



LEGAL PRESENCE IN AZERBAIJAN

COMPARISON OF BRANCH OFFICE,
REPRESENTATIVE OFFICE, SUBSIDIARY
COMPANY AND JOINT VENTURES FROM
BUSINESS, LAW AND TAX PERSPECTIVES

CASPIAN LEGAL CENTER

Baku-@CLC-2025

www.caspianlegalcenter.az
office@caspianlegalcenter.az

Type of Legal Presence	Business relations and transactions	Legal and Compliance	Finance and taxation
1. New Company Owned by Individuals	<ul style="list-style-type: none"> • Able to enter into contracts under its name • Possible to engage investors or other shareholder partners via share transfer in Azerbaijani entity • Potential advantage during public procurements due to being as local legal entity • Head office or parent company experience, employees, resources, contracts, turnover etc. is not counted towards the new company registered in Azerbaijan (e.g. while tenders, licensing requirements, business profile etc) • May engage in all type of commercial activities • Operates independent of shareholders 	<ul style="list-style-type: none"> • Shareholders have no liability other than initial share capital contribution • Azerbaijani corporate and company law apply to intra-company corporate matters (appointment and dismissal of directors, powers of board of directors/ supervisory board and the shareholders, internal corporate disputes, damages etc) • Azerbaijani Employment Code applies to all employees 	<ul style="list-style-type: none"> • Share capital available as a method of investment and financing • Possible to conclude contract with shareholder (loan, sale of goods and services etc) • Dividends distributed to the shareholders are taxed • Qualifies as resident taxpayer (worldwide income payable in Azerbaijan) • Separate financial statements shall be made • External financial audit is required^[1] annually <p>^[1] <i>Micro and small businesses are exempted.</i></p>
2. Subsidiary Company Owned by a Foreign Company	<ul style="list-style-type: none"> • Able to enter into contracts under its name • Possible to engage investors or other shareholder partners via share transfer in Azerbaijani entity • Potential advantage during public procurements 	<ul style="list-style-type: none"> • Shareholders have no liability other than initial share capital contribution • Azerbaijani corporate and company law apply to intra-company corporate matters • Azerbaijani Employment Code applies to all employees 	<ul style="list-style-type: none"> • Share capital available as a method of investment and financing • Possible to conclude contract with shareholder (loan, sale of goods and services etc) • Dividends distributed to the shareholders are taxed

Subsidiary Company Owned by a Foreign Company (continued)	<ul style="list-style-type: none"> • Head office or parent company experience, resources, contracts, turnover etc. is not counted towards the new company registered in Azerbaijan • May engage in all type of commercial activities • Operates independent of shareholders 		<ul style="list-style-type: none"> • Qualifies as resident taxpayer (worldwide income payable in Azerbaijan) • Separate financial statements shall be made • External financial audit is required annually
3. Joint Venture Company (Subsidiary of joint shareholders)	<ul style="list-style-type: none"> • Unlike other options, shareholder agreement must be concluded • Able to enter into contracts under its name • Possible to engage investors or other shareholder partners via share transfer in Azerbaijani entity • Potential advantage during public procurements • Head office or parent company experience, resources, contracts, turnover etc. is not counted towards the new company registered in Azerbaijan • May engage in all type of commercial activities • Operates independent of shareholders 	<ul style="list-style-type: none"> • Shareholders have no liability other than initial share capital contribution • Azerbaijani corporate and company law apply to intra-company corporate matters • Azerbaijani Employment Code applies to all employees 	<ul style="list-style-type: none"> • Share capital available as a method of investment and financing • Possible to conclude contract with shareholder (loan, sale of goods and services etc) • Dividends distributed to the shareholders are taxed • Qualifies as resident taxpayer (worldwide income payable in Azerbaijan) • Separate financial statements shall be made • External financial audit is required annually
4. Branch Office	<ul style="list-style-type: none"> • Unable to enter into contracts under its name • Impossible to engage investors or other shareholder partners via share transfer in Azerbaijani entity since branch office has no shares 	<ul style="list-style-type: none"> • Head office carries full liability for the operations of the branch (debts, damages and other liabilities) • Law of the registration place (foreign jurisdiction) of the head office applies to intra-company corporate matters 	<ul style="list-style-type: none"> • Share capital is not available • no contract with head office is possible (same entity) • No tax on dividends with regard to countries having double tax treaty with Azerbaijan

Branch Office (continued)	<ul style="list-style-type: none"> • Potential disadvantage during public procurements • Head office company experience, employees, resources, contracts, turnover etc. is counted towards the new branch registered in Azerbaijan (e.g. while tenders, licensing requirements, business profile etc) • May engage in specific type of commercial activities as defined by the Articles of the head office and not exceeding the activities allowed to the head office under the applicable law of registration • Operates in line with head office instructions on its behalf 	<ul style="list-style-type: none"> • Where foreign employee (Branch director or branch employees) concludes employment agreement abroad and continues its works in Azerbaijani branch, the Employment Code of Azerbaijan would not apply 	<ul style="list-style-type: none"> • Qualifies as non-resident taxpayer (only income of the permanent establishment from Azerbaijani sources is subject to Azerbaijani taxes) • Financial statement are consolidated with the head office • No external financial audit is required
5. Representative Office	<ul style="list-style-type: none"> • Unable to enter into contracts under its name • Impossible to engage investors or other shareholder partners via share transfer in Azerbaijani entity since representative office has no shares • Disadvantage during public procurements • Head office company experience, resources, contracts, turnover etc. is counted towards the branch in Azerbaijan • May not engage in commercial activities, but is only allowed to engage in liaison, marketing and representation functions for the head office 	<ul style="list-style-type: none"> • Head office carries full liability for the operations of the representative office • Law of the registration place (foreign jurisdiction) of the head office applies to intra-company corporate matters • Where foreign employee (Representative office director or employees) concludes employment agreement abroad and continues its works in Azerbaijani office, the Employment Code of Azerbaijan would dis-apply 	<ul style="list-style-type: none"> • Share capital is not available • No contract with head office is possible (same entity) • No tax on dividends with regard to countries having double tax treaty with Azerbaijan • Qualifies as non-resident taxpayer • Financial statement are consolidated with the head office • No external financial audit is required



Orhan Beydiyev

Partner

Orkhan Beydiyev is Partner at Caspian Legal Center. He has LL.B degree from Baku State University and LL.M degree from Queen Mary University (UK). He has more than 18 years of commercial and corporate law experience in Azerbaijan and international projects.

Contact email: o.beydiyev@caspianlegalcenter.az



Pari Gasimli

Legal Manager

Pari Gasimli is Legal Manager at Caspian Legal Center. She has LL.B degree from Baku State University and LL.M degree from Cambridge University (UK). She has about 10 years of corporate and business setup experience in Azerbaijan.


Contact email: p.gasimli@caspianlegalcenter.az



 www.caspianlegalcenter.az

 +994 50 289 89 73

 office@caspianlegalcenter.az

 15 "8 November" Avenue Azure
Business Center, 15 th floor, office
98 AZ1025, Baku, Azerbaijan

CASPIAN LEGAL CENTER

law | tax | accounting

