Cases in Azerbaijan

Tbilisi 2026





Tax legislation in Azerbaijan is regulated on the basis of the following legal frameworks:

- Constitution of the Republic of Azerbaijan
- Tax Code of the Republic of Azerbaijan
- Cabinet of Ministers of the Republic of Azerbaijan





- **Standard VAT rate: 18%**
 - applied to the supply of goods, works, and services as well as taxable imports
- **Zero-rated transactions**
 - International transport, grant-funded imports, diplomatic supplies, exports, etc
- **Exemptions:**
 - Agricultural products, wheat/flour/bread, seeds and seedlings





- **Informal sale of goods**
(*sales without an invoice or cash receipt*)
- **Informal purchase of goods**
(*purchases without an invoice, often for later resale without proper documentation*)
- **Undervaluation of imported goods**
(*declaring imports at a lower value in order to reduce customs duties and VAT*)
- **Selling goods that are not actually owned by the taxpayer**
(To inflate the other party's costs)
- **Creating artificial expenses through fictitious transactions**
(Obtaining service invoices, formalizing the purchase of goods from non-taxpayers with a purchase act)

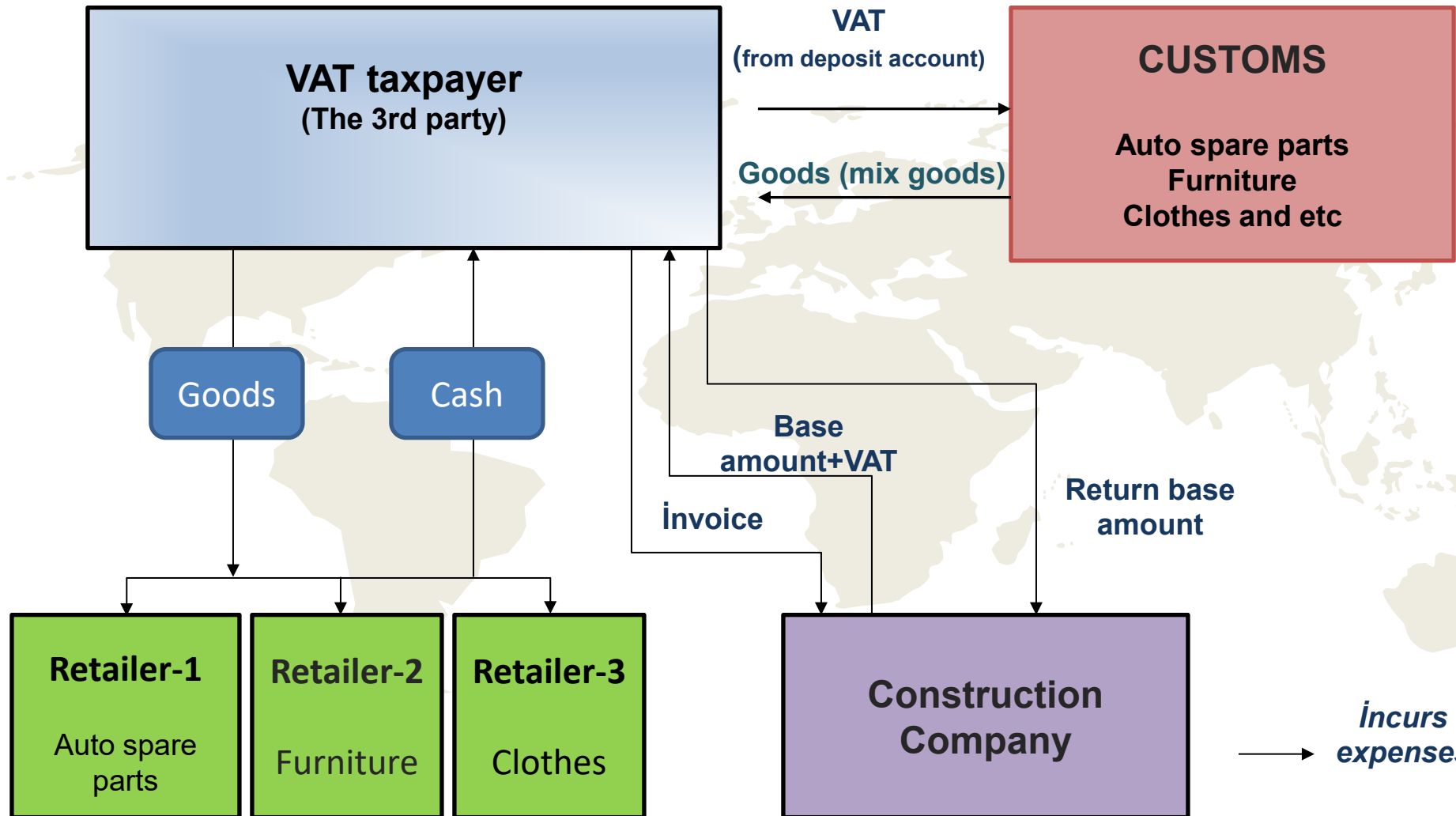




- **Payment of customs VAT and duties for goods imported by others**
(for cash out the funds received in the bank account within the framework of fictitious transactions)
- **Using companies registered in the names of elderly and vulnerable persons to conduct import operations**
(to evade tax liabilities generated after import and sales activities)
- **By declaring goods belonging to third parties under his own name**
(facilitates the actual buyers remaining outside official accounting records.)



Import based fraud





The Following Measures Have Been Implemented to Prevent VAT Evasion:

- VAT Deposit Account Mechanism
- E-Invoice
- Cash register integrated with the State Tax Service in real time
- Unified Risk Platform

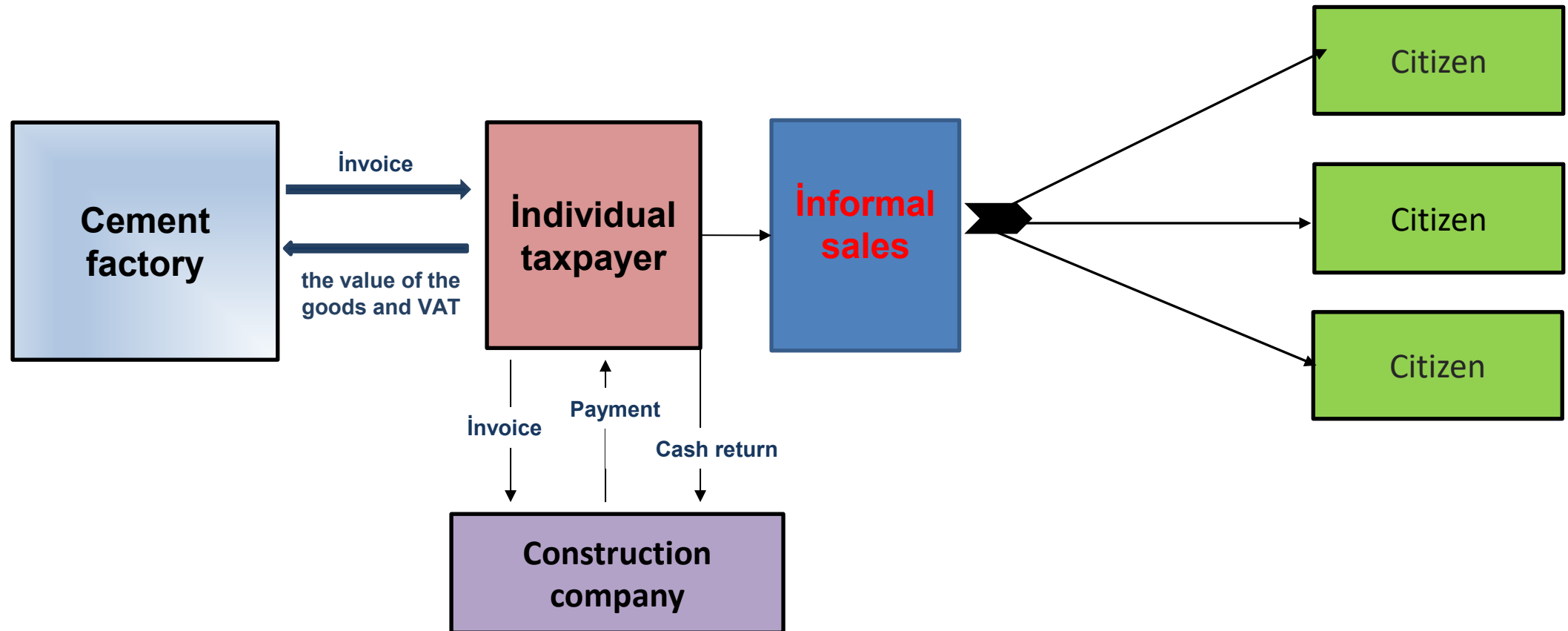




Penalties are also one of the instruments used to deter taxpayers from engaging in fraudulent activities.

- Listed as a risky taxpayer — 10% financial penalty
- Fake invoice — invoice cancelled + 20% profit tax + 18% VAT
- Undocumented sale of goods — 10% financial penalty + 20% of unpaid tax

Production based fraud





The countermeasures are as follows:

- Establishing control posts
- Elektronic Goods Transport Invoice
- Track and trace system

Key Elements of VAT Fraud Prevention



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VAT fraud requires integrated control

Effective prevention requires coordinated action between customs and tax authorities

Digitalization increases transparency

Digital records (e-invoice, e-declaration, e-transport goods invoice) make audits and compliance checks easier.

AI based checking system

AI algorithms can detect and prevent errors such as incorrect data, pricing, tax calculations, or missing information.



THANK YOU FOR YOUR ATTENTION

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