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# Azerbaijani Tax Aspects of the Securitisation Transactions.

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Audit. Tax. Consulting. Financial Advisory.

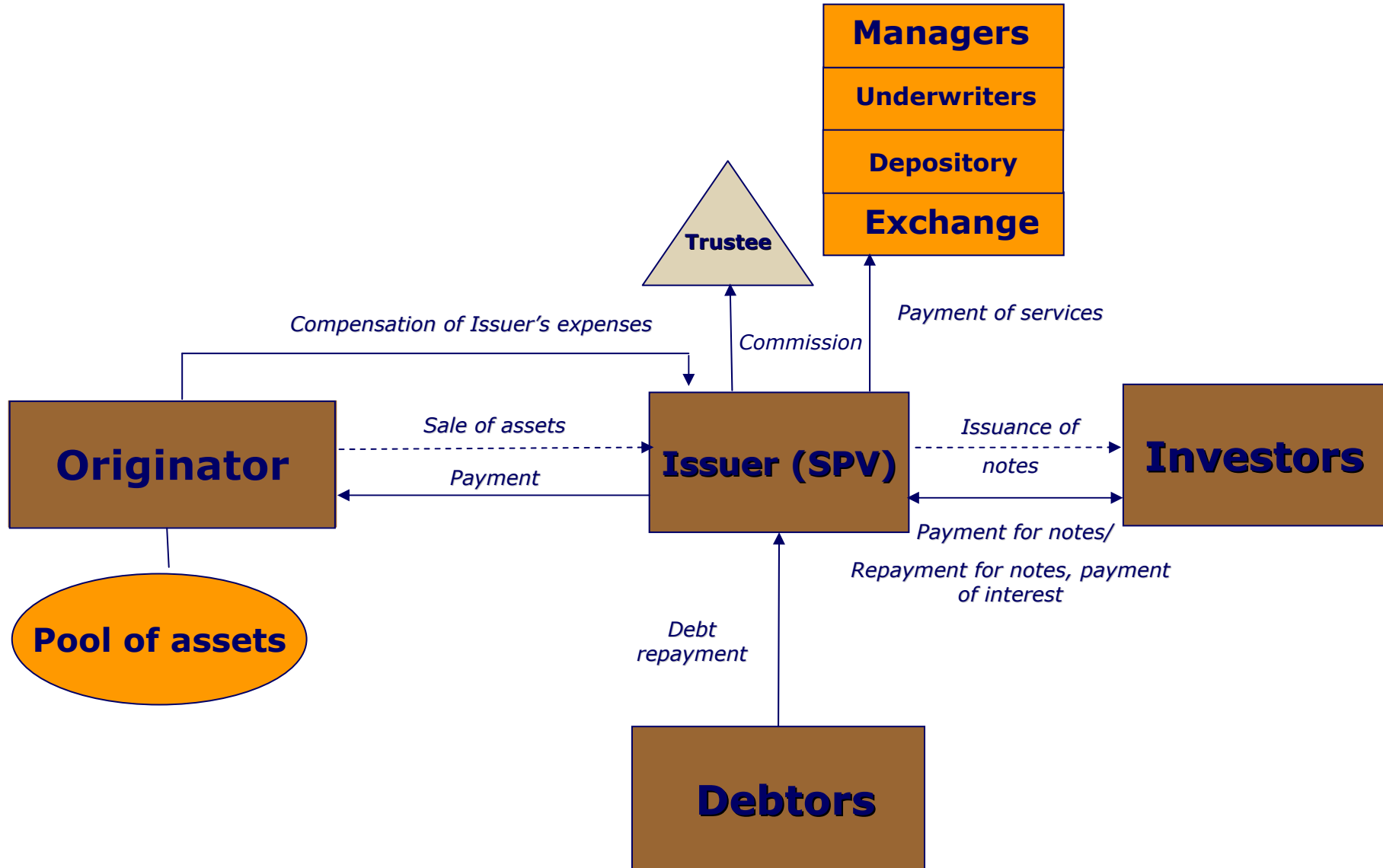


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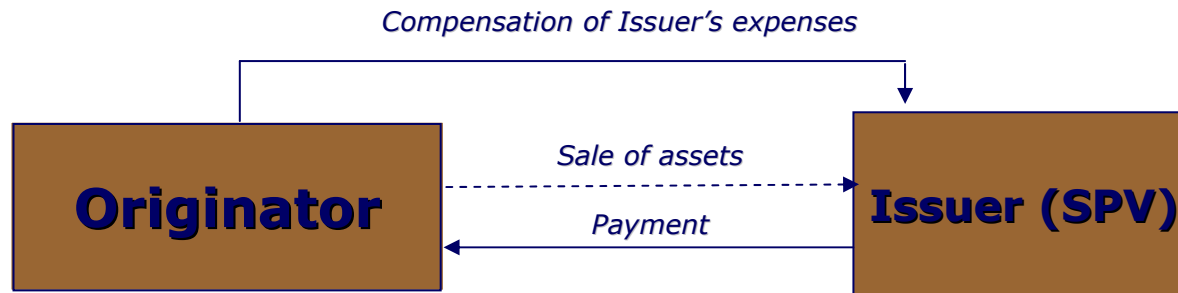
- Structure for “true” sale
- Taxation issues at originator level
- Taxation issues at issuer level
- Criteria for SPV incorporation



# Structure for “true” sale

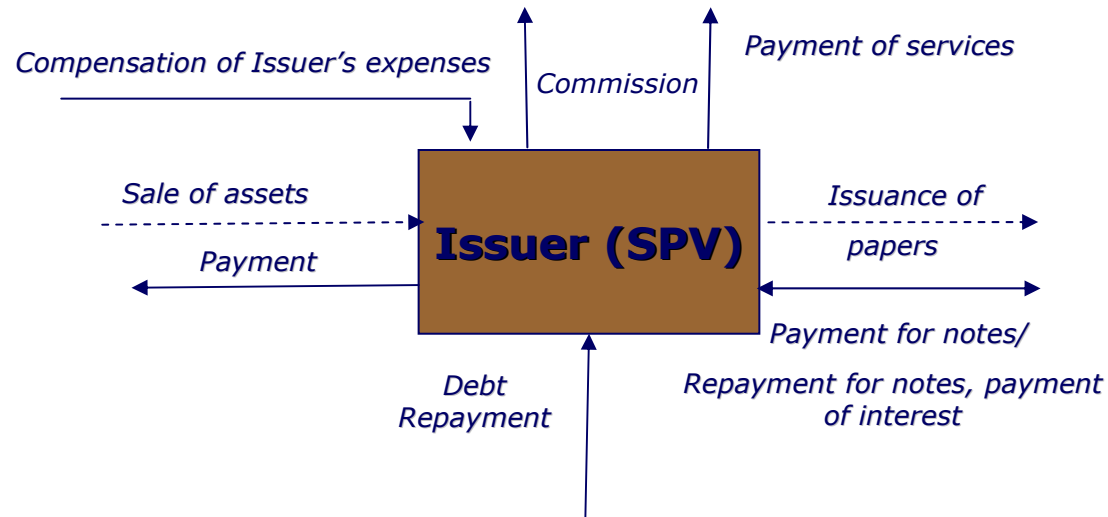


# Taxation Issues at Originator Level



- Profit tax on profit/loss from sale of assets (e.g. receivables). It is expected all sales result in loss for the originator. This will also make the originator to release bad debt provisions and gain taxable income.
- The originator to pay profit tax on the difference between sales price and market price, in case receivables are sold for less than their cost.
- VAT on sale of assets is not clear because receivables are not goods and are not services. However, as per Civil Code receivables can be treated as intangible assets.
- Sale of intangible assets technically is not VATable because it is not considered as a commodity for VAT purposes. However, the authorities' views may be different. Or, the authorities may initiate the change in the law.
- Alternative view: the transfer of receivables can be viewed as financial services as VAT exempt.

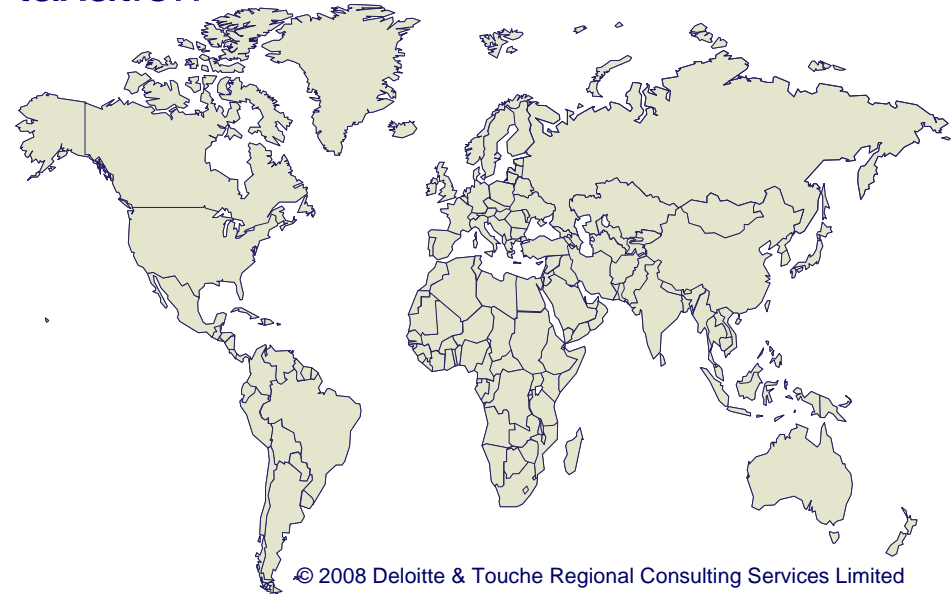
# Taxation Issues at Issuer Level



- Under Tax Code PE risk for SPV is low; the approach of the local tax authorities could be more conservative
- Payments from debtors are taxable at source of payment
- No mechanism for withholding and deduction by individual debtors

# Preferable jurisdictions for Issuer's incorporation

- Jurisdiction with the developed tax legislation
  - Great Britain
  - Delaware (USA)
  - Holland
  - Ireland
  - Luxemburg
- Jurisdiction with the low burden of taxation
  - Cayman Island
  - BVO



# Contact details

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