

# How Do Azerbaijani Tax Authorities Determine Business Activity?

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The State Tax Service frequently publishes information on the number of active business entities. For example, according to the Service's [data](#) for the end of 2024, there were 807,000 active taxpayers in the country. According to a [report](#) published by the State Statistics Committee, however, the total number of registered business entities during the same period – including individual entrepreneurs – was slightly more than 1.6 million. In other words, according to the tax authority's database, one out of every two officially registered business units is considered active.

The most interesting aspect of the issue is that it is not possible to find any publicly known legal basis explaining which criteria the State Tax Service uses to classify business entities as active. The Service does not clarify this issue in the relevant data it publishes. One can only assume that business units which regularly submit tax reports – even zero reports – are considered active, even if they do not conduct real activity.

Another interesting point is that the Chamber of Accounts and the State Statistics Committee also publish separate data, using different terminology, on the number of business entities that have real activity and could therefore be considered active. The figures published by both institutions differ sharply from the data of the State Tax Service.

For example, in one of the Chamber of Accounts' recent [reports](#), the number of taxpayers operating at the beginning of 2025 was close to 192,000 units. In the [report](#) of the State Statistics Committee (SSC), the number of business entities in

operation at the beginning of 2025 was 424,000 units. It is true that the SSC calculates this figure without taking large business entities into account. However, it should also be noted that, since large business entities in Azerbaijan account for less than even 0.1 percent of all business entities, their impact on the final result is negligible. At the beginning of 2025, while the total number of registered business entities was close to 1.6 million, the number of large business entities was slightly below 900. In that period, only one out of every 1,850 business entities was registered in the registry as a large business.

Although the Chamber of Accounts also does not explain the criteria by which it divides businesses into active and inactive entities, the SSC report mentioned above clarifies this issue. It states that units included in the state registry and having either turnover or employees during the reporting period are considered business entities in operation. As the data show, compared with the State Tax Service's indicator, the figure published by the Chamber of Accounts is about four times lower, while the SSC's indicator is nearly two times lower.

Although the State Tax Service does not disclose the number of active taxpayers by region, this difference can be observed on the basis of different SSC reports. For example, in one of the two SSC reports mentioned above, the number of registered business entities is shown, while in the other, the number of business entities in operation is presented. An analysis of the reports shows that the difference between these two indicators also varies considerably by region, as shown in the table below.

**Business activity level of business entities by region, data as of the end of 2024**

<b>Region</b>	<b>Number of registered business entities</b>	<b>Number of business entities in operation</b>	<b>Activity coefficient, %</b>
<b>Total for the country</b>	<b>1,584,897</b>	<b>424,527</b>	<b>26.8</b>
Baku	502,588	206,225	41.0
Nakhchivan	49,651	12,339	24.9
Absheron-Khizi	85,897	36,333	42.3
Mountainous Shirvan	42,795	8,245	19.3
Ganja-Dashkasan	91,640	20,780	22.7
Karabakh	92,784	17,465	18.8
Gazakh-Tovuz	112,872	15,157	13.4
Guba-Khachmaz	89,378	14,174	15.9
Lankaran-Astara	148,805	25,750	17.3
Central Aran	103,165	19,331	18.7
Mil-Mughan	77,554	13,215	17.0
Sheki-Zagatala	100,031	18,994	19.0
Eastern Zangazur	7,255	2,245	30.9
Shirvan-Salyan	80,482	14,274	17.7

As official statistics show, at the beginning of 2025, 41-42 percent of officially registered business entities in the Absheron-Khizi region and in the city of Baku were actually operating; these were the highest rates. In the Gazakh-Tovuz region, only 13.4 percent were actually operating; this was the lowest rate. In the remaining regions, the indicator ranged from 16 to 31 percent.

It is also useful to consider how this statistical problem is approached in international practice. For example, according to the United Nations [document](#) titled Manual on Principal Indicators for Business and Trade Statistics, if a business entity has employees who actually work and receive wages

during the reporting period, or if its submitted report shows that it had turnover or made investment, the presence of any one of these three indicators is sufficient to consider that business unit active.

The [Manual](#) on Business Demography Statistics jointly prepared by Eurostat and the OECD presents a similar approach. In addition, it considers the continued possession of assets and liabilities by a business entity as one of the criteria for activity. The document indicates that, in the European Union, payments related to several taxes – including VAT, profit tax, and income tax – are among the main indicators used to determine the activity of business entities.

However, the manual considers it important to collect and publish broader statistical information on enterprise activity. It recommends that this statistical framework separately reflect information on active business entities with employees (legal entities) and without employees (registered as individual entrepreneurs), as well as active business entities with at least one employee and with two or more employees. Statistics on business activity prepared on the basis of these indicators should also cover regions.

This manual treats statistics on active entrepreneurship as part of business demography statistics, that is, the information system on newly established and closed business units. It recommends that reports contain a broad information base. For example, alongside data on newly established enterprises, closed businesses, and the number of active entities, reports should also include information on the number of jobs created by newly established enterprises during the reporting period.

Incidentally, in order to improve statistical reporting on business demography, the SSC does not need to look far: it could examine the [example](#) of neighboring Georgia. The official statistical agency of that country provides information in the

same report on the number of registered and active business units by region. In Azerbaijan, by contrast, this information cannot be obtained directly; it can only be derived indirectly through calculations based on indicators included in different reports.