



Azerbaijan Tax & Legal Update

Sabina Mikayilova
Manager, Tax & Legal Services
7 December 2011



Important changes in the legislation

New mandatory insurance law

On 18 September 2011, the Law "On mandatory types of insurance" came into force. The new law replaces previous four laws – the Law “On mandatory insurance of the civil liability of vehicle owners”, the Law “On mandatory ecological insurance”, the Law “On mandatory insurance of passengers”, and the Law “On mandatory fire insurance”.

Compulsory insurance types

The new law stipulates four types of mandatory insurance – insurance of immovable property, civil liability of vehicle owners, civil liability of immovable property owners and passenger insurance.

Insurance Bureau

The new law also envisages establishment of the Insurance Bureau, a union of legal entities whose main task will be to protect interests of insurers, to propose changes in the legislation, to prepare guidance on making compensations and etc. The Insurance Bureau must be established within two months after the law came into force.

Regulating body

The President appointed the Ministry of Finance as a competent body to determine rates of insurance premiums, a membership fees in the Insurance Bureau.

Important changes in the legislation

Changes in regulations on issuance of work permit

- The Cabinet of Ministers made changes to regulations on the issuance of work permits on October 7, 2011.
- According to the changes the State Migration Service which is the competent authority for the issuance of work permits must have an opinion of the Ministry of Labor and Social Protection of Population in order to issue a work permit. The State Migration Service will assess the application for a work permit within 20 days.
- The Ministry of Labor and Social Protection of Population will have five days to provide its opinion on need for the applicant in the Azerbaijani labor market. If the Ministry does not provide its opinion within the mentioned period, it will be regarded as consent to issue a work permit.

Important changes in the legislation

Simplified procedures for tourist visa application

- Introduced by the amendments dated 8 April 2011 to the Law “On coming to the country, leaving the country and passports” and became effective from 1 June 2011;
- Tourists are eligible for 30 days single entry visa upon provision of necessary documents to the Embassies or Consulates of Azerbaijan in their countries of residence or third countries;
- Personal attendance is not required for visa application;
- Expatriates may apply for tourist visa either personally or through their representatives, through the travel agencies by online applications or by sending the required documents via postal service;
- Online application forms supplemented by scanned copies of the required documents are electronically submitted to the embassies and consulates of Azerbaijan;
- Electronic visas are not sealed to the passport and contain specific bar code for identification during the border clearance. The form of electronic visas have already been approved by a Decree of the Cabinet of Ministers dated 20 May 2011;
- The amendments set a period of 15 days for processing the visa application.

Important changes in the legislation

Tax Appeal Council

- By the Order of the Minister of Taxes dated 27 September 2010 the Appeal Council for proceeding appeals with respect to decisions made by lower tax bodies was established;
- The Appeal Council has made several decisions in favor of taxpayers.

Unified body for state registration of companies

- On 25 January 2011, the Division for Registration of Commercial Legal Entities of the Baku City Department was appointed as unified body for registration of all commercial entities with foreign investments, financial-industrial groups, banks, investment funds, insurance and audit organizations across the country.

Important changes in the legislation

Changes at customs

- Decree #388 of the President of Azerbaijan dated 25 February 2011 requires creation of one-stop shop for customs processing, payment of customs duties via bank transfer or by use of plastic cards and creation of electronic management system.

New Customs Code

- President has approved new Customs Code, which will come into force from 1 January 2012. The new Code complies with the standards and norms of the World Trade Organization. Major novelties brought up by the Code include simplification of forms and methods of customs controls, acceleration of the process of Azerbaijan's membership to WTO, electronic submission of the documents including customs declarations.

Important changes in the legislation

Certain Measures for enhancement of E-services at State Institutions

- On 24 November 2011, the Cabinet of Ministers adopted a Decree on rules for the provision of e-services and details of the areas in which they will be provided. Central Executive Authorities, which comprise Ministries, State Committees and State Agencies, are ordered to prepare an e-service section on their web pages. Authorities are also required to provide facility for real time online payment of state duties for services through their web pages;
- The Ministry of Communications and Information Technologies is required to arrange assignment of electronic signatures to natural and legal persons upon their request;
- Ministry of taxes has already commenced e-registration of physical persons through the web site of the Ministry of Taxes as of 01 July 2011.

E-audit

- The Ministry of Taxes in collaboration with the Government of the Netherlands prepares an e-audit system;
- E-audit will facilitate tax audit process and ensure fast and cost efficient tax audits.

Important changes in the legislation

Penalty for avoiding audit

- The Law on Amendments and Changes to the Law “On Audit” and the Code of Administrative Offences that came into force on 15 April 2011 sets a penalty from AZN 1,500 to AZN 2,500 for legal entities which fail to comply with mandatory audit requirements.

New law on investment funds

- Mutual Investment funds and joint stock investment funds are recognized;
- Mutual investment fund is not subject to profit tax since it is not a legal entity;
- VAT exemption is applied to management of investment funds;
- However, no clear legal framework exists for taxation of investment funds.

Important changes in the legislation

The Constitutional Court decisions

- The Constitutional Court decision of 12 January 2011 provides that taxes, interests, and financial sanctions not collected within five years after a reporting deadline must be written off.

Important changes in the legislation

New licensing rules

- Presidential Decree dated 26 October 2011 on certain aspects of special permit and license system required for conducting certain types of business activities envisages introduction of single licensing process in Azerbaijan;
- The Decree lists the core criteria for defining the business activities requiring licenses and permits;
- The Cabinet of Ministers is assigned to provide the new draft of the “Law on Licenses and Permits” within three months;
- The Ministry of Economic Development is to introduce an internet portal with detailed information and related regulations within three months.

Increase of the rate of minimum salary

- On 1 December 2011 the President signed the decree on the increase of amount of minimum monthly salary in Azerbaijan.
- The minimum monthly salary was increased by 10% and will now amount to AZN 93.5.

Important changes in the legislation

Double Tax Treaty News

On 30 September 2011, the parliament of Azerbaijan ratified the Double Tax Treaty and its protocol to that treaty between Azerbaijan and Slovenia.

The tax treaty and its protocol will come into force after the exchange of the ratification instruments between the governments of two states. Together with this treaty, a number of double tax treaties of Azerbaijan has reached to 41 out of which 37 are effective.

Moreover, the Governments of Azerbaijan and Morocco initiated the Double Tax Treaty on 23 September 2011. The next stage will be signing the treaty by the representatives of the Governments.

The Government of Azerbaijan plans to conclude double tax treaties with more than 10 states. Currently the Government negotiates the tax treaties with Spain, Malta, Macedonia and etc.

Deloitte.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms. Please see www.deloitte.com/ru/about for a detailed description of the legal structure of Deloitte CIS.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world class capabilities and deep local expertise to help clients succeed wherever they operate. Deloitte's 182,000 professionals are committed to becoming the standard of excellence.

Deloitte's professionals are unified by a collaborative culture that fosters integrity, outstanding value to markets and clients, commitment to each other, and strength from diversity. They enjoy an environment of continuous learning, challenging experiences, and enriching career opportunities. Deloitte's professionals are dedicated to strengthening corporate responsibility, building public trust, and making a positive impact in their communities.